DIVIDEND CAPITAL TRUST INC
Form PREM14A
August 14, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

DIVIDEND CAPITAL TRUST INC.

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

CALCULATION OF FILING FEE

Title of Each Class of Securities to Which Transaction Applies	Aggregate Number of Securities	Proposed Maximum Aggregate Value of Transaction(1)	Total Fee Paid(2)

	to Which Transaction Applies		
Limited Partnership Units of Dividend Capital Operating Partnership LP	15,111,111 Limited Partnership Units	$ 170,000,000	$ 34,000

(1) Estimated solely for the purpose of computing the amount of the filing fee pursuant to Rule 0-11(c)(1)(i) under the Securities Exchange Act of 1934, as amended.

(2) Pursuant to Rules 14a-6(i)(1) and 0-11(a)(4) and (c)(1) under the Securities Exchange Act of 1934, as amended, a fee of $34,000 has been paid herewith, which is equal to 1/50th of 1% of the value of the securities to be transferred to security holders in the transaction.

¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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DIVIDEND CAPITAL TRUST INC.

518 17th Street, Suite 1700

Denver, Colorado 80202

August , 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of Dividend Capital Trust Inc., a Maryland corporation, to be held on September , 2006, at :00 a.m., local time, at (we refer to the meeting, including any adjournment or postponement, as the **Annual Meeting**). Enclosed with this letter are the notice setting forth the business to come before the Annual Meeting, the proxy statement and the proxy card. Our 2005 Annual Report was mailed to you on or about April 30, 2006.

At the Annual Meeting, in addition to considering and voting on routine business matters including the election of directors, you will be asked to consider and vote on several other matters that are important to the future of our company. Specifically, you will be asked to consider and vote upon proposals that, if adopted, will:

- allow us to complete a conversion later this year from our current externally-advised structure to the kind of self-advised structure that is more typical of large, publicly-traded real estate investment trusts (**REITs**); and

- position us to pursue a stock exchange listing of our shares of common stock, par value $0.01 per share (our **common shares**), if and when market conditions make it desirable to do so and it is otherwise in our best interest.

These matters are detailed briefly below, and are explained in more detail in the enclosed materials. I urge you to read these materials carefully.

Since our inception, our day-to-day operations have been managed by our external advisor, Dividend Capital Advisors LLC (the **Advisor**), under the supervision of our Board of Directors (the **Board**) pursuant to the terms and conditions of an advisory agreement with the Advisor. Our Board has been evaluating whether we should convert from our current external advisory structure to a self-advised structure in order to obtain the financial and other benefits described below and in the enclosed proxy statement. After due deliberation and consideration of various factors and upon the recommendation of a special committee of our Board comprised of our independent directors, our Board determined that it would be fair and reasonable to us and advisable and in the best interests of our company and our stockholders to become self-advised to realize those benefits. We propose to accomplish this by acquiring the Advisor and thereby internalizing the operations of the Advisor (the **Internalization**).

Since our inception, our common shares have not been listed or traded on any securities exchange (**Listed**), such as the New York Stock Exchange, Inc. (**NYSE**) or The Nasdaq Stock Market, Inc., or in the over-the-counter market. In addition to considering the Internalization, our Board has also been considering whether we should list our common shares on a national securities exchange (a **Listing**) and has decided that a Listing is likely to be beneficial to us and our stockholders. Accordingly, our Board is recommending a series of additional corporate actions requiring your vote that will better position us to pursue a Listing, if market conditions make it desirable to do so and it is otherwise in our best interest to do so.

In our current externally-advised structure, we do not have any of our own employees. In exchange for the Advisor s services, we pay compensation to the Advisor that includes among other components a base advisory fee, capital raising fees and acquisition fees. In addition, Dividend Capital Advisors Group LLC, the parent company of the Advisor (the **Advisor s Parent**), holds a special series of units of limited partnership interest (the **Special Units**) in our operating partnership, Dividend Capital Operating Partnership LP (our **Operating Partnership**), that entitle it to certain special distribution rights in connection with, among other events, our liquidation or a termination of the advisory agreement with the Advisor.

When we were organized in April 2002, our Board determined that the size and scope of our business operations were insufficient to support the overhead costs associated with a self-advised structure. Accordingly,

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we contracted with the Advisor to provide all personnel, accounting, administrative and other support services and resources necessary for our business operations. Since then, we have grown rapidly. We held over $2.2 billion in assets at March 31, 2006. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we expect to hire various individuals associated with the Advisor or its affiliates who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies.

As explained below, we believe that by completing the Internalization we will enhance the likelihood of a successful Listing; however, we expect that the Internalization will be beneficial to us even if we do not complete a Listing. We believe the Internalization that we are proposing will be accretive over time to our net income per share and our funds from operations (**FFO**) per share because the reduction in our operating costs that will result from eliminating the advisory and other fees we otherwise would continue to pay to the Advisor will more than offset the dilutive effect of the issuance of additional units of limited partnership interest in our Operating Partnership (**OP Units**) pursuant to the Internalization and the direct employee and related expenses we will incur. We also believe that the kinds of equity-based compensation arrangements we will enter into with the members of our senior management team effective upon the closing of the Internalization will better align their interests with those of our stockholders than the current arrangements (under which many of those managers have indirect interests in the equity or net cash flow of the Advisor).

Our Board s review of strategic alternatives included a deliberation of whether we should pursue a Listing because of the advantages a Listing could bring. Among other things, a Listing would create greater liquidity for our stockholders, who at present have only very limited opportunities to sell their common shares if and when they wish to do so. A Listing also could allow us greater access to capital to fund our future growth. Finally, our charter (the **Articles**) requires that, by February 2013, we either arrange for a Listing of our common shares on a national securities exchange or an over-the-counter market, or begin a liquidation of our assets in an orderly fashion. Completing a Listing well before 2013 could help eliminate uncertainty about whether we could be forced to liquidate at that time. After considering these factors, our Board has decided that we should pursue a Listing following the consummation of the Internalization, if and when market conditions make it desirable to do so and it is otherwise in our best interest to do so. However, there can be no assurance that we will in fact complete a Listing or that market conditions will permit us to do so. In addition, while we believe that the proposed Internalization should help facilitate a Listing, the Internalization we are proposing is not contingent upon completion of a Listing because we believe the Internalization will be beneficial to us whether or not we complete a Listing.

We believe any future Listing will be more likely to be successful if we are self-advised. Companies that qualify as REITs for U.S. federal income tax purposes and whose securities are publicly traded and listed on the NYSE (**Listed REITs**), including REITs like us that own industrial properties, are predominantly self-advised. As of the date of the enclosed proxy statement, 96 of the 100 largest Listed equity REITs by equity market capitalization were self-advised. We believe the prevalence of the self-advised model reflects investor preference and that, if our common shares were Listed, investors and market analysts could view us more favorably if we were self-advised. We also believe that in light of these investor preferences, being self-advised when we are Listed could positively impact our share price performance.

The Internalization, which our Board is recommending for your approval, will be effectuated through the contribution by the Advisor s Parent of the entire outstanding membership interest, and all economic interests, in the Advisor. The Advisor s Parent will receive an aggregate of 15,111,111 OP Units (the **Internalization Consideration**) in the Internalization, which includes the modification of the Special Units held by the Advisor s Parent into OP Units. The Internalization will be effected pursuant to a contribution agreement dated as of July 21, 2006 by and among us, our Operating Partnership and the Advisor s Parent (the **Contribution Agreement**). In connection with the Internalization, we have entered into employment agreements (the **Employment Agreements**) with certain individuals associated with the Advisor or its affiliates pursuant to which those individuals will become our employees effective upon the closing of the Internalization.

All of our officers and some of our directors are employees of or consultants to the Advisor or its affiliates and some of our directors and officers indirectly hold membership interests in the Advisor s Parent that, in the aggregate, constitute more than a majority of the outstanding membership interests in the Advisor s Parent. These relationships result in those directors and officers having material financial interests in the Internalization. To address these potential conflicts of interest and to satisfy certain requirements contained in our Articles, our Board formed a special committee consisting of our four independent directors, who are not our officers and have no financial interest in the Advisor s Parent or the proposed Internalization that differs from those of our stockholders (the **Special Committee**). Our Board authorized the Special Committee to review, consider and negotiate the terms and conditions of the Internalization and to make a recommendation to our entire Board on whether to pursue the Internalization and, if so, on what terms and conditions. In evaluating the Internalization, the Special Committee engaged and consulted with its own legal and financial advisors and considered various factors which are more fully described in the accompanying proxy statement.

In anticipation of the Internalization, we are proposing to amend and restate our Articles to reflect that we will be self-advised effective on the closing of the Internalization and to change the name of our company to DCT Industrial Trust Inc. To facilitate a possible future Listing, we are proposing a second set of amendments to our Articles that would become effective only upon consummation of a Listing, to conform more closely with the charters of other Listed REITs. In connection with these amendments to our Articles, we also will amend our bylaws (the **Bylaws**) in order to make conforming changes, but the changes to the Bylaws will not require action by our stockholders.

We are also proposing to adopt a 2006 Long-Term Incentive Plan and a 2006 Incentive Compensation Plan, which plans our Board is recommending for your approval. These plans were established by the Board, which worked with its legal advisors and with employment compensation consultants to survey and study the market compensation ranges of our competitors, and are designed to help us to attract, retain and motivate highly qualified individuals and more directly align the interests of our management with those of our stockholders. The Employment Agreements, which will generally become effective as of the closing of the Internalization, are with the persons who will constitute our senior management following the Internalization. These agreements provide, among other things, for long-term incentive compensation awards and target bonuses that will be paid pursuant to the plans we are proposing for adoption. If the 2006 Long-Term Incentive Plan is not approved by our stockholders, pursuant to the terms of the Employment Agreements, the members of our senior management will be entitled to terminate their respective agreements for good reason. Further, if the 2006 Long-Term Incentive plan is not approved by our stockholders, it could materially adversely affect our ability to retain senior management and attract qualified replacements and other personnel.

At this year s Annual Meeting, you are being asked to consider and vote on the following seven proposals:

A proposal to elect seven nominees to our Board to hold office until the 2007 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified, which requires the affirmative vote of holders of a majority of our common shares present in person or by proxy and entitled to vote at a meeting where a quorum is present (we refer to this proposal in the accompanying proxy statement as the **Director Proposal**).

A proposal to ratify our selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2006, which requires the affirmative vote of a majority of the votes cast at a meeting where a quorum is present (we refer to this proposal in the accompanying proxy statement as the **Accountant Proposal**).

A proposal to approve the Internalization, which, pursuant to the Contribution Agreement, requires the affirmative vote of the holders of at least a majority of our common shares represented in person or by

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proxy that are entitled to be and actually are voted at a meeting where a quorum is present (excluding for this purpose common shares beneficially owned by any of the Advisor, the Advisor s Parent or their affiliates) (we refer to this proposal in the accompanying proxy statement as the **Internalization Proposal**).

Some of our directors collectively have beneficial ownership and control with their respective spouses of an aggregate of a 58.9% membership interest in the Advisor s Parent and are collectively entitled to receive 32.644% of the net cash flow of the Advisor s Parent (**Cash Flow Interests**), and the Internalization will result in such persons collectively receiving indirect beneficial ownership with their respective spouses of approximately 4.9 million OP Units. As required by our Articles, the common shares owned by our directors and officers and their respective affiliates are not entitled to be voted on the Internalization Proposal. **Even if approved by our stockholders, the Internalization Proposal will not be implemented unless certain other closing conditions to the Internalization, as set forth in the Contribution Agreement, are satisfied. Any or all of the closing conditions to our performance obligations under the Contribution Agreement may be waived by us in our sole discretion.**

A proposal to approve an amendment and restatement of our Articles, which will become effective upon consummation of the Internalization and requires the affirmative vote of the holders of at least a majority of our outstanding common shares, to modify certain provisions to reflect that we have become self-advised and to change the name of our company to DCT Industrial Trust Inc. (we refer to this proposal in the accompanying proxy statement as the **Pre-Listing Charter Amendment Proposal**). **Even if approved by our stockholders, this proposal will not be implemented unless the Internalization occurs. If this proposal is approved and the Internalization occurs, this proposal will be implemented regardless of whether the Post-Listing Charter Amendment Proposal described below is approved.**

A proposal to approve a further amendment and restatement of our Articles, which will become effective upon a Listing and requires the affirmative vote of the holders of at least a majority of our outstanding common shares, to modify certain provisions to conform more closely to the articles of incorporation of Listed REITs (we refer to this proposal in the accompanying proxy statement as the **Post-Listing Charter Amendment Proposal**). **Even if approved by our stockholders, this proposal will not be implemented unless a Listing occurs and the Pre-Listing Charter Amendment Proposal is approved.**

A proposal to approve and adopt our 2006 Long-Term Incentive Plan, which requires the affirmative vote of a majority of the votes cast at a meeting where a quorum is present and at which the total votes cast on this matter represent over 50% of the shares entitled to vote (we refer to this proposal in the accompanying proxy statement as the **Long-Term Incentive Plan Proposal**). **If approved, this proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders.**

A proposal to approve and adopt our 2006 Incentive Compensation Plan, which requires the affirmative vote of a majority of the votes cast at a meeting where a quorum is present (we refer to this proposal in the accompanying proxy statement as the **Incentive Compensation Plan Proposal**). **If approved, this proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders.**

In addition to these seven proposals, at the Annual Meeting you may be asked to consider any other matters that properly may be presented at the Annual Meeting or any adjournment or postponement of the Annual Meeting, including proposals to adjourn the Annual Meeting with respect to proposals for which insufficient votes to approve were cast, and, with respect to such proposals, to permit further solicitation of additional proxies by our Board.

The accompanying proxy statement contains a more complete description of the Internalization Proposal and each of the other proposals that you are being asked to approve. It also explains the material financial interests of our officers and some of our directors in the Internalization. We urge you to carefully review the accompanying proxy statement and its appendices.

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Our Board unanimously recommends that you vote **FOR** each of the proposals to be considered and voted on at the Annual Meeting (Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have material financial interests in the Internalization, have abstained from joining in our Board s recommendation with respect to the Internalization Proposal).

Your vote is very important. Regardless of the number of common shares that you own, it is very important that your common shares be represented at our Annual Meeting. This year, you may authorize your proxy over the Internet, as well as by telephone or by mailing a proxy card. Authorizing your proxy over the Internet, by telephone, or in writing will ensure your representation at the Annual Meeting if you choose not to attend in person. Please complete the proxy card and return it in the accompanying postage-paid envelope or grant your proxy by telephone or over the Internet, even if you plan to attend the Annual Meeting. If you attend the Annual Meeting in person, you may, if you wish, revoke your proxy and vote in person.

Sincerely,

Evan H. Zucker
Chief Executive Officer and Secretary

Questions and requests for assistance in voting your common shares may be directed to Georgeson Shareholder Communications, which is assisting us with the solicitation of proxies, toll-free at 1-877-260-0388.

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DIVIDEND CAPITAL TRUST INC.

518 17th Street, Suite 1700

Denver, Colorado 80202

Notice of Annual Meeting of Stockholders and Proxy Statement

Annual Meeting to be Held on September , 2006

To Our Stockholders:

Notice is hereby given that the 2006 Annual Meeting of Stockholders of Dividend Capital Trust Inc., a Maryland corporation, will be held at :00 a.m., local time, on September , 2006, at (we refer to the meeting, including and any adjournment or postponement, as the **Annual Meeting**) for the following purposes:

1. To elect seven nominees to our board of directors (the **Board**) to hold office until the 2007 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified. This proposal (we refer to this proposal in the accompanying proxy statement as the **Director Proposal**) requires the affirmative vote of holders of a majority of the shares of common stock, par value $0.01 per share (our **common shares**), present in person or by proxy and entitled to vote at a meeting where a quorum is present.

2. To consider and vote upon a proposal to ratify our selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2006. This proposal (we refer to this proposal in the accompanying proxy statement as the **Accountant Proposal**) requires the affirmative vote of a majority of the votes cast at a meeting where a quorum is present.

3. To consider and vote upon a proposal to approve the acquisition by Dividend Capital Operating Partnership LP (our **Operating Partnership**) of Dividend Capital Advisors LLC, our external advisor that manages our day-to-day activities under the supervision of our Board (the **Advisor**). Pursuant to the Contribution Agreement, dated as of July 21, 2006 (the **Contribution Agreement**), by and among us, our Operating Partnership and Dividend Capital Advisors Group LLC, the parent company of the Advisor (the **Advisor s Parent**), this proposal (we refer to this proposal in the accompanying proxy statement as the **Internalization Proposal**) requires the affirmative vote of the holders of at least a majority of our common shares represented in person or by proxy that are entitled to be and actually are voted at a meeting where a quorum is present (excluding for this purpose common shares beneficially owned by any of the Advisor, the Advisor s Parent or their affiliates). As required by our charter (the **Articles**), the common shares owned by our directors and officers and their respective affiliates are not entitled to be voted on the Internalization Proposal. Pursuant to the Contribution Agreement, the parties propose to accomplish this internalization (the **Internalization**) through the contribution by the Advisor s Parent of the entire outstanding membership interest, and all economic interests, in the Advisor in exchange for aggregate consideration of 15,111,111 units of limited partnership interest (**OP Units**) in our Operating Partnership (the **Internalization Consideration**), which includes the modification of a special series of units of limited partnership interest (the **Special Units**) in our Operating Partnership held by Advisor s Parent into OP Units. **Even if the Internalization Proposal is approved by our stockholders, the Internalization will not be completed unless certain conditions, as set forth in the Contribution Agreement, are satisfied or waived. Any or all of the closing conditions to our performance obligations under the Contribution Agreement may be waived by us in our sole discretion.**

4. To consider and vote upon a proposal to approve an amendment and restatement of our Articles in connection with the proposed Internalization. This proposal (we refer to this proposal in the accompanying proxy statement as the **Pre-Listing Charter Amendment Proposal**) requires the affirmative vote of the holders of at least a majority of our outstanding common shares. The principal purposes of the amendment contemplated by this proposal are to reflect that, following completion of the Internalization, we no longer will be externally advised and to change the name of our company to DCT Industrial Trust Inc. **Even if the Pre-Listing Charter Amendment Proposal is approved by our stockholders, the amendment will not take effect unless the Internalization occurs. Further, if this proposal is approved and the Internalization occurs, this proposal may be implemented regardless of whether the Post-Listing Charter Amendment Proposal described below is approved.**

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5. To consider and vote upon a proposal to approve a further amendment and restatement of our Articles, which will become effective upon a future listing or quotation (a **Listing**) of our existing outstanding common shares on a national securities exchange, including the New York Stock Exchange, Inc. (the **NYSE**) or The Nasdaq Stock Market, Inc., or an over-the-counter market. This proposal (we refer to this proposal in the accompanying proxy statement as the **Post-Listing Charter Amendment Proposal**) requires the affirmative vote of the holders of at least a majority of our outstanding common shares. The principal purpose of the amendment contemplated by this proposal is to conform the provisions of our Articles more closely to the charters of other real estate investment trusts whose securities are publicly traded and listed on the NYSE. **Even if the Post-Listing Charter Amendment Proposal is approved by our stockholders, the amendment will not take effect unless a Listing occurs and the Pre-Listing Charter Amendment Proposal is approved.**

6. To consider and vote upon a proposal to approve and adopt our 2006 Long-Term Incentive Plan. This proposal (we refer to this proposal in the accompanying proxy statement as the **Long-Term Incentive Plan Proposal**) requires the affirmative vote of a majority of the votes cast at a meeting where a quorum is present and at which the total votes cast on this matter represent over 50% of the shares entitled to vote. **If approved, the Long-Term Incentive Plan Proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders**.

7. To consider and vote upon a proposal to approve and adopt our 2006 Incentive Compensation Plan. This proposal (we refer to this proposal in the accompanying proxy statement as the **Incentive Compensation Plan Proposal**) requires the affirmative vote of a majority of the votes cast at a meeting where a quorum is present. **If approved, the Incentive Compensation Plan Proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders.**

8. To consider and act on any other matters that may properly be presented at the Annual Meeting or any adjournment or postponement of the Annual Meeting, including proposals to adjourn the Annual Meeting with respect to proposals for which insufficient votes to approve were cast and, with respect to such proposals, to permit further solicitation of proxies by our Board.

Our Board unanimously recommends that you vote **FOR** each of the proposals to be considered and voted on at the Annual Meeting (Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have material financial interests in the Internalization, have abstained from joining in our Board s recommendation with respect to the Internalization Proposal).

These items of business are described for you in detail in the accompanying proxy statement. We encourage you to read the proxy statement, and the documents attached as appendices hereto, carefully and in their entirety. Only holders of record of our common shares at the close of business on August , 2006 will be entitled to receive notice of, and to vote at, the Annual Meeting or at any adjournment or postponement thereof.

You are cordially invited to attend the Annual Meeting in person. All stockholders, whether or not they plan to attend the Annual Meeting, are requested to complete, date and sign the enclosed proxy card and return it promptly in the envelope provided. You also may authorize your proxy by telephone or via the Internet by following the instructions on the proxy card. **It is important that your shares be voted**. By returning your proxy promptly, you can help us avoid additional expenses by helping to ensure that a quorum is met so the Annual Meeting can be held. If you decide to attend the Annual Meeting, you may revoke your proxy and vote your common shares in person.

By Order of the Board of Directors,

Evan H. Zucker

Chief Executive Officer and Secretary

August , 2006

Denver, Colorado

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DIVIDEND CAPITAL TRUST INC.

518 17th Street, Suite 1700

Denver, Colorado 80202

PROXY STATEMENT

General Information

This proxy statement is furnished by the board of directors (the **Board**) of Dividend Capital Trust Inc., a Maryland corporation, in connection with the solicitation by our Board of proxies to be voted at the 2006 Annual Meeting of Stockholders to be held at :00 a.m., local time, on September , 2006, at , and at any adjournment or postponement thereof (such meeting, and any adjournment or postponement thereof, the **Annual Meeting**), for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement. Only holders of record of our shares of common stock, par value $0.01 per share (our **common shares**), at the close of business on August , 2006 (the **Record Date**) will be entitled to receive notice of, and to vote at, the Annual Meeting. This proxy statement and the proxy card are first being mailed on or about August , 2006, to stockholders of record as of the Record Date. Our 2005 Annual Report was previously mailed to you on or about April 30, 2006.

As of the Record Date, of our common shares were outstanding and entitled to vote. Each common share entitles the holder thereof to one vote on each of the matters to be voted upon at the Annual Meeting. Pursuant to our charter (the **Articles**), our directors and officers and their respective affiliates will be prohibited from voting on the Internalization Proposal (as defined below).

Proxy and Voting Procedures

Any proxy, if received in time, properly signed and not revoked, will be voted at the Annual Meeting in accordance with the directions of the stockholder granting the proxy. If no directions are specified, the proxy will be voted **FOR**:

1) a proposal to elect the seven nominees named below to our Board, to hold office until the 2007 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified (the **Director Proposal**);

2) a proposal to ratify our selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2006 (the **Accountant Proposal**);

3) a proposal to approve the acquisition (the **Internalization**) of Dividend Capital Advisors LLC, our external advisor that manages our day-to-day activities under the supervision of our Board (the **Advisor**), by Dividend Capital Operating Partnership LP (our **Operating Partnership**), through the contribution by Dividend Capital Advisors Group LLC, the parent company of the Advisor (the **Advisor s Parent**), of the entire outstanding membership interest, and all economic interests, in the Advisor to our Operating Partnership, in exchange for aggregate consideration of 15,111,111 units of limited partnership interest (**OP Units**) in our Operating Partnership, which includes the modification of a special series of units of limited partnership interest (the **Special Units**) in our Operating Partnership held by the Advisor s Parent into OP Units, pursuant to a Contribution Agreement, dated as of July 21, 2006 (the **Contribution Agreement**), by and among us, our Operating Partnership and the Advisor s Parent (the **Internalization Proposal**). **Even if approved by our stockholders, the Internalization Proposal will not be implemented unless certain other closing conditions to the Internalization, as set forth in the Contribution Agreement, are satisfied. Any or all of the closing conditions to our performance obligations under the Contribution Agreement may be waived by us in our sole discretion;**

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4) the approval of an amendment and restatement of our Articles, which will become effective upon consummation of the Internalization, to modify certain provisions to reflect that we have become self-advised and to change the name of our company to DCT Industrial Trust Inc. (the **Pre-Listing Charter Amendment Proposal**). **Even if approved by our stockholders, this proposal will not be implemented unless the Internalization occurs. Further, if this proposal is approved and the Internalization occurs, this proposal may be implemented regardless of whether the Post-Listing Charter Amendment Proposal described below is approved**;

5) the approval of a further amendment and restatement of our Articles, which will become effective upon the future listing or quotation (the **Listing**) of our existing outstanding common shares on a national securities exchange, including the New York Stock Exchange, Inc. (the **NYSE**) or The Nasdaq Stock Market, Inc. (the **NASDAQ**), or an over-the-counter market, to modify certain provisions to conform more closely to the charters of other real estate investment trusts (**REITs**) whose securities are publicly traded and listed on the NYSE (**Listed REITs**) (the **Post-Listing Charter Amendment Proposal**). **Even if approved by our stockholders, this proposal will not be implemented unless a Listing occurs and the Pre-Listing Charter Amendment Proposal is approved**;

6) the approval and adoption of our 2006 Long-Term Incentive Plan (the **Long-Term Incentive Plan Proposal**). **If approved, this proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders**; and

7) the approval and adoption of our 2006 Incentive Compensation Plan (the **Incentive Compensation Plan Proposal**). **If approved, this proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders**.

Unless otherwise specified, a proxy also will confer authority on the persons named therein to vote in their discretion on any other matters that properly may be presented at the Annual Meeting, including proposals to adjourn the Annual Meeting in respect of proposals for which insufficient votes to approve were cast in order to permit solicitation of additional proxies by our Board in respect of those proposals.

Our Board unanimously recommends that you vote **FOR** each of the proposals to be considered and voted on at the Annual Meeting (Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have material financial interests in the Internalization, have abstained from joining in our Board s recommendation with respect to the Internalization Proposal).

No Appraisal Rights

Neither the Internalization Proposal nor, if the Pre-Listing Charter Amendment Proposal is approved, the Post-Listing Charter Amendment Proposal, will entitle stockholders to appraisal rights under Maryland law or our Articles. We believe that the Pre-Listing Charter Amendment Proposal will not entitle you to appraisal rights under Maryland law or our Articles because the changes to our Articles resulting from that amendment will not substantially adversely affect the contract rights of our common shares under our Articles. The question of the existence of appraisal rights in connection with the Pre-Listing Charter Amendment Proposal is not entirely free from doubt and, accordingly, if you wish to make your own determination as to whether you have appraisal rights with respect to the that proposal, you should consider engaging counsel to advise you on the applicable Maryland law. If you believe that you have appraisal rights in respect of the Pre-Listing Charter Amendment Proposal and you wish to attempt to exercise those rights, if they are available, you must comply with the conditions established under applicable Maryland law as described below, including any applicable deadlines within which you must exercise any such rights (if they exist). We are not under any obligation to, and will not, notify you of any such deadlines. We expect we will challenge any stockholder who purports to exercise appraisal rights, including, if necessary, through litigation. **For a discussion regarding your appraisal rights, see Proposal IV The Pre-Listing Charter Amendment Proposal No Appraisal Rights. See also Appendix E attached hereto, which sets forth the relevant statutory provisions.**

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Proxies

You can revoke any proxy you previously have given at any time before votes at the Annual Meeting are tabulated (1) by delivering a written statement to Evan H. Zucker, our secretary (the **Secretary**), expressly stating that the proxy is revoked, (2) by completing and properly executing a new proxy card that is dated later than the date of your prior proxy card and delivering it to our Secretary at or before the Annual Meeting, or (3) by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy.

A proxy card is enclosed for your use. The proxy card contains instructions for responding either by telephone, by Internet or by mail. Votes cast in person or by proxy at the Annual Meeting will be tabulated and a determination will be made as to whether or not a quorum is present by the inspectors of election appointed for the Annual Meeting. The presence, in person or by proxy, of stockholders entitled to cast at least 50% of the votes entitled to be cast by all stockholders as of August , 2006 will constitute a quorum for the transaction of business at the Annual Meeting.

We will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence or absence of a quorum. With respect to the Director Proposal, the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal, abstentions will have the effect of a vote cast **against** the proposal. With respect to the Long-Term Incentive Plan Proposal, abstentions will have **no effect**, so long as the total votes cast represents over 50% of the shares entitled to vote. If the total votes cast on the Long-Term Incentive Plan Proposal represent less than 50% of the shares entitled to vote, abstentions will have the effect of a vote **against** the Long-Term Incentive Plan Proposal. With respect to the Internalization Proposal, the Accountant Proposal and the Incentive Compensation Plan Proposal, abstentions will have **no effect**.

If a broker returns an executed proxy card, but marks the card to reflect a withholding of voting authority on matters as to which the broker is not permitted to vote (a **broker non-vote**), the holder of the common shares covered by the proxy card will be treated as present for quorum purposes. The effect of broker non-votes on voting will be as follows: (1) with respect to the Director Proposal, the Internalization Proposal, the Accountant Proposal and the Incentive Compensation Plan Proposal, broker non-votes will have **no effect**; (2) with respect to the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal, broker non-votes will have the effect of a vote cast **against** the proposal; (3) with respect to the Long-Term Incentive Plan Proposal, broker non-votes will have **no effect**, so long as the total votes cast represent over 50% of the shares entitled to vote at the Annual Meeting, but if the total votes cast represent less than 50% of the shares entitled to vote at the Annual Meeting, then broker non-votes will have the effect of a vote **against** the Long-Term Incentive Plan Proposal. If a broker returns a properly executed proxy card, but as to any matter does not provide voting instructions or an intent to abstain, the shares represented by that proxy card will be considered present for quorum purposes and those shares will be voted on the matter in the proxy holder s discretion.

Our Annual Meeting may be adjourned with respect to proposals for which insufficient votes to approve were cast. With respect to proposals for which an insufficient number of votes to approve are received, our Board may continue to solicit proxies. For those proposals for which sufficient votes to approve have been received, we may take such action contained therein.

Solicitation Expenses

Solicitation of proxies will be primarily by mail. However, certain of our directors or officers and certain officers, managers or members of Dividend Capital Securities LLC, the broker/dealer affiliate of the Advisor, and other affiliates of us or the Advisor, also may solicit proxies by telephone, Internet or in person. We will pay all of the expenses incurred in connection with the solicitation of proxies, including preparing, assembling, printing and mailing of the materials used in the solicitation of proxies. We may make arrangements with brokerage houses and other custodians, nominees and fiduciaries to forward soliciting materials, at our expense, to the beneficial owners of common shares held of record by such persons.

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In addition, we have engaged Georgeson Shareholder Communications, a professional proxy solicitation firm, to aid in the solicitation of proxies at a fee estimated to be approximately $150,000. We have agreed to indemnify such proxy solicitation firm against certain liabilities that it may incur arising out of the services it provides in connection with the Annual Meeting.

Where to Obtain More Information

The mailing address of our principal executive offices is 518 17th Street, Suite 1700, Denver, Colorado 80202. A notice of revocation of a proxy should be sent to the attention of our Secretary at this address.

We make available free of charge on or through our Internet web site (http://65.38.191.77/dividendcapital/trust/) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission (**SEC**).

We will furnish, without charge, a copy of our Annual Report on Form 10-K, as amended on Form 10-K/A, for the fiscal year ended December 31, 2005, as filed with the SEC, without the accompanying Exhibits, to any of our stockholders upon written request sent to our Secretary, at the address of our principal executive offices set forth above. Each such request must set forth a good-faith representation that, as of the Record Date, the person making the request was a beneficial owner of our common shares.

Annual Report

Copies of our 2005 Annual Report to Stockholders for the year ended December 31, 2005 previously were mailed to our stockholders. Additional copies are available to any stockholder upon request.

Important Note

No person is authorized to make any representation with respect to the matters described in this proxy statement other than those contained herein and, if given or made, such representation must not be relied upon as having been authorized by us, the Advisor or any other person or entity. This proxy statement provides you with detailed information about the proposals to be considered and voted upon at the Annual Meeting. The information in this proxy statement is current as of the date of this proxy statement. Stockholders are urged to carefully review this proxy statement, including the accompanying appendices, which discuss each of the proposals to be considered and voted upon at the Annual Meeting in more detail.

We encourage you to carefully review the section of this proxy statement captioned Risk Factors beginning on page 23, which describes certain factors which should be considered in evaluating the Internalization Proposal and certain of the other proposals to be voted on at the Annual Meeting.

The date of this proxy statement is August , 2006.

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QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

1. What am I being asked to vote on at the Annual Meeting?

At the Annual Meeting, you are being asked to consider and vote upon the following matters:

- *The Director Proposal*: the election of seven nominees to our Board to hold office until the 2007 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified;
- *The Accountant Proposal*: the ratification of our selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2006;
- *The Internalization Proposal*: the approval of the Internalization;
- *The Pre-Listing Charter Amendment Proposal*: the approval of an amendment and restatement of our Articles, which will become effective upon consummation of the Internalization, to modify certain provisions to reflect that we have become self-advised and to change the name of our company to DCT Industrial Trust Inc.;
- *The Post-Listing Charter Amendment Proposal*: the approval of a further amendment and restatement of our Articles, which will become effective upon a Listing, to modify certain provisions to conform more closely to the charters of Listed REITs;
- *The Long-Term Incentive Plan Proposal*: the approval of our new 2006 Long-Term Incentive Plan;
- *The Incentive Compensation Plan Proposal*: the approval of our new 2006 Incentive Compensation Plan; and
- any other matters that may properly be presented at the Annual Meeting or any adjournment or postponement of the Annual Meeting, including proposals to adjourn the Annual Meeting with respect to proposals for which insufficient votes to approve were cast, and, with respect to such proposals, to permit further solicitation of additional proxies by our Board.

Our Board unanimously recommends that you vote **FOR** each of the specific proposals described above (Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have material financial interests in the Internalization, have abstained from joining in our Board s recommendation with respect to the Internalization Proposal).

2. Why has the Internalization been proposed?

When we were organized in April 2002, our Board determined that the size and scope of our business operations were insufficient to support the overhead costs associated with a self-advised structure. Accordingly, we contracted with the Advisor to provide all personnel, accounting, administrative and other support services and resources necessary for our business operations. Since then, we have grown rapidly. We held over $2.2 billion in assets at March 31, 2006. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we expect to hire various individuals associated with the Advisor or its affiliates who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies.

We believe that by completing the Internalization we will enhance the likelihood of a successful Listing; however, we expect that the Internalization will be beneficial to us even if we do not complete a Listing. We believe the Internalization that we are proposing will be accretive over time to our net income per share and our FFO per share because the reduction in our operating costs that will result from eliminating the advisory and other fees we otherwise would continue to pay to the Advisor will more than offset the dilutive effect of the issuance of additional OP Units pursuant to the Internalization and the direct employee and related expenses we will incur. However, there can be no assurance that these reductions in operating costs will be realized. We also believe that the kinds of equity-based compensation arrangements we will enter into with the members of our senior management team effective upon the closing of the Internalization will better align their interests with those of our stockholders than the current arrangements (under which many of those managers have indirect interests in the equity or net cash flow of the Advisor).

Since our inception, our common shares have not been listed or traded on any securities exchange (**Listed**), such as the NYSE or NASDAQ, or in the over-the-counter market. In addition to considering the Internalization, our Board has also been considering whether we should pursue a Listing because of the advantages a Listing could bring. Among other things, a Listing would create greater liquidity for our stockholders, who at present have only very limited opportunities to sell their common shares if and when they wish to do so. A Listing also could allow us greater access to capital to fund our future growth. Finally, our Articles require that, by February 2013, we either arrange for a Listing of our common shares on a national securities exchange or an over-the-counter market, or begin a liquidation of our assets in an orderly fashion. Completing a Listing well before 2013 could help eliminate uncertainty about whether we could be forced to liquidate at that time. After considering these factors, our Board has decided that we should pursue a Listing following the consummation of the Internalization, if and when market conditions make it desirable to do so and it is otherwise in our best interest to do so. However, there can be no assurance that we will in fact complete a Listing or that market conditions will permit us to do so. While we believe that the proposed Internalization should help facilitate a Listing, the Internalization we are proposing is not contingent upon completion of a Listing because we believe the Internalization will be beneficial to us whether or not we complete a Listing. Even if a possible Listing occurs, an active trading market for our common shares may not develop and, if it does develop, may not be sustained, and the price at which our common shares will trade is uncertain. Further, even if a possible Listing occurs, no assurance can be given that our common shares will remain Listed.

We believe any future Listing will be more likely to be successful if we are self-advised. Listed REITs, including REITs like us that own industrial properties, are predominantly self-advised. As of the date of this proxy statement, 96 of the 100 largest Listed equity REITs (*i.e.,* Listed REITs that have 75% or greater of their gross invested book assets in income-producing real estate) by equity market capitalization were self-advised. We believe the prevalence of the self-advised model reflects investor preference and that, if our common shares were Listed, investors and market analysts could view us more favorably if we were self-advised. We also believe that in light of these investor preferences, being self-advised when we are Listed could positively impact our share price performance.

The relationship between externally-advised REITs and their outside advisors is susceptible to conflicts of interest, most of which can be avoided by being self-advised. Notwithstanding the Advisor s fiduciary obligation or governance mechanisms implemented to resolve potential conflicts of interest and protect our stockholders, we believe there may be a negative perception of externally-advised Listed REITs in the marketplace.

Although there can be no assurance that the conversion to a self-advised structure would increase the market price of our common shares, we believe that remaining externally-advised could have a negative effect on the price of our common shares over the long-term. As a result, we believe the internalization of the Advisor through the Internalization in advance of a potential Listing is an important step in the process of becoming Listed.

After due deliberation and consideration of various factors, including those described above, and upon the recommendation of the Special Committee, our Board determined that it would be fair and reasonable to us and advisable and in the best interests of our company and our stockholders to become self-advised. We propose to accomplish this by acquiring the Advisor and thereby internalizing the operations of the Advisor.

Approval of the Internalization Proposal by our stockholders is not required by our Articles or the Maryland General Corporation Law (the **MGCL**), we made such approval a condition to closing under the Contribution Agreement. We are seeking your approval of the Internalization Proposal because we believe it is appropriate to request our stockholders to approve the Internalization Proposal in light of the importance of the Internalization and because some of our directors and officers have material financial interests in the Internalization. It is also a condition to closing stated in the Contribution Agreement.

For additional reasons why the Internalization has been proposed, please see Proposal III The Internalization Proposal Reasons for Becoming Self-Advised; Background of the Internalization Proposal and Recommendations of the Special Committee and Our Board of Directors in this proxy statement.

3. Why don t we terminate the Advisory Agreement with the Advisor and hire another external advisor instead of pursuing the Internalization?

Under the terms of the current amended and restated advisory agreement currently in effect between us and the Advisor, dated as of November 21, 2003 and most recently renewed as of February 28, 2006 (the **Advisory Agreement**), the Advisor has responsibility for our day-to-day operations subject to the supervision of our Board, including finding, presenting and recommending to us real estate investment opportunities consistent with our investment policies and objectives; structuring the terms and conditions of transactions pursuant to which acquisitions or development of properties will be made; acquiring and developing properties on our behalf in compliance with our investment objectives and policies; arranging for financing and refinancing of properties; entering into leases and service contracts for the properties acquired; evaluating and recommending to our Board and, at the direction of our Board, executing suitable strategies for providing our stockholders the opportunity to liquidate their ownership of our common shares, whether as a result of a possible Listing, the merger or sale of our company, the sale of any or all properties, or otherwise; and providing daily management and other various administrative functions. Further, the Advisor provides us with key employees, a license to use the Dividend Capital brand, and certain proprietary assets.

We believe that a termination of the Advisory Agreement would cause a significant disruption to our business affairs. If we were to terminate the Advisory Agreement, we would need to identify and hire another qualified advisor or a full staff of our own employees to perform all of the services currently provided by the Advisor, and it would likely require significant effort and expense over a considerable period of time to find another qualified advisor or to fill all of these positions. There is no assurance that the Advisor s or its affiliates employees and consultants would become our employees if we were to terminate the Advisory Agreement and then offer to hire them. Even if we were able to hire new employees, there is no assurance that these employees would have sufficient experience and familiarity with our business as the Advisor s or its affiliates personnel. Moreover, such new employees would lack the experience of having advised us since our inception, and may not have the close business relationships with our tenants, lenders or property management companies that the Advisor s or its affiliates personnel have developed. We are unable to quantify the impact of the loss of the employees and consultants, relationships and proprietary assets provided by the Advisor or its affiliates. By acquiring the Advisor, we would reduce any disruption to our business affairs, because certain of the Advisor s personnel who have been, or are expected to be, instrumental in our growth and continued operations will become our employees as of the closing of the Internalization. Furthermore, by issuing OP Units to the Advisor s Parent in connection with the Internalization, we believe we will more directly align the interests of certain of our inside directors and/or future employees, with those of our current stockholders as a result of the benefit they will receive of the OP Units issued in the Internalization.

We also believe that a termination of the Advisory Agreement would be likely to give rise to a liability that would be substantial but difficult and time consuming to quantify and could result in a dispute. We have the right to terminate the Advisory Agreement upon 60 days written notice to the Advisor by a majority vote of our Independent Directors (we explain who our Independent Directors are in the answer to Question 6, below). The Advisor s Parent holds 10,000 Special Units, which entitle it to special distribution rights upon the occurrence of specified events, including upon our liquidation or a termination of the Advisory Agreement. In general, the holder of the Special Units is entitled to receive 15% of specified distributions made after other partners in our Operating Partnership have received, in the aggregate, cumulative distributions equal to their capital contributions plus a 7% cumulative non-compounded annual pre-tax return on their net contributions.

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More specifically, while the Special Units are outstanding, and after other partners of our Operating Partnership have received, in the aggregate, cumulative distributions from all sources equal to their net capital contributions plus a 7% cumulative non-compounded annual pre-tax return on their contributions, the holder of the Special Units is entitled to receive 15% of net sales proceeds received by our Operating Partnership on dispositions of our Operating Partnership s assets. We are required to redeem the Special Units upon the termination of the Advisory Agreement for an amount in cash equal to the amount that would have been distributed with respect to the Special Units as described in the preceding sentence if our Operating Partnership sold all of its assets for their then fair market values, paid all of its liabilities and distributed any remaining amounts to partners in liquidation of our Operating Partnership. It is difficult to estimate with any degree of precision the amount that we would be required to pay to redeem the Special Units upon a termination of the Advisory Agreement because doing so requires a series of assumptions as to, among other things, the prices for which the Operating Partnership s assets could be sold in an orderly liquidation. Small variations in, for example, the assumed capitalization rates that purchasers of those properties would accept can produce substantial variations in the projected liquidation proceeds and therefore the estimate of the redemption price payable for the Special Units. Preliminary, approximate estimates discussed by the Special Committee with it advisors indicated that, depending on the assumptions used, the amount of the redemption price could be between $20.0 million and $80.0 million and possibly outside of that range. The difficulty in calculating the redemption price for the Special Units makes it possible that there could be disputes over the appropriate amount because presumably upon a termination of the Advisory Agreement the Advisor s Parent would seek to insist on a high redemption price, while we would try to insist on a low redemption price. The Special Committee determined in light of those considerations that the prospect of incurring an obligation to make a substantial payment in cash, in an amount that would be difficult to determine and might well become the subject of a dispute with the Advisor s Parent, was unattractive.

For a detailed discussion concerning the Advisor and the Advisory Agreement, please see Proposal III The Internalization Proposal The Advisor and the Advisory Agreement in this proxy statement.

4. What is the effect of the Internalization?

If the conditions to consummation of the Internalization specified in the Contribution Agreement are satisfied or (to the extent permissible) waived, the Advisor s Parent will contribute the entire outstanding membership interest, and all economic interests, in the Advisor in exchange for aggregate consideration of 15,111,111 OP Units (the **Internalization Consideration**), which includes the modification of the Special Units held by the Advisor s Parent into OP Units (the **Modification**). The conditions to our performance obligations under the Contribution Agreement include, among other things, receipt of the approval of our stockholders and may be waived by us in our sole discretion. Upon completion of the Internalization, the Advisor will become a wholly-owned subsidiary of our Operating Partnership and we will become self-advised. After that time, we no longer will bear the cost of the advisory fees and other amounts payable under the Advisory Agreement. We will, however, be obligated to pay certain amounts under a transitional services agreement (the **Transitional Services Agreement**) to be entered into upon the closing of the Internalization between us and DC Services, LLC, an affiliate of the Advisor s Parent (**DC Services**), for as long as we choose to continue to obtain services under that agreement, but subject to earlier termination in accordance with its terms. See Proposal I Election of Directors: Nominees for Election to Our Board of Directors Certain Relationships and Related Transactions New Agreements with Affiliates of the Advisor s Parent.

A portion of the Internalization Consideration will be issued to the Advisor s Parent pursuant to the amendment to our Operating Partnership s partnership agreement that will modify the Special Units into OP Units, and the balance will be issued to the Advisor s Parent in consideration of the direct and indirect transfer of membership interests representing 100% ownership of the Advisor. As a result of the Internalization, certain of our directors, officers and employees and their respective affiliates who own membership interests in the Advisor s Parent or are entitled to receive a portion of the net cash flow of the Advisor s Parent (**Cash Flow Interests**) will indirectly participate, through their interests in the Advisor s Parent, in the Internalization Consideration.

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Upon completion of the Internalization, your ownership of our common shares will be diluted as a result of the new issuance of the 15,111,111 OP Units constituting the Internalization Consideration (which would represent approximately 9.0% of our outstanding common shares, assuming those OP Units were issued, and then all outstanding OP Units were exchanged for common shares on a one-for-one basis, as of June 30, 2006). In addition, we have entered into certain employment agreements with various individuals associated with the Advisor or its affiliates (the **Employment Agreements**), which will generally become effective as of the closing date of the Internalization. One of these Employment Agreements is with Philip Hawkins, who will become our new chief executive officer and a director. Pursuant to these Employment Agreements, we contemplate issuing long-term incentive compensation awards in the form of share or option grants under the 2006 Long-Term Incentive Plan, if that plan is approved by our stockholders at the Annual Meeting. Those awards potentially will result in additional dilution of your share ownership. Under the Employment Agreements, the aggregate annual target value of the awards ranges between $25,000 and $1,150,000, with a total annual value of $2,175,000 for all executives, and the awards will vest in equal installments over four to five years, subject to the achievement of pre-established, performance-related goals. In addition, as a signing bonus, Mr. Hawkins, under the 2006 Long-Term Incentive Plan, will receive, subject to the approval of the plan by our stockholders at the Annual Meeting, 450,795 common shares (or equivalent full value awards and including either dividend rights or dividend equivalent rights) vesting over five years (0%, 0%, 25%, 25% and 50%) commencing on August 1, 2007, and in addition, upon the closing of the Internalization, will purchase 88,889 common shares at $11.25 per share. See Risk Factors Certain of Our Directors and Officers Have Potential Conflicts of Interest and Our Net Income Per Share and FFO Per Share in the Near Term May Decrease as a Result of the Internalization.

5. What was the process used to determine the amount of the Internalization Consideration?

The Internalization Consideration was determined based upon negotiations between the Special Committee (which is described below) and the Advisor s Parent, in consultation with their respective legal and financial advisors. Some of our directors and officers also serve, through their respective holding companies, as managers of the Advisor s Parent and indirectly hold membership interests in the Advisor s Parent that, in the aggregate, constitute more than a majority of the outstanding membership interests in the Advisor s Parent. These relationships result in such directors and officers having material financial interests in the Internalization. In order to address these potential conflicts of interest and in order to satisfy certain requirements contained in our Articles, our Board established a special committee (the **Special Committee**) consisting of Phillip R. Altinger, Bruce L. Warwick, Tripp H. Hardin and John C. O Keeffe, our four Independent Directors (we explain who our Independent Directors are in the answer to Question 6, below). The members of the Special Committee have no economic interest in the consummation of the Internalization that differs from those of our other stockholders. The Special Committee was authorized to, among other things:

- review, consider and evaluate any proposals that may be made with respect to any business combination transaction involving the acquisition by us of the Advisor or its business;
- if the Special Committee deemed it appropriate, negotiate the terms and conditions of any such proposal (including price, form and structure) and of any and all agreements in respect of such a transaction;
- if the Special Committee deemed it appropriate, reject any proposal that may be made with respect to such a transaction;
- if the Special Committee deemed it appropriate, make and publish recommendations to our Board and our stockholders in respect of any transaction or proposal with respect thereto; and
- select and retain, at our expense, such legal, financial and other advisors or agents as the Special Committee deems necessary or appropriate to assist it in the performance of its duties and the exercise of its powers.

Pursuant to this authority, the Special Committee retained its own legal and financial advisors. Pursuant to extensive negotiations that occurred between the Special Committee and the representatives of the Advisor s Parent, in consultation with their respective legal and financial advisors, the parties first agreed that the aggregate

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value of the Advisor was approximately $170.0 million. The parties then negotiated and agreed that the Internalization consideration should take the form of OP Units. Finally, the parties negotiated and agreed on a per Unit valuation of $11.25 per OP Unit, which resulted in a total of 15,111,111 OP Units, which includes the Modification, to be issued in the Internalization. In connection with this evaluation of the Internalization, the Special Committee received a written opinion, dated July 21, 2006, of Banc of America Securities LLC, the Special Committee s financial advisor, as to the fairness, from a financial point of view and as of the date of the opinion, to us of the consideration to be paid by us in the Internalization.

After due deliberation and consideration of various factors, the Special Committee unanimously recommended to our Board that it approve the Contribution Agreement, the Internalization and the other documents and transactions expressly contemplated by the Contribution Agreement. After careful consideration and upon the recommendation of the Special Committee, our Board (Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have material financial interests in the Internalization, abstained from voting on the matter) approved the Contribution Agreement, the Internalization and the other transactions expressly contemplated by the Contribution Agreement. Our Board and the Special Committee believe that the terms of the Contribution Agreement, the Internalization and the documents and other transactions expressly contemplated by the Contribution Agreement are fair and reasonable to us and are advisable and in the best interests of us and our stockholders.

6. How did you determine who is an Independent Director for purposes of serving on the Special Committee?

Our Articles require that certain activities related to our Advisor must be approved by a majority of our Independent Directors. **Independent Director** is defined in our Articles to mean a director who is not, and within the last two years has not been, directly or indirectly associated with the Advisor by virtue of:

- ownership of an interest in the Advisor or its Affiliates (as defined below),
- employment by the Advisor or its Affiliates,
- service as an officer or director of the Advisor or its Affiliates,
- performance of services, other than as a director, for us,
- service as a director or trustee of more than three REITs advised by the Advisor, or
- maintenance of a material business or professional relationship with the Advisor or any of its Affiliates.

An indirect relationship includes circumstances in which a director s spouse, parents, children, siblings, mothers- or fathers-in-law, sons- or daughters-in-law, or brothers- or sisters-in-law are or have been associated with the Advisor, any of its Affiliates or us. A business or professional relationship is considered material if the gross revenue derived by the director from the Advisor and its Affiliates exceeds 5% of either the director s annual gross revenue during either of the last two years or the director s net worth on a fair-market-value basis.

The term **Affiliate**, for this purpose, means:

- any person or entity directly or indirectly through one or more intermediaries controlling, controlled by, or under common control with another person or entity;

any person or entity directly or indirectly owning, controlling, or holding with power to vote 10% or more of the outstanding voting securities of another person or entity;

any officer, director, general partner, or trustee of such person or entity;

any person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held, with power to vote, by such other person; and

if such other person or entity is an officer, director, general partner, or trustee of a person or entity, the person or entity for which such person or entity acts in any such capacity.

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The members of the Special Committee each qualify as Independent Directors. In addition, none of them has an economic interest in the Internalization (except to the extent they own our common shares or options to acquire our common shares).

7. What rights will I have if I oppose the Internalization?

You can vote against the Internalization by indicating a vote against the Internalization Proposal on your proxy card and by signing and mailing your proxy card, by authorizing your proxy over the Internet (pursuant to the instructions on the proxy card), or by telephone, or by voting against the Internalization in person at the Annual Meeting.

Stockholders will not have appraisal rights with respect to the Internalization Proposal or, if the Pre-Listing Charter Amendment is approved, the Post-Listing Charter Amendment Proposal. We do not believe that stockholders will have appraisal rights with respect to the Pre-Listing Charter Amendment Proposal because that amendment does not substantially and adversely affect stockholder rights. **For a discussion regarding your appraisal rights, see Proposal IV The Pre-Listing Charter Amendment Proposal No Appraisal Rights. See also Appendix E attached hereto, which sets forth the relevant statutory provisions.**

8. What vote is required to approve the Internalization?

Neither Maryland law nor our Articles or Bylaws require us to obtain stockholder approval of the Internalization. However, in light of the importance of the Internalization and because certain of our directors and our officers have material financial interests in the Internalization, we decided it was appropriate to condition completion of the Internalization on approval by our stockholders. This condition will be satisfied if the Internalization Proposal is approved by the affirmative vote of the holders of at least a majority of our common shares that are entitled to be and actually are voted at the Annual Meeting (excluding for this purpose common shares beneficially owned by any of the Advisor, the Advisor s Parent or their affiliates), if, in addition to such approval, a quorum (*i.e.*, at least a majority of the common shares outstanding at the record date set for the Annual Meeting) is present in person or by proxy at the Annual Meeting. If the required stockholder approval is not received, then the Internalization will not be consummated.

Our directors and officers and their Affiliates collectively own less than 0.1% of our outstanding common shares. Our Articles provide that neither the Advisor, our directors nor any of their Affiliates may vote their common shares on matters submitted to our stockholders with regard to, among other things, transactions between us and any Affiliate of the Advisor. Therefore, the common shares owned by them will not be considered to be common shares entitled to vote at the Annual Meeting for purposes of determining whether the Internalization has been approved.

In addition, we have entered into the Employment Agreements with various individuals associated with the Advisor or its affiliates, which will generally become effective as of the closing date of the Internalization. The Employment Agreements are with the persons who will constitute our senior management following the Internalization. These agreements provide, among other things, for long-term incentive compensation awards and target bonuses that will be paid pursuant to the 2006 Long-Term Incentive Plan and the 2006 Incentive Compensation Plan (the **Incentive Compensation Plan**). If the 2006 Long-Term Incentive Plan is not approved by our stockholders, pursuant to the terms of the Employment Agreements, the members of our senior management will be entitled to terminate their respective agreements for good reason. Further, if the 2006 Long-Term Incentive Plan is not approved by our stockholders, it could materially adversely affect us because we could be deprived of the services of our senior management and the ability to provide the incentives necessary to attract qualified replacements and other personnel.

9. When do you expect the Internalization to be consummated?

Assuming all conditions to the Internalization are satisfied or waived, we expect to consummate the Internalization on the third business day following the satisfaction or waiver of all such conditions or on such other date as may be agreed upon by us and the Advisor s Parent.

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Pursuant to the Contribution Agreement, the Internalization must be consummated on or before January 31, 2007. If the Internalization is not consummated within the applicable period described above, the Contribution Agreement may be terminated by either us or the Advisor s Parent.

10. Why is our Board recommending that our Articles be amended and restated to modify certain provisions to reflect, if the Internalization Proposal is approved and the Internalization is consummated, that we have become self-advised and to conform more closely to the charters of Listed REITs?

Our Articles contain a number of guidelines for transactions between us and the Advisor and our and its respective Affiliates. As discussed elsewhere in this proxy statement, if the Internalization is consummated, the Advisor will become a wholly-owned subsidiary of our Operating Partnership, its operations will therefore become part of our business and we will become self-advised. Accordingly, if the Internalization is consummated, the provisions in our Articles relating to the Advisor, its Affiliates and to transactions and relations between us and the Advisor and its Affiliates will no longer be applicable to our situation. One of the principal purposes of the Pre-Listing Charter Amendment Proposal is to remove these inapplicable provisions effective upon the completion of the Internalization. The other principal purpose of the Pre-Listing Charter Amendment Proposal is to change the name of our company to DCT Industrial Trust Inc.

In addition, if a Listing occurs, it will be possible to remove a number of the limitations and restrictions that are included in our existing Articles, but which our Board believes restrict and could possibly prevent us from pursuing favorable investment opportunities. These restrictions were mandated by the Statement of Policy Regarding Real Estate Investment Trusts published by the North American Securities Administrators Association (the **NASAA REIT Guidelines**) and were applicable because we previously raised funds through public offerings of our common shares without listing our securities on a national securities exchange. If our securities are Listed, those restrictions no longer will be required because the NASAA REIT Guidelines do not apply to offerings of shares that are Listed. The charters of most Listed REITs do not contain these kinds of limitations and restrictions, and accordingly, if we did not eliminate these restrictions effective upon the completion of the Internalization, these restrictions could impair our ability to compete effectively for investments and management talent. Our Board believes that these limitations and restrictions should be removed so that we can be governed by a charter that is similar to the charters of Listed REITs. If the Post-Listing Charter Amendment Proposal is approved, certain stockholder voting provisions contained in our Articles will be eliminated. Although the amendments to our Articles contained in the Post-Listing Charter Amendment Proposal reduce or otherwise eliminate certain voting rights that you currently have, we are of the view that these proposed amendments will provide greater flexibility with respect to the implementation of our business plan and will make us more competitive with Listed REITs. If the two proposed charter amendments take effect, our Bylaws will be amended to eliminate inconsistencies resulting from the proposed amendments to our Articles.

If approved by our stockholders at the Annual Meeting, the Pre-Listing Charter Amendment Proposal will be implemented regardless of whether a Listing occurs, as long as the Internalization Proposal is approved and the Internalization is consummated. Any or all of the closing conditions to our performance obligations under the Contribution Agreement may be waived by us in our sole discretion. Further, if the Post-Listing Charter Amendment Proposal is approved, it will not be effected unless a Listing occurs and the Pre-Listing Charter Amendment Proposal is approved.

11. Why is our Board recommending that we approve and adopt the 2006 Long-Term Incentive Plan?

Our Board believes that the ability to offer incentive compensation pursuant to the 2006 Long-Term Incentive Plan and the Incentive Compensation Plan described below will be important because it should help us to attract, retain and motivate highly qualified individuals, and to more directly align the interests of our management with those of our stockholders. If the 2006 Long-Term Incentive Plan is approved, no further grants will be made under our existing incentive plans. Many of our competitors have incentive compensation plans that

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are broader in some ways than our current plans and our Board believes that, if we do not adopt plans which provide adequate incentives to our management and other employees, in line competitively with plans of our competitors, we will be at a competitive disadvantage in our ability to attract and retain highly qualified employees. The 2006 Long-Term Incentive Plan is designed to achieve this objective. In establishing the 2006 Long-Term Incentive Plan, the Board worked with its legal advisors and employment compensation consultants to survey and study the market compensation ranges of our competitors. Our Board also believes that issuing common shares to management pursuant to the 2006 Long-Term Incentive Compensation Plan, under appropriate circumstances, more directly aligns their interests with those of our stockholders and can be used as an effective motivational tool.

If approved by our stockholders at the Annual Meeting, the Long-Term Incentive Plan Proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders.

12. Why is our Board recommending that we approve and adopt the Incentive Compensation Plan?

We are asking the stockholders to consider and vote upon a proposal to approve the Incentive Compensation Plan for our officers and key employees, and the officers and key employees of our joint venture and other affiliates, to take advantage of deductions available to us for performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the **Code**). Section 162(m) generally limits the U.S. federal income tax business expense deduction taken by a publicly-traded company for annual compensation paid to its chief executive officer and its four other most highly compensated officers to $1.0 million. However, there is no limit on the deductibility of qualified performance-based compensation.

To satisfy the requirements of Section 162(m), compensation must be payable solely on account of the attainment of one or more objective performance goals established in writing by our compensation committee at a time when the attainment of those goals is substantially uncertain. Performance goals may be based on one or more business criteria that apply to an individual, a business unit or our company as a whole, but need not be based on an increase or positive result under the business criteria selected. The compensation committee cannot increase the amount of compensation payable if a performance goal is met, but may reduce or eliminate compensation even if the performance goal is attained. Stockholders must approve the types of performance goals and the maximum amount that may be paid to covered executive officers or the formula used to calculate such amount. A description of these criteria is set forth in Proposal VII The Incentive Compensation Plan Proposal below.

In establishing the Incentive Compensation Plan, the Board worked together with its legal advisors and employment compensation consultants to survey and study the market compensation ranges of our competitors.

If approved by our stockholders at the Annual Meeting, the Incentive Compensation Plan Proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders.

13. What vote is required to approve each proposal other than the Internalization?

The affirmative vote of holders of a majority of our outstanding common shares is required to approve (1) the Pre-Listing Charter Amendment Proposal and (2) the Post-Listing Charter Amendment Proposal.

A majority of the votes cast on the matter at the Annual Meeting and the presence of a quorum is required to approve (1) the Long-Term Incentive Plan Proposal, (2) the Incentive Compensation Plan Proposal and (3) the Accountant Proposal, *provided* that, in the case of (1), the total votes cast represent over 50% of the shares entitled to vote.

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The affirmative vote of holders of a majority of our common shares present in person or by proxy and entitled to vote at the Annual Meeting where a quorum is present is required to approve the Director Proposal.

14. How does our Board recommend that I vote on each of these various proposals at the Annual Meeting?
Our Board unanimously recommends that you vote **FOR** (1) the Director Proposal, (2) the Accountant Proposal, (3) the Internalization Proposal (Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have material financial interests in the Internalization, have abstained from joining in our Board s recommendation with respect to the Internalization Proposal), (4) the Pre-Listing Charter Amendment Proposal, (5) the Post Listing Charter Amendment Proposal, (6) the Long-Term Incentive Plan Proposal and (7) the Incentive Compensation Plan Proposal. Our Board also unanimously recommends that you vote or authorize your proxy to vote in favor of any other matters that properly may be presented at the Annual Meeting or any adjournment or postponement of the Annual Meeting, including proposals to adjourn the Annual Meeting with respect to proposals for which insufficient votes to approve were cast, and, with respect to such proposals, to permit further solicitation of additional proxies by our Board.

15. Who is entitled to vote at the Annual Meeting?
Only holders of record of our common shares at the close of business on August , 2006, the Record Date for the Annual Meeting, will be entitled to vote at the Annual Meeting.

16. How many shares can vote at the Annual Meeting?
As of the Record Date, of our common shares were outstanding and entitled to vote. Each common share entitles the holder thereof to one vote on each of the matters to be voted upon at the Annual Meeting. All of our directors and officers and their Affiliates owned, directly or indirectly, common shares as of the Record Date, and these directors and officers had the power to vote, as determined by the rules of the SEC, less than 0.1% of our outstanding common shares.

Our directors and officers have advised us that they intend to vote the shares of our common shares beneficially owned by them for all of the proposals in this proxy statement, other than the Internalization Proposal. Pursuant to our Articles, the common shares owned by our directors and officers and their Affiliates are not entitled to be voted on the Internalization Proposal. In addition, pursuant to the Contribution Agreement, the shares beneficially owned by any of the Advisor, the Advisor s Parent and their affiliates will be excluded for purposes of determining whether the Internalization Proposal has received the affirmative votes required for its approval.

17. What is a quorum at the Annual Meeting?
The presence, in person or by proxy, of stockholders entitled to cast at least 50% of the votes entitled to be cast by all stockholders will constitute a quorum for the transaction of business at the Annual Meeting. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspectors of election appointed for the Annual Meeting who will determine whether or not a quorum is present.

18. If my shares are held in street name by my broker, will my broker vote my shares for me?
Your broker will not be able to vote your shares without instructions from you on any of the proposals to be considered at the Annual Meeting other than the Director Proposal and the Accountant Proposal. For all proposals other than the Director Proposal and the Accountant Proposal, your broker will vote your shares only if you provide instructions to your broker on how to vote your shares. If you want to vote on these proposals, you should contact your broker and ask what directions your broker will need from you.

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19. What is the effect of abstentions and broker non-votes?

We will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence or absence of a quorum. With respect to the Director Proposal, the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal, abstentions will have the effect of a vote cast **against** the proposal. With respect to the Long-Term Incentive Plan Proposal, abstentions will have **no effect**, so long as the total votes cast represents over 50% of the shares entitled to vote. If the total votes cast represent less than 50% of the shares entitled to vote, abstentions will have the effect of a vote **against** the Long-Term Incentive Plan Proposal. With respect to the Internalization Proposal, the Accountant Proposal and the Incentive Compensation Plan Proposal, abstentions will have **no effect**.

If a broker returns an executed proxy card, but marks the card to reflect a withholding of voting authority on matters as to which the broker is not permitted to vote (a **broker non-vote**), the holder of the common shares covered by the proxy card will be treated as present for quorum purposes, and the effect on voting will be as follows: (1) with respect to the Director Proposal, the Internalization Proposal, the Accountant Proposal and the Incentive Compensation Plan Proposal, broker non-votes will have **no effect**; (2) with respect to the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal and the Incentive Compensation Plan Proposal, broker non-votes will have the effect of a vote cast **against** the proposal; and (3) with respect to the Long-Term Incentive Plan Proposal, broker non-votes will have **no effect**, so long as the total votes cast represent over 50% of the shares entitled to vote, but if the total votes cast represent less than 50% of the shares entitled to vote, then broker non-votes will have the effect of a vote **against** the Long-Term Incentive Plan Proposal. If a broker returns a properly executed proxy card, but as to any matter does not provide voting instruction or an intent to abstain, the shares represented by that proxy card will be considered present for quorum purposes and those shares will be voted on the matter in the proxy holder s discretion.

20. How will the proxies be voted?

Any proxy, if it is received in time, is properly signed and is not revoked, will be voted at the Annual Meeting in accordance with the directions of the stockholder signing the proxy. If no directions are specified as to the applicable proposal, the proxy will be voted **FOR**:

- the approval of the Director Proposal;
- the approval of the Accountant Proposal;
- the approval of the Internalization Proposal;
- the approval of the Pre-Listing Charter Amendment Proposal;
- the approval of the Post-Listing Charter Amendment Proposal;
- the approval of the Long-Term Incentive Plan Proposal; and
- the approval of the Incentive Compensation Plan Proposal.

The persons named in the proxy also will be authorized to vote in their discretion on any other matters that properly may be presented at the Annual Meeting or any adjournment or postponement of the Annual Meeting, including by voting in favor of proposals to adjourn the Annual Meeting with respect to proposals for which insufficient votes to approve were cast in order to permit solicitation of additional proxies by our Board in respect of those proposals.

21. Can I change my vote after I have mailed my signed proxy card?

Yes. There are three ways in which you can change your vote before your proxy is voted at the Annual Meeting. First, you can send our Secretary a written notice stating that you revoke your proxy, which will be effective only if actually received before the Annual Meeting. Second, you can complete and properly execute a new proxy card that is dated later than the date of your prior proxy card and deliver it to our Secretary at or prior

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to the Annual Meeting. Third, you can attend the Annual Meeting and vote in person. Your attendance at the Annual Meeting will not by itself revoke your proxy. If you hold your shares in street name and have instructed your broker to vote your shares, you must follow directions received from your broker to change those instructions.

22. Whom should I call with questions about the Internalization or the other proposals being voted on at the Annual Meeting?
You should call our proxy solicitor, Georgeson Shareholder Communications, at 1-877-260-0388 (toll-free).

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SUMMARY OF THE INTERNALIZATION PROPOSAL

The following is a summary of the material terms of the Internalization Proposal as described in this proxy statement. You should carefully read this entire document as well as the additional documents to which it refers for a more complete description of the Internalization Proposal. See Proposal III The Internalization Proposal Description of the Internalization.

The Internalization Proposal

At the Annual Meeting, you will be asked to consider and vote upon a proposal to approve the Internalization, whereby the Advisor s Parent will contribute the entire outstanding membership interest, and all economic interests, in the Advisor to our Operating Partnership, in exchange for aggregate consideration of 15,111,111 OP Units, which includes the Modification of the Special Units held by the Advisor s Parent. As a result, the Advisor will become a wholly-owned subsidiary of our Operating Partnership. See Proposal III The Internalization Proposal.

Parties to the Internalization

Dividend Capital Trust Inc. We are a corporation that was formed under Maryland law in April 2002 and are qualified as a REIT for U.S. federal income tax purposes. We were formed in order to invest in commercial real estate properties consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. See Dividend Capital Trust Inc. Business.

Dividend Capital Operating Partnership LP Our Operating Partnership was formed under Delaware law in April 2002 to acquire, own and lease properties on our behalf. We hold substantially all of our assets in our Operating Partnership or in subsidiary entities in which our Operating Partnership owns an interest. We are the sole general partner of our Operating Partnership, which means we have the exclusive power to manage and conduct the business of our Operating Partnership. As of March 31, 2006, we held 149,154,163 OP Units and owned approximately 98% of our Operating Partnership. The Advisor currently owns 20,000 OP Units and the Advisor s Parent currently owns 10,000 Special Units. See Proposal III The Internalization Proposal Our Company. In the Internalization, we will acquire and redeem the 20,000 OP Units presently owned by the Advisor and the 10,000 Special Units held by the Advisor s Parent will be modified into a portion of the 15,111,111 OP Units being issued in connection with the Internalization, pursuant to an amendment to our Operating Partnership s partnership agreement.

Dividend Capital Advisors Group LLC The Advisor s Parent was formed under Colorado law in April 2002 as a holding company to hold the entire outstanding membership interest, and all economic interests, in the Advisor. Our day-to-day operations are managed by the Advisor through the authority delegated to it under our Articles and the Advisory Agreement and pursuant to the policies established by our Board. We originally entered into the current Advisory Agreement with the Advisor effective November 21, 2003 and this agreement has been renewed for successive one-year periods, most recently as of February 28, 2006. Under the terms of the Advisory Agreement, the Advisor finds, presents and recommends to us investment opportunities, structures our acquisition and development transactions, acquires and develops properties on our behalf, arranges for financing and refinancing of properties, enters into leases and service contracts for our properties and provides daily management and various other administrative functions. See Proposal III The Internalization Proposal The Advisor and the Advisory Agreement.

Consideration to be Paid in the Internalization In the Internalization, the Advisor s Parent will contribute the entire outstanding membership interest, and all economic interests, in the Advisor to our Operating Partnership in exchange for aggregate consideration of 15,111,111 OP Units which includes the Modification of the Special Units held by the Advisor s Parent. In the Internalization, the OP Units have been valued at a per-unit price of $11.25. The Contribution Agreement provides that a portion of the Internalization Consideration will be allocated to the Modification of the Special Units into OP Units and the balance to the membership interest of the Advisor. See Proposal III The Internalization Proposal Description of the Internalization Payment of Internalization Consideration.

If the Internalization is completed, we will become self-advised and we will no longer bear the cost of the advisory fees and other amounts payable under the Advisory Agreement. Instead, we will pay directly for the services that the Advisor currently provides to us under the Advisory Agreement. We anticipate that our future costs for these services will be substantially less than the fees and other amounts we otherwise would pay under the Advisory Agreement. See Proposal III The Internalization Proposal Reasons for Becoming Self-Advised and Recommendations of the Special Committee and Our Board of Directors.

Background of the Internalization Our Board has been evaluating whether we should convert from our current external advisory structure to a self-advised structure in order to obtain the financial and other benefits described elsewhere in this proxy statement. Since our inception, our day-to-day operations have been managed by the Advisor under the supervision of our Board, pursuant to the terms and conditions of an advisory agreement with the Advisor. We have grown rapidly since our inception and held over $2.2 billion in assets at March 31, 2006. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we expect to hire various individuals associated with the Advisor or its affiliates who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide us with an experienced management team with industry expertise,

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management capabilities and a unique knowledge of our assets and business strategies. Our Board also has been considering whether we should effect a Listing and how best to position ourselves for such a Listing. We believe any future Listing will be more successful if we are self-advised. Among other things, a Listing would create greater liquidity for our stockholders, who at present have only very limited opportunities to sell their common shares if and when they wish to do so. A Listing also could allow us greater access to capital to fund our future growth. We believe that by completing the Internalization we will enhance the likelihood of a successful Listing; however, we expect that the Internalization will be beneficial to us even if we do not complete a Listing. See Proposal III The Internalization Proposal Background of the Internalization Proposal.

Principal Reasons for the Internalization We believe that a self-advised structure will have several advantages including the following:

We believe it is advantageous to employ directly certain key members of the management team whose services have been provided to us to date through the Advisor or its affiliates who have been instrumental in our growth and key to our relationships with our tenants, operators, lenders, and other service providers, and to enter into the Employment Agreements with certain of these individuals. Directly employing these individuals will also allow us to create incentives that will motivate them in order to help us retain their services.

We believe that consummation of the Internalization will result in cost savings and be accretive over time to our net income per share and FFO per share, including after giving effect to the compensation charge attributable to certain performance and non-performance based stock grants contemplated under the Employment Agreements, as we will eliminate the advisory fees we otherwise would continue to pay to the Advisor and replace them with the lower cost of paying employees directly to provide the services presently provided by the Advisor. We also believe that the kinds of equity-based compensation arrangements we will enter into with the members of our senior management team effective upon the closing of the Internalization will better align their interests with those of our stockholders than the current arrangements (under which many of those managers have indirect interests in the equity or net cash flow of the Advisor).

We believe that the Internalization will facilitate a future possible Listing and that, if our common shares were listed, investors and market analysts could view us more favorably if we were self-advised, which we believe would facilitate additional equity capital raising in the public securities markets.

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We also believe that being self-advised will, over time, enhance the value of our common shares, although there is no assurance that this will occur. See Proposal III The Internalization Proposal Reasons for Becoming Self-Advised; Background of the Internalization Proposal; and Proceedings of the Special Committee and Our Board.

Certain Charter Restrictions Inapplicable	We are proposing in the Pre-Listing and Post-Listing Charter Amendment Proposals to eliminate from our Articles restrictions on transactions between us and our Affiliates (we explain who our Affiliates are in the answer to Question 6, above) which, in addition to requiring disinterested director approval, require that an affiliated transaction be fair and reasonable to us and our stockholders, that the terms of such transaction be at least as favorable as the terms of any comparable arm s-length transactions known to our directors and that, if an acquisition is involved, the total consideration not be in excess of the appraised value of the property being acquired. Because the elimination of these general restrictions will not be effective before a Listing, these provisions, to the extent they otherwise would be applicable, will not affect the approvals required for the Internalization or the other related transactions contemplated by the Contribution Agreement. **If the Pre-Listing Charter Amendment Proposal is not approved by our stockholders at the Annual Meeting, we may be required to consummate the Internalization if the conditions to the Internalization have been satisfied or waived and if permitted by applicable law. See Proposal IV The Pre-Listing Charter Amendment Proposal and Proposal V The Post-Listing Charter Amendment Proposal.**
Opinion of the Special Committee s Financial Advisor	In connection with the Internalization, Banc of America Securities LLC (**Banc of America Securities**), the Special Committee s financial advisor, delivered to the Special Committee a written opinion, dated July 21, 2006, as to the fairness, from a financial point of view and as of the date of Banc of America Securities opinion, to us of the consideration to be paid by us pursuant to the Contribution Agreement. For purposes of its opinion, Banc of America Securities evaluated the 15,111,111 OP Units issuable pursuant to the Contribution Agreement as having an aggregate value of $170.0 million, which was the aggregate value agreed upon by the Special Committee and the Advisor s Parent in their negotiation of the terms of the Internalization. The full text of the written opinion, dated July 21, 2006, of Banc of America Securities, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as **Appendix B** to this proxy statement and is incorporated by reference in its entirety into this document. You are encouraged to read the opinion carefully in its entirety. **Banc of America Securities provided its opinion to the Special Committee to assist the Special Committee in its evaluation, from a financial point of view, of the**

consideration provided for in the Contribution Agreement. Banc of America Securities opinion does not address any other aspect of the Internalization and does not constitute a recommendation as to how you should vote or act in connection with the proposed Internalization. See Proposal III The Internalization Proposal Opinion of the Special Committee s Financial Advisor.

Interests of Certain of Our Directors and Officers

Some of our directors and officers have material financial interests in the Internalization. In particular, all of our officers and three of our directors are also employees or consultants of the Advisor or its affiliates. Moreover, Thomas Wattles, our Chairman and a director, has indirect beneficial ownership and control with his spouse of a 12.825% membership interest in the Advisor s Parent, and a 8.084% Cash Flow Interest; Evan Zucker, our Chief Executive Officer, President, Secretary and a director, has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent, and a 12.280% Cash Flow Interest; and James Mulvihill, our Treasurer, Chief Financial Officer and a director, has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent, and a 12.280% Cash Flow Interest. Accordingly, the Internalization will result in Messrs. Wattles, Zucker and Mulvihill receiving indirect beneficial ownership with their respective spouses of approximately 4.9 million OP Units. Holders of OP Units generally have the right to cause our Operating Partnership to redeem all or a portion of their OP Units for cash or, at our sole discretion, common shares, or a combination of both. If the Advisor s Parent exercised its redemption rights with respect to its OP Units and we elected to redeem the OP Units for common shares, Messrs. Wattles, Zucker and Mulvihill would have indirect beneficial ownership with their respective spouses of approximately 4.9 million common shares, representing approximately 2.926% of our outstanding common shares, assuming all outstanding OP Units were exchanged for common shares on a one-for-one basis, as of June 30, 2006. Messrs. Zucker and Mulvihill will cease to be our officers and Mr. Zucker will cease to be one of our directors as of the closing date of the Internalization and subsequently will not participate in our day-to-day management.

In addition, James Cochran, Daryl Mechem, Matthew Murphy and Michael Ruen, employees of the Advisor or its affiliates who are also our officers, pursuant to certain contractual arrangements, have an aggregate 9.987% Cash Flow Interest, which, in connection with the Internalization, will entitle them to certain economic rights with respect to the Advisor Parent s ownership of an aggregate of approximately 1.5 million OP Units. Subject to the approval of the 2006 Long-Term Incentive Plan and the Incentive Compensation Plan at the Annual Meeting, it is contemplated that such officers will also receive certain equity awards. See Proposal I Election of Directors: Nominees for Election to Our Board of Directors Certain Relationships and Related Transactions; Proposal III The

Internalization Proposal Reasons for Becoming Self-Advised; Background of the Internalization Proposal; Proceedings of the Special Committee and Our Board; Description of the Internalization Certain Financial and Other Information Regarding the Internalization; and Non-Competition Agreements, Employment Agreements and Other Agreements Employment Agreements and Other Agreements.

Our Management Following the Internalization	Each of Thomas Wattles, our Chairman and a director, James Cochran, our Chief Investment Officer, Daryl Mechem, our Managing Director, Matthew Murphy, a senior vice president, and Michael Ruen, a senior vice president, has expressed his current intention to continue to serve in such role(s) after the closing date and has executed an Employment Agreement with us, effective as of the closing date of the Internalization. Evan Zucker will resign as Chief Executive Officer, President, Secretary and a director and James Mulvihill will resign as Treasurer and Chief Financial Officer, respectively, and each of them will enter into a non-competition agreement (the **Non-Competition Agreements**) with us, effective as of the closing date of the Internalization. See Proposal I: Election of Directors: Nominees for Election to Our Board of Directors and Proposal III The Internalization Proposal Description of the Internalization Non-Competition Agreements, Employment Agreement and Other Agreements.
Employment Agreements	We have entered into the Employment Agreements containing, among other things, non-compete provisions with the following key individuals associated with the Advisor or its affiliates, effective as of the closing date of the Internalization: Thomas Wattles, James Cochran, Daryl Mechem, Matthew Murphy, Michael Ruen and Philip Hawkins, who, upon consummation of the Internalization, will become our new chief executive officer and a director. See Proposal III The Internalization Proposal Description of the Internalization Non-Competition Agreements, Employment Agreements and Other Agreements.
Non-Competition Agreements	We will enter into the Non-Competition Agreements with Evan Zucker who will, upon consummation of the Internalization, resign as our Chief Executive Officer, President, Secretary and a director, and James Mulvihill, who will, upon consummation of the Internalization, resign as our Treasurer and Chief Financial Officer, effective as of the closing date of the Internalization. The Non-Competition Agreements to be entered into by Messrs. Zucker and Mulvihill generally restrict their ability to engage in various activities in North America in respect of industrial real estate for three years. The agreements contain certain exceptions, including a provision that Messrs. Zucker and Mulvihill can provide various services to the DCTRT JV Entities (as defined below) if the DCTRT JV Entities enter into joint venture arrangements with us that prohibit the DCTRT JV Entities from investing in industrial real estate in certain major markets in which we

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currently operate otherwise than in partnership with us, for so long as those exclusivity provisions remain in effect. Messrs. Zucker and Mulvihill will no longer be bound by the non-competition provisions if we default in our obligation to nominate a designee of the Advisor s Parent to our Board in each of 2007, 2008 and 2009. See Proposal III The Internalization Proposal Description of the Internalization Non-Competition Agreements, Employment Agreements and Other Agreements.

Pledge and Security Agreement	At or prior to the closing date of the Internalization, we will enter into a pledge and security agreement with the Advisor s Parent with respect to the pledge of the Internalization Consideration and certain other assets by the Advisor s Parent to secure its indemnification obligations under the Contribution Agreement (the **Pledge Agreemen**t). See Proposal III The Internalization Proposal Description of the Internalization Pledge Agreement.
Registration Rights Agreement	We have granted registration rights to the Advisor s Parent, and to its permitted transferees, in respect of the registration of any common shares issued in exchange for the OP Units issued in the Internalization, which require us, under certain circumstances, to register those shares under the Securities Act of 1933 (the **Securities Act**), as amended. See Proposal III The Internalization Proposal Description of the Internalization Registration Rights Agreement.
Joint Venture Agreement	We intend to enter into the Joint Venture Agreement (the **Joint Venture Agreement**) with Dividend Capital Total Realty Trust Inc. (**DCTRT**) and an affiliated entity (collectively, the **DCTRT JV Entities**), which will establish a series of joint ventures that will be the exclusive vehicles used by the DCTRT JV Entities to invest in industrial real estate assets in our current major markets through the end of 2008. We will be required to provide minimum amounts of investment opportunities to these joint ventures. We will act as the managing member of these entities, subject to the approval of major decisions by the DCTRT JV Entities, and will receive certain fees and, if performance criteria are met, promote payments. See Proposal III The Internalization Proposal Description of the Internalization Joint Venture Agreement.
Additional New Agreements with Divided Capital Affiliated Companies	The Contribution Agreement provides that, upon the closing of the Internalization, we will enter into new agreements, including the Transitional Services Agreement with DC Services and a license agreement (the **License Agreement**) with the Advisor s Parent. Pursuant to the Transitional Services Agreement, we will receive enumerated services necessary to operate the Advisor s business for a one-year period (or such shorter time as we may determine) by arranging for a continuation of existing resource-sharing arrangements among the Advisor, other affiliates of the Advisor s Parent and us, until we are able to arrange to internally provide such

	services. These resources include IT services, human resources, payroll, accounts payable and certain other services. The maximum monthly amount payable under this agreement is approximately $71,600.
	The License Agreement will provide for use of the Dividend Capital name without payment of any fees for a period of one year, subject to earlier termination in connection with our material breach of the License Agreement, a change of control of us or our bankruptcy or insolvency.
	See also Proposal I Election of Directors: Nominees for Election to Our Board of Directors Certain Relationships and Related Transactions New Agreements with Affiliates of the Advisor s Parent.
Indemnification	In the Contribution Agreement, we and the Advisor s Parent have agreed to indemnification obligations covering damages arising from certain matters following the closing of the Internalization (the **Closing**). See Proposal III The Internalization Proposal Description of the Internalization Indemnification.
Closing	The closing of the Internalization will occur three business days following the satisfaction or waiver of the conditions to the Internalization set forth in the Contribution Agreement (other than conditions that by their nature are to be satisfied at the closing of the Internalization), or on such other date as we and the Advisor s Parent may mutually agree (the **Closing Date**). See Proposal III The Internalization Proposal Description of the Internalization Closing.
Board Nominations	In the Contribution Agreement, we have agreed to cause an individual designated by the Advisor s Parent to be nominated for election to our Board at our annual stockholders meetings to be held in 2007, 2008 and 2009, in each case to serve a one-year term. The obligation terminates if at any time the persons who at the time of the Internalization are the beneficial owners of the Advisor s Parent, together with the employees being transferred to us in the Internalization, collectively beneficially own (directly or indirectly) less than 5,000,000 of the 15,111,111 OP Units issued in the Internalization. The initial representative of the Advisor s Parent will be James Mulvihill.
Business of the Advisor Pending the Internalization	The Contribution Agreement requires that, subject only to specified exceptions, until the Closing, the Advisor s Parent must (i) cause the Advisor to conduct its business in the ordinary course consistent with past practice, (ii) use commercially reasonable efforts to preserve substantially intact the present organization of the Advisor, (iii) use commercially reasonable best efforts to keep available the services of the present officers and employees of the Advisor or its affiliates,

(iv) use commercially reasonable efforts to preserve the Advisor s relationships with others having business dealings with the Advisor and (v) not engage in certain actions specified in the Contribution Agreement. See Proposal III the Internalization Proposal Description of the Internalization Conduct of Business Prior to Closing.

Conditions of the Internalization

The Internalization is subject to the satisfaction or waiver on or prior to the Closing Date of certain conditions set forth in the Contribution Agreement including, but not limited to, the approval of the Internalization Proposal by our stockholders. Any or all of the closing conditions to our performance obligations under the Contribution Agreement may be waived by us in our sole discretion. See Proposal III The Internalization Proposal Description of the Internalization Conditions to Closing.

Termination

The Contribution Agreement may be terminated at any time prior to the Closing, by mutual written consent of us and the Advisor s Parent, before or after approval of the Internalization Proposal by our stockholders, or by either us or the Advisor s Parent under certain circumstances. Further, the Contribution Agreement may be terminated by either us or the Advisor s Parent after January 31, 2007 if the Internalization has not occurred as of such date. See Proposal III The Internalization Proposal Description of the Internalization Amendment; Waiver; Assignment; Termination.

Regulatory Matters

No material regulatory approvals or filings are required in order to effect the Internalization. See Proposal III The Internalization Proposal Description of the Internalization Regulatory Matters.

No Appraisal Rights with Respect to the Internalization

You will not be entitled to appraisal rights with respect to the Internalization. See Proposal III The Internalization Proposal Description of the Internalization No Appraisal Rights in connection with the Internalization.

U.S. Federal Income Tax Considerations

The Internalization will not result in the recognition of taxable income by us or our stockholders for U.S. federal income tax purposes and will not affect our qualification as a REIT. See Proposal III the Internalization Proposal Description of the Internalization Certain Financial and Other Information Regarding the Internalization Certain U.S. Federal Income Tax Considerations.

Accounting Treatment

The Internalization will be accounted for primarily as costs incurred in connection with terminating the Advisory Agreement which will be treated as an expense when incurred. See Proposal III The Internalization Proposal Description of the Internalization Certain Financial and Other Information Regarding the Internalization Accounting Treatment.

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Risk Factors	There are a number of risks associated with the Internalization that you should consider before returning your proxy. See Risk Factors.
Board Recommendation	After careful consideration, including consideration of the unanimous recommendation of the Special Committee, our Board has unanimously approved (Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have material financial interests in the Internalization, have abstained from voting upon the matter) the Contribution Agreement, the Internalization and the other transactions expressly contemplated by the Contribution Agreement. The Board and the Special Committee believe that the terms of the Internalization are fair and reasonable to us and advisable and in the best interests of us and our stockholders. See Proposal III The Internalization Proposal Recommendations of the Special Committee and Our Board of Directors. **The Board recommends (excluding Messrs. Wattles, Zucker and Mulvihill, who have abstained from joining in our Board s recommendation) that you vote FOR the Internalization Proposal.**

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RISK FACTORS

This proxy statement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding our near-term objectives and long-term strategies, the declaration or payment of distributions, the expected Closing and certain other transactions, the possible effects of the adoption or failure to adopt the Pre-Listing Charter Amendment Proposal or the Post-Listing Charter Amendment Proposal, expectations of short-term and long-term liquidity requirements and needs, future stock redemptions, stock issuances under the Distribution Reinvestment Plan (the **DRP**) and other statements that are not historical facts, and/or statements containing words such as anticipate(s), expect(s), intend(s), plan(s), target(s), project(s), will, believe(s), may, woul estimate(s) and similar expressions. These statements are based on management s current expectations, beliefs and assumptions and are subject to a number of known and unknown risks, uncertainties and other factors that could lead to actual results materially different from those described in the forward-looking statements. We can give no assurance that our expectations will be attained. Factors that could adversely affect our operations and prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

- changes in local and national real estate market conditions and general economic conditions, including extended U.S. military combat operations abroad and the potential for terrorist attacks and the occurrence or perceived likelihood of the occurrence of certain contagious diseases or pandemics such as SARS or Bird Flu;
- availability of capital from short-term borrowings; availability of proceeds from future equity offerings; or our ability to obtain additional long-term financing on satisfactory terms;
- our ability to continue to identify suitable investments;
- our ability to consummate the transactions contemplated under existing and future agreements;
- failure of closing conditions to be satisfied and/or to secure certain third-party consents in connection with certain transactions;
- changes in the structure of pending transactions;
- whether the Pre-Listing Charter Amendment Proposal and the Internalization Proposal are approved and whether the Internalization is consummated;
- the inability to acquire properties that meet our investment objectives;
- our ability to continue to qualify as a REIT and to make payments which are necessary, including distributions, to maintain such qualification;
- changes in interest rates and financial and capital markets;
- legislative or regulatory changes, including changes to laws governing the taxation of REITs;

- changes in generally accepted accounting principles, policies and guidelines and/or their application to us;
- changes in our business or strategic objectives;
- stockholders electing to participate in the DRP;
- requirements relating to the offering of equity securities; and
- such other risk factors as may be discussed herein and in other reports on file or subsequently filed with the SEC.

Such forward-looking statements speak only as of the date of this proxy statement. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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Certain of Our Directors and Officers Have Potential Conflicts of Interest.

Certain of our directors and officers have material financial interests in the Internalization. In particular, all of our officers and three of our directors are also employees or consultants of the Advisor or its affiliates. Moreover, Thomas Wattles, our Chairman and a director, has indirect beneficial ownership and control with his spouse of a 12.825% membership interest in the Advisor s Parent and a 8.084% Cash Flow Interest; Evan Zucker, our Chief Executive Officer, President, Secretary and a director, has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and a 12.280% Cash Flow Interest; and James Mulvihill, our Treasurer, Chief Financial Officer and a director, has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and a 12.280% Cash Flow Interest. Accordingly, the Internalization will result in Messrs. Wattles, Zucker and Mulvihill receiving indirect beneficial ownership with their respective spouses of approximately 4.9 million OP Units. Messrs. Zucker and Mulvihill will cease to be our officers and Mr. Zucker will cease to be one of our directors as of the Closing Date and subsequently will not participate in our day-to-day management.

Holders of OP Units generally have the right to cause our Operating Partnership to redeem all or a portion of their OP Units for cash or, at our sole discretion, common shares, or a combination of both. If the Advisor s Parent exercised its redemption rights with respect to its OP Units and we elected to redeem the OP Units for common shares, Messrs. Wattles, Zucker and Mulvihill would have indirect beneficial ownership with their respective spouses of approximately 4.9 million common shares, representing approximately 2.926% of our outstanding common shares, assuming all outstanding OP Units were exchanged for common shares on a one-for-one basis, as of June 30, 2006.

In addition, we have entered into Employment Agreements with Messrs. Wattles, Hawkins, Cochran, Mechem, Murphy and Ruen), which will be effective as of the Closing Date. While the new Employment Agreements provide for annual salaries that in most instances are substantially the same as such individuals are currently paid by the Advisor except for Mr. Hawkins who, prior to August 14, 2006, was not associated with the Advisor, the Employment Agreements contain other benefits that may differ from existing employment arrangements. In particular, the Employment Agreements provide that each such individual will be eligible for an annual bonus of a percentage of his then-current annual salary, which may give rise to the payment of bonuses higher than such individuals would receive in the absence of a written employment agreement. Further, pursuant to certain contractual relationships, such officers (other than Mr. Hawkins) collectively have an aggregate 18.071% Cash Flow Interest, which, in connection with the Internalization, will entitle them to certain economic rights with respect to the Advisor Parent s ownership of an aggregate of approximately 2.7 million OP Units. We contemplate issuing long-term incentive stock awards to such executives, pursuant to the terms of the 2006 Long-Term Incentive Plan (if approved by our stockholders at the Annual Meeting) to be administered by our compensation committee. In particular, as a signing bonus, Mr. Hawkins, under our 2006 Long-Term Incentive Plan, will receive, subject to the approval of the 2006 Long-Term Incentive Plan Proposal by our stockholders at the Annual Meeting, 450,795 of our common shares vesting over five years (0%, 0%, 25%, 25% and 50%) commencing on August 1, 2007, and in addition, upon the Closing, will purchase 88,889 of our common shares at $11.25 per share.

In the Contribution Agreement, we agreed that at the Closing we will enter into a registration rights agreement (the **Registration Rights Agreement**) with the Advisor s Parent in respect of any common shares acquired or otherwise owned by or issuable to the Advisor s Parent or its permitted transferees upon exchange of the OP Units issued in the Internalization. The Registration Rights Agreement requires us, on up to two occasions, on demand of the Advisor s Parent or its permitted transferees as a group, to prepare and file a registration statement within 45 days of the demand that covers the resale of the shares specified in the demand, and to use our commercially reasonable efforts to cause the registration statement to become effective if it is not automatically effective on filing. We are not required to file a registration statement unless the shares covered by the registration statement have a maximum aggregate offering price of at least $25.0 million (unless the registration statement covers all remaining registrable shares). This demand registration right is exercisable any time after the date that is 15 months following the date of the Registration Rights Agreement (subject to extension as discussed below). In addition, if at any time after the date that is 15 months following the date of the Registration Rights Agreement (subject to extension as discussed below), we propose to file a registration statement with respect to a public offering of common shares pursuant to a firm commitment underwritten offering or for the account of any holder of common shares subject to certain exceptions, we must give notice of the proposed filing to the Advisor s Parent and its permitted transferees, if any, at least 21 days before the anticipated filing date and offer such persons the opportunity to include in the registration statement such amount of common shares as they may request, subject to customary underwriter cutback provisions (in addition to those described below) pursuant to which we will have priority. This piggyback registration right does not apply to registration statements filed in connection with employee stock option or purchase plans, relating to a transaction requiring registration pursuant to Rule 145 under the Securities Act, relating solely to a dividend or distribution reinvestment plan, or on Form S-8 or any successor form thereto. The foregoing rights are subject to our right to postpone the filing of any registration statement we may file, or suspend the use of an effective registration statement we have filed, pursuant to the Registration Rights Agreement, for a reasonable period of time, but not longer than 90 days in any consecutive 12-month period under certain conditions. The aggregate number of days in any such delays or postponements will extend for an equal period of time the ability of the Advisor s Parent or its permitted transferees to exercise their demand registration rights. In addition, if the managing underwriter(s) of a firm commitment underwritten offering advise(s) us that the total amount of securities requested to be included in an offering exceeds the amount which can be sold in such offering without jeopardizing the success of that offering (including the price per share of the securities to be sold), then we will pro-rate the number of shares requested to be included by the Advisor s Parent or its permitted transferees in the offering pursuant to their piggyback registration rights, on the basis of the number of common shares with demand registration rights requested to be included. We will bear all costs, fees and expenses incident to our obligations under the Registration Rights Agreement, including the reasonable fees of one counsel selected by the majority of holders of registrable shares, other than the fees and expenses of any persons retained by the Advisor s Parent or its permitted transferees, including counsel (except as previously noted), any underwriters or dealers discounts and all commissions or brokers fees or fees of similar securities industry professionals and any transfer taxes relating to the disposition of their common shares but the fees and other changes of any counsel appointed to represent all the holders will be paid for by us.

Pursuant to the Contribution Agreement, the Advisor s Parent has agreed, without our prior written consent, not to offer, sell, contract to sell, pledge (other than pursuant to the Pledge Agreement) or otherwise transfer or dispose of any of the OP Units issued in connection with the Internalization or securities convertible or exchangeable or exercisable for any such OP Units or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the OP Units issued in connection with the Internalization during the 15-month period following the Closing Date; it being understood that the foregoing restriction does not prohibit the purchase or sale of securities (including derivative securities that do not involve any securities issued by us) issued by persons other than us or our Operating Partnership.

Future Sales of Our Common Shares by the Advisor s Parent or its Members or Other Holders of Cash Flow Interests May Adversely Affect the Fair Market Value of Our Common Shares.

Sales of a substantial number of our common shares by the Advisor s Parent or its members or other holders of Cash Flow Interests, or the perception that these sales could occur, could adversely affect prevailing prices for our common shares. These sales might make it more difficult for us to sell equity securities in the future at a time and price we deem appropriate.

We May Compete with Our Affiliates for Properties.

Although we will be self-advised if the Internalization is consummated, we still will be subject to certain conflicts of interest. Certain of our other current Affiliates could seek to acquire properties that could satisfy our acquisition criteria. As a result, we may decide not to pursue the acquisitions of properties we would otherwise seek to acquire in order to avoid bidding against an Affiliate. While certain of our Affiliates have agreed not to engage in

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activities within North America relating to the ownership, acquisition, development or management of industrial properties until the third anniversary of the Closing Date, such agreements are subject to certain exceptions.

Our Chairman of the Board Will Have Competing Demands on His Time and Attention.

Mr. Wattles, Chairman of the Board, owns a portion of and serves as a manager to the parent company of DCTRT s external advisor and has similar ownership and serves as a manager for other affiliates of the Advisor s Parent. Following the Closing Date, he will devote significant time to us, but will not work full time for us and could take actions that are more favorable to these other entities than to us.

We May Invest With Our Affiliates.

We may invest in joint ventures or other programs sponsored by Affiliates of two of our directors, Mr. Wattles and Mr. Mulvihill, following the Internalization, including those pursuant to the Joint Venture Agreement. Our Independent Directors must approve any such transaction. Management s recommendation to our Independent Directors may be affected by its relationship with one or more of the co-venturers and may be more beneficial to the other programs than to us.

Our Net Income Per Share and FFO Per Share in the Near Term May Decrease as a Result of the Internalization.

Our net income and funds from operation (**FFO**) in the near term may decrease as a result of the Internalization, in connection with the one-time, non-recurring non-cash charge to earnings we will incur for the portion of the Internalization Consideration that is allocated as the cost for terminating the Advisory Agreement. While we will no longer bear the costs of the various fees and expenses previously paid to the Advisor if and after we become self-advised, our expenses will include the compensation and benefits of our officers and the other employees and consultants previously paid by the Advisor or its affiliates. Further, our net income per share and FFO per share may decrease in the near term due to the additional expenses recognized. In addition, if the Internalization is consummated, we will issue 15,111,111 OP Units, representing approximately 9.0% of our outstanding common shares, assuming those OP Units were issued, and then all outstanding OP Units were exchanged for common shares on a one-for-one basis, as of June 30, 2006, and expect to issue long-term incentive stock awards under the terms of the Employment Agreements, which will have a dilutive effect on our current stockholders. If the Internalization is not consummated, the amount of the fees payable to the Advisor will depend on a number of factors, including the amount of additional equity, if any, that we are able to raise, our acquisition activity, and the profitability of our business. Therefore, the exact amount of future fees that we would pay to the Advisor cannot reasonably be estimated. If the expenses we assume as a result of the Internalization are higher than we anticipate, our net income per share and FFO per share may be lower as a result of the Internalization than it otherwise would have been, potentially causing our net income per share and FFO per share to decrease.

We May Be Exposed to Risks to Which We Have Not Historically Been Exposed.

The Internalization will expose us to risks to which we have not historically been exposed. Excluding the effect of the eliminated asset management fees, our direct overhead, on a consolidated basis, will increase as a result of becoming self-advised. If we fail to raise and/or invest additional capital, or if performance of our properties declines, we may not be able to cover this new overhead. Under the current Advisory Agreement, the responsibility for such overhead is borne by the Advisor.

In our current externally-advised structure, we do not directly employ any employees. As a result of the Internalization, we will directly employ persons who are currently associated with the Advisor or its affiliates and will establish a new defined contribution retirement plan for our employees. As of June 30, 2006, the Advisor and its affiliates who provided services to us had approximately 100 employees or consultants, approximately 50 of whom will become our employees as of the Closing Date. The individuals not becoming our employees generally had roles dealing with capital raising activities and our Operating Partnership s private

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placement. As their employer, we will be subject to those potential liabilities that are commonly faced by employers, such as workers disability and compensation claims, potential labor disputes and other employee- related liabilities and grievances and we will bear the costs of the establishment and maintenance of such plans.

Costs Associated with the Advisor s Personnel After Internalization May Exceed the Compensation Previously Paid by Us to the Advisor for Such Services.

To date, we have incurred fees and expense reimbursements under the Advisory Agreement for, among other things, management, advisory, acquisition and development services provided by the Advisor. After consummation of the Internalization, we will no longer pay these fees and expense reimbursements. We will instead directly incur the operating and related costs incurred previously by the Advisor. No assurance can be given that the cost of the Internalization will not exceed the compensation and expense reimbursements payable to the Advisor under the current Advisory Agreement.

After the Internalization, We Will Be Dependent on Our Own Executives and Employees.

We will rely on a small number of persons who comprise our existing senior management, particularly Messrs. Wattles, Hawkins, Cochran, Mechem, Murphy and Ruen, to carry out our business and investment strategies. While we have entered into the Employment Agreements with five current members of our senior management (Messrs. Wattles, Cochran, Mechem, Murphy and Ruen), as well as with Mr. Hawkins, who, as of the Closing Date, will become our new chief executive officer and a director, these individuals may nevertheless cease to provide services to us at any time. In addition, Mr. Wattles will remain on our Board and Mr. Hawkins will join our Board, but Mr. Zucker will resign as Chief Executive Officer, President, Secretary and a director and Mr. Mulvihill will resign as Treasurer and Chief Financial Officer. The loss of the services of any of our key management personnel, or our inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results. As we expand, we will continue to need to try to attract and retain qualified additional senior management, but may not be able to do so on acceptable terms.

The Failure of Our Stockholders to Approve the Long-Term Incentive Plan Proposal Could Have a Material Adverse Effect on Our Business and Financial Results.

We have entered into the Employment Agreements with various individuals associated with the Advisor or its affiliates, which will generally become effective as of the closing date of the Internalization. The Employment Agreements are with persons who will constitute our senior management following the Internalization. These agreements provide, among other things, for long-term incentive compensation awards and target bonuses that will be paid pursuant to the 2006 Long-Term Incentive Plan and the Incentive Compensation Plan. If the 2006 Long-Term Incentive Plan is not approved by our stockholders, pursuant to the terms of the Employment Agreements, the members of our senior management will be entitled to terminate their respective agreements for good reason. Further, if the 2006 Long-Term Incentive Plan is not approved by our stockholders, it could materially adversely affect us because we could be deprived of the services of our senior management and the ability to provide the incentives necessary to attract qualified replacements and other personnel.

The Per Unit Price of $11.25 Agreed to by the Parties to the Contribution Agreement in Their Negotiation of the Terms of the Internalization May Not Reflect the Fair Market Value of Our Common Shares.

The selling price of our common shares in our most recent continuous public offering was $10.50 per share. We closed the primary component of this offering on January 23, 2006. However, we continue to sell shares under our DRP based on a value of $10.50 per share. As described elsewhere in this proxy statement, the Special Committee negotiated the amount of the Internalization consideration by first negotiating a price expressed in dollars ($170.0 million) and then agreeing upon the value per OP Unit to be used in deciding the number of OP Units that would represent $170.0 million in value ($11.25 per OP Unit). Since at present there is no active trading market for our common shares or our OP Units, there is no objective way to precisely value the OP Units that the Advisor s Parent will receive in the Internalization. If we complete a Listing in the near future, the prices

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at which our common shares trade following the Listing will provide a more objective indication of the value of each OP Unit received by the Advisor s Parent. If the fair market value of the 15,111,111 OP Units to be received by the Advisor s Parent in the Internalization proves to be greater than $11.25 per OP Unit, the Advisor s Parent will have received consideration worth more than $170.0 million for the Advisor. Conversely, if the fair market value of those OP Units proves to be less than $11.25 per OP Unit, the Advisor s Parent will have received consideration worth less than $170.0 million. Neither party has the right to terminate the Contribution Agreement due to a change in the fair market value of our common shares. If we pursue and complete a Listing, our common shares may trade in the public market at a price different from $11.25 per share.

Our Organizational Documents Contain Provisions Which May Discourage a Takeover of Us and Could Depress the Price of Our Common Shares.

Our organizational documents contain provisions which may discourage a takeover of us and could depress the price of our common shares. Upon completion of the Internalization and approval and implementation of the Post-Listing Charter Amendment Proposal, our organizational documents will contain provisions which may have an anti-takeover effect, inhibit a change of our management, or inhibit in certain circumstances tender offers for our common shares or proxy contests to change our Board. These provisions include: provisions that directors may only be removed for cause; restricting the stockholders from altering the number of directors; ownership limits and restrictions on transferability that are intended to enable us to continue to qualify as a REIT; provisions that give our Board broad discretion, without stockholder approval, to issue new classes of securities that may discourage a third party from acquiring us; the ability, through board action or by-law amendment to opt-in to certain provisions of Maryland law that may impede efforts to effect a change in control of us; advance notice requirements for stockholder amendments; and the absence of cumulative voting rights. In addition, the terms of the Employment Agreements and the 2006 Long-Term Incentive Plan contain change of control provisions that might similarly have an anti-takeover effect, inhibit a change of our management, or inhibit in certain circumstances tender offers for our common shares or proxy contests to change our Board.

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SELECTED FINANCIAL DATA OF THE ADVISOR

You should read the following selected financial data of the Advisor in conjunction with Advisor Management s Discussion and Analysis of Financial Condition and Results of Operations of the Advisor and the financial statements and related notes of the Advisor included elsewhere in this proxy statement (in thousands except for share data):

The following table sets forth selected financial data relating to the Advisor s historical financial condition and results of operations for the periods ended 2005, 2004, 2003 and 2002 (the year of inception), as well as the three months ended March 31, 2006 and 2005. You should read the following selected financial data of the Advisor in conjunction with Advisor Management s Discussion and Analysis of Financial Condition and Results of Operations of the Advisor and the Advisor s (i) audited balance sheet as of December 31, 2005, and the related statements of operations, member s equity, and cash flows for the year then ended, together with the related notes thereto, and (ii) unaudited balance sheet as of March 31, 2006, and the related statements of operations, member s equity, and cash flows for the year then ended, in each case included elsewhere in this proxy statement.

	For the Three Month Ended March 31,		For the Year Ended December 31,			
	2006	2005	2005	2004	2003	2002
OPERATING DATA:						
Income:						
Acquisition fees	$ 1,206,557	$ 964,700	$ 11,068,758	$ 6,358,733	$ 4,354,528	$
Asset management fees	3,518,260	1,173,302	8,901,015	1,525,193		
Private placement fees	1,477,694	497,260	3,626,127	761,271	126,587	
Interest and other income	387,601	14,649	97,597	142,293	10,833	
Total income	6,590,112	2,649,911	23,693,497	8,787,490	4,491,948	
Expenses:						
Payroll and payroll-related	1,966,246	1,448,236	6,556,353	4,156,137	2,435,907	
General & administrative	985,879	535,885	4,804,345	2,334,908	1,809,164	
Depreciation and amortization	67,106	47,675	216,835	134,098	31,955	
Asset management fee	87,303		733,792			
Total expenses	3,106,534	2,031,796	12,311,325	6,625,143	4,277,026	
Net Income	$ 3,483,578	$ 618,115	$ 11,382,172	$ 2,162,347	$ 214,922	$
CASH FLOW DATA:						
Net cash provided by (used in) operating activities	$ 2,875,545	$ 506,811	$ 17,536,479	$ 4,253,992	$ (1,619,491)	$ (3,896,361)
Net cash provided by (used in) investing activities	(80,169)	11,958	(929,382)	(456,705)	(392,077)	(260,485)
Net cash provided by (used in) financing activities	(3,600,000)	(1,084,050)	(13,850,000)	(3,960,411)	4,199,455	4,260,956

	As of March 31,		As of December 31,			
	2006	2005	2005	2004	2003	2002
BALANCE SHEET DATA:						
Total Assets	$ 8,073,782	$ 7,840,164	$ 8,072,810	$ 9,090,369	$ 10,715,989	$ 4,518,018
Total Liabilities	$ 3,780,763	$ 4,844,780	$ 3,663,369	$ 6,713,100	$ 10,501,067	$ 4,518,018
Total Member s Equity	$ 4,293,019	$ 2,995,384	$ 4,409,441	$ 2,377,269	$ 214,922	$

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ADVISOR MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ADVISOR

The Advisor management s discussion and analysis of financial condition and results operations of the Advisor consists of comparisons of the operating results of the Advisor for the quarters ended March 31, 2006 and 2005 and for the years ended December 31, 2005, 2004 and 2003.

The following discussion and analysis of the Advisor s financial condition and results of operations should be read in conjunction with Selected Financial Data of the Advisor and the audited financial statements and notes thereto. This discussion and analysis contains certain forward-looking statements. When used in this discussion and analysis, the words may, will, expect, anticipate, continue, estimate, proje intend, believe, and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. There are various factors that could cause actual results to differ materially from those which are expressed in, or implied by such forward-looking statements. Such factors include, but are not limited to, changes in general economic conditions, changes in real estate conditions, changes in interest rates, the amount of equity capital provided by Dividend Capital Trust s (which we refer to as the **Trust** for the purposes of this section) public and private offerings, the availability of debt financing for the Trust on favorable terms, the ability to acquire and lease properties on favorable terms and the ability of customers to make payments under their respective leases. Readers of this report are cautioned to consider these uncertainties in connection with all forward-looking statements.

Overview

The Advisor, a wholly-owned subsidiary of the Advisor s Parent, was formed in April 2002 as a Colorado limited liability company in order to manage the day-to-day business activities of the Trust. The Trust is considered an affiliate as certain directors of the Trust also indirectly own a majority of, and control, the Advisor. The Advisor provides various services to the Trust pursuant to the Advisory Agreement including acquisition services, asset management services and services related to the Trust s public and private equity offerings.

The Advisor earns fees from the Trust for managing its day-to-day affairs including the acquisition of its properties, the management of its properties and through the Advisor s involvement with the Trust s private equity offerings. The Advisor s success depends upon its ability to continue its relationship with the Trust and therefore, ultimately, the Advisor s success is dependent on the success of the Trust. Due to the Advisor s dependence on the Trust, the general trends of real estate prices and costs in these markets will have a natural bearing on the Advisor s ability to generate revenue and cash flows. Further, the general level of wealth of the investing community and what the Advisor believes to be a continuing and growing future interest from that community in investing in real estate and real estate securities will affect the Advisor s future success.

Critical Accounting Policies

General

The discussion and analysis of the Advisor s financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with United States generally accepted accounting principles (**GAAP**). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosures. These estimates are based on judgment and historical experience, and are believed to be reasonable based on current circumstances. The Advisor s management evaluates these estimates and assumptions on an ongoing basis.

While the Advisor does not believe that the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates under different assumptions or conditions. The following represent certain critical accounting policies that require the use of business judgment or significant estimates to be made.

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Revenue Recognition

Revenues primarily include fees earned for providing property acquisition services, asset management services, and administrative services to the Trust. The Advisor recognizes revenue for acquisition services when the Trust acquires property. Such fees are a percentage of the purchase price of the acquired property. Asset management fees are earned as services are performed and are a percentage of the total undepreciated cost of the Trust s properties.

In addition, the Advisor earns fees for providing offering and marketing services related to the Trust s private placement offering. The Advisor recognizes revenue as capital is raised through the Trust s private placement offering.

Property and equipment

The Advisor has property and equipment, specifically computer equipment and software, furniture, office equipment, and leasehold improvements. The Advisor depreciates property and equipment on a straight-line basis over their estimated useful lives, generally five years. Capitalized leasehold improvements are amortized to expense on a straight-line basis over the shorter of the estimated life of the improvements or the term of the underlying lease, including any bargain renewal periods which are deemed probable to be exercised. The carrying value of property and equipment is recorded based on historical cost, net of accumulated depreciation and amortization on the accompanying balance sheet. Although the Advisor s management believes that its estimates are reasonable, any change to the estimated depreciable lives of these assets would have an impact on the depreciation expense that we recognize.

Results of Operations

Comparison of the Three Months Ended March 31, 2006 to the Three Months Ended March 31, 2005

Revenues. The Advisor s total revenues increased by approximately $3.9 million, or 148.7%, to approximately $6.6 million during the three months ended March 31, 2006 as compared to approximately $2.6 million during the same period in 2005, primarily due to significantly increased asset management and private placement fee revenue in 2006 versus 2005. Acquisition fees increased by approximately $242,000, or 25.1%, to approximately $1.2 million in 2006 from approximately $965,000 in 2005, as a result of the acquisition of approximately $123.3 million of properties by the Trust during the three months ended March 31, 2006 versus only $101.5 million of properties during the same period in 2005. Asset management fees increased by approximately $2.3 million, or 199.9%, to approximately $3.5 million during the three months ended March 31, 2006 from approximately $1.2 million during the same period in 2005, primarily due to (i) significantly more assets under management due to the acquisition of 163 properties by the Trust after March 31, 2005, and (ii) asset management fees for the six properties acquired by the Trust during the three months ended March 31, 2005 being higher for the three months ended March 31, 2006 than for the same period in 2005 as these properties were under management for a full three months. Private placement fees increased by approximately $1.0 million, or 197.2%, to approximately $1.5 million during the three months ended March 31, 2006 from approximately $497,000 during the same period in 2005, due to increased capital being raised pursuant to the private placement program. Interest and other income increased by approximately $373,000, to approximately $388,000 for the three months ended March 31, 2006 from approximately $14,600 for the same period in 2005, primarily due to fees of approximately $320,000 earned in February 2006 for services associated with the closing of the Trust s initial institutional fund.

Expenses. The Advisor s total expenses increased by approximately $1.1 million or 52.9%, to approximately $3.1 million during the three months ended March 31, 2006, as compared to $2.0 million during the same period in 2005. Payroll and payroll-related expenses increased by approximately $518,000 or 35.8%, to approximately $2.0 million during the three months ended March 31, 2006, from approximately $1.4 million during the same period in 2005, primarily due to a substantial increase in general business activities resulting in the hiring of additional employees. General and administrative expenses increased by approximately $450,000 or 84.0%, to approximately $986,000 for the three months ended March 31, 2006, from approximately $536,000 for the same period in 2005, primarily due to a substantial increase in general business activities resulting from hiring more employees, increased acquisition activity and significantly more assets under management during the three months ended March 31, 2006, as compared to the same period in 2005. Depreciation and amortization expense increased by approximately $19,000, or 40.8%, to approximately $67,000 during the three months ended March 31, 2006, from approximately $48,000 during the same period in 2005, primarily as a result of additional fixed assets being placed in service subsequent to March 31, 2005.

Comparison of the Year Ended December 31, 2005 to the Year Ended December 31, 2004

Revenues. The Advisor s total revenues increased by approximately $14.9 million, or 169.6%, to approximately $23.7 million during the year ended December 31, 2005 as compared to approximately $8.8 million during the same period in 2004, primarily due to significantly increased acquisition and asset management fee revenue in 2005 versus 2004. Acquisition fees increased by approximately $4.7 million, or 74.1%, to approximately $11.1 million in 2005 from approximately $6.4 million in 2004, as a result of the acquisition of approximately $1,212 million of properties by the Trust in 2005 versus $603.4 million of properties in 2004. Asset management fees increased by approximately $7.4 million, or 483.6%, to approximately $8.9 million in 2005 from approximately $1.5 million in 2004, primarily due to (i) significantly more assets under management due to the acquisition of 158 properties by the Trust during 2005, and (ii) asset management fees for the 93 properties acquired by the Trust in 2004 being higher in 2005 than in 2004 as these properties were under management for a full twelve months. Private placement fees increased by approximately $2.9 million, or 376.3%, to approximately $3.6 million in 2005 from approximately $761,000 in 2004, due to increased capital being raised pursuant to the private placement program. Interest and other income decreased by approximately $45,000, or 31.4%, to approximately $98,000 in 2005 from approximately $142,000 in 2004, primarily as a result of more revenue received in 2004 from affiliated companies for the use of certain of the Advisor s property and equipment.

Expenses. The Advisor s total expenses increased by approximately $5.7 million or 85.8%, to approximately $12.3 million during the year ended December 31, 2005, as compared to $6.6 million during the same period in 2004. Payroll and payroll-related expenses increased by approximately $2.4 million or 57.8%, to approximately $6.6 million in 2005, from approximately $4.2 million in 2004, primarily due to a substantial increase in general business activities resulting in the hiring of additional employees. General and administrative expenses increased by approximately $2.5 million or 105.8%, to approximately $4.8 million in 2005, from approximately $2.3 million in 2004, primarily due to a substantial increase in general business activities resulting from hiring additional employees, increased acquisition activity and significantly more assets under management during the year ended December 31, 2005, as compared to the same period in 2004. Depreciation and amortization expense increased by approximately $83,000, or 61.7%, to approximately $217,000 in 2005, from approximately $134,000 in 2004, primarily as a result of (i) additional fixed assets being placed in service during 2005 and (ii) the assets placed in service in 2004 having a full twelve months of depreciation and amortization expense.

Comparison of Year Ended December 31, 2004 to Year Ended December 31, 2003

Revenues. The Advisor s total revenues increased by approximately $4.3 million, or 95.6%, to approximately $8.8 million during the year ended December 31, 2004 as compared to approximately $4.5 million during the same period in 2003, primarily due to significantly increased acquisition and asset management fee revenue in 2004 versus 2003. Acquisition fees increased by approximately $2.0 million, or 46.0%, to approximately $6.4 million in 2004 from approximately $4.4 million in 2003, as a result of the acquisition of approximately $603.4 million of properties by the Trust in 2004 versus approximately $151.8 million of properties in 2003. The Advisor earned asset management fees of approximately $1.5 million in 2004, as it reached and exceeded the threshold of $170.0 million of assets under management during April of 2004. No asset management fees were earned in 2003. Private placement fees increased by approximately $635,000, or 501.4%, to approximately $761,000 in 2004 from approximately $127,000 in 2003, due to increased capital being raised pursuant to the private placement program. Interest and other income increased by approximately $131,000, or 1,213.6%, to approximately $142,000 in 2004 from approximately $11,000 in 2003, primarily as a result of interest earned on higher average note receivable balances in 2004 as compared to 2003 and as a result of revenue received in 2004 from affiliated companies for the use of certain of the Advisor s property and equipment.

Expenses. The Advisor s total expenses increased by approximately $2.3 million or 54.9%, to approximately $6.6 million during the year ended December 31, 2004, as compared to $4.3 million during the same period in 2003. Payroll and payroll-related expenses increased by approximately $1.7 million or 70.6%, to approximately $4.2 million in 2004, from approximately $2.4 million in 2003, primarily due to a substantial increase in general business activities resulting in the hiring of additional employees. General and administrative expenses including rent increased by approximately $526,000, or 29.1%, to approximately $2.3 million in 2004, from approximately $1.8 million in 2003, primarily due to a substantial increase in general business activities resulting from increased acquisition activity and significantly more assets under management during the year ended December 31, 2004, as compared to the same period in 2003. Depreciation and amortization expense increased by approximately $102,000, or 319.6%, to approximately $134,000 in 2004, from approximately $32,000 in 2003, primarily as a result of (i) additional fixed assets being placed in service during 2004 and (ii) the assets placed in service in 2003 having a full twelve months of depreciation and amortization expense.

Liquidity and Capital Resources

The Advisor s management expects that its principal source of working capital and funding for distributions to the Parent will be cash provided by operations. Over the short term, the Advisor s management believes that this source of capital will continue to be adequate to meet our liquidity requirements and capital commitments. These liquidity and capital requirements and commitments primarily include operating expenses and expenses associated with the Trust s private equity offerings.

Cash Flows for the Three Months Ended March 31, 2006

The Advisor s cash and cash equivalents decreased by approximately $805,000 to approximately $4.1 million during the three months ended March 31, 2006. The decrease in cash and cash equivalents was comprised primarily of cash used in financing activities offset by cash provided by operations.

Cash provided by operating activities of $2.9 million was primarily comprised of (i) net income of $3.5 million reduced by (ii) a net increase in accounts receivable of approximately $734,000. Cash used in investing activities of approximately $80,000 was comprised primarily of an increase in fixed assets and cash used in financing activities of $3.6 million was comprised of distributions made to the Parent.

Cash Flows for the Year Ended December 31, 2005

The Advisor s cash and cash equivalents increased by approximately $2.8 million to approximately $4.9 million during the year ended December 31, 2005. The increase in cash and cash equivalents was comprised primarily of cash provided by operating activities offset by cash used in financing activities.

Cash provided by operating activities of approximately $17.5 million was primarily comprised of (i) net income of $11.4 million and (ii) net collections of accounts receivable of approximately $4.5 million generally due to expense reimbursements received from the Trust for offering related costs advanced by the Advisor per the Advisory Agreement. Cash used in investing activities of approximately $929,000 was comprised primarily of (i) an increase in notes receivable of approximately $604,000 made to affiliates and (ii) an increase of fixed assets of approximately $325,000. Cash used in financing activities of $13.9 million was primarily comprised of (i) distributions made to the Parent of approximately $9.4 million and (ii) the retirement of notes payable to the Parent of $4.5 million.

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Cash Flows for the Year Ended December 31, 2004

The Advisor s cash and cash equivalents decreased by approximately $163,000 to approximately $2.1 million during the year ended December 31, 2004. The decrease in cash and cash equivalents was comprised primarily of cash used in financing activities offset by cash provided by operations.

Cash provided by operating activities of approximately $4.3 million was primarily comprised of (i) income of approximately $2.2 million and (ii) net collections of accounts receivable of approximately $2.0 million generally due to expense reimbursements received from the Trust for offering related costs advanced by the Advisor per the Advisory Agreement. Cash used in investing activities of approximately $457,000 was comprised primarily of an increase of fixed assets of approximately $570,000 partially offset by a decrease in notes receivable of approximately $114,000 made to affiliates. Cash used in financing activities was comprised of principal payments on the note payable to the Parent of approximately $4.0 million.

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PER-SHARE DATA OF THE COMPANY

The following tabulation reflects the historical net income, book value and distributions per share of our common shares in comparison with the *pro forma* net income, book value and distributions per share after giving effect to the proposed Internalization. Our Advisor is structured as a single-member limited liability company and, as such, does not have shares or share equivalents outstanding. For the year ended December 31, 2005 and for the three months ended March 31, 2006, our Advisor recognized net income of approximately $11.4 million and $3.5 million, respectively. The information presented in this tabulation should be read in conjunction with the *pro forma* combined financial statements and the separate financial statements of the respective companies and the notes thereto that accompany this proxy statement.

	Three Months Ended March 31, 2006	For the Year Ended December 31, 2005
Net Income:		
Historical	$ 0.01	$ (0.12)
Pro forma	$ (0.02)	$ (0.34)
Distributions:		
Historical	$ 0.16	$ 0.64
Pro forma	$ 0.16	$ 0.64
Book Value:		
Historical	$ 8.43	$ 8.50
Pro forma	$ 7.48	$ 7.31

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PROPOSAL I:

ELECTION OF DIRECTORS:

NOMINEES FOR ELECTION TO OUR BOARD OF DIRECTORS

Our Board currently consists of seven members, a majority of whom are Independent Directors. Pursuant to our Articles, each of our directors is elected by our stockholders to serve until the next annual meeting or until their respective successors are duly elected and qualified.

Our Board has selected each of the individuals listed in the table below as nominees for election to our Board at the 2006 Annual Meeting of Stockholders to serve until the 2007 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified.

If the Internalization is consummated, Mr. Zucker will resign as Chief Executive Officer, President, Secretary and a director and Mr. Mulvihill will resign as Treasurer and Chief Financial Officer. Furthermore, Mr. Hawkins will become our new Chief Executive Officer, President and a director and will devote substantially all of his business, time and attention to our company and Mr. Murphy will become our new Treasurer and Secretary. In the event that we have not found a suitable candidate to become our new Chief Financial Officer if and when the Internalization is consummated, we expect that Mr. Murphy will serve as acting Chief Financial Officer after the Internalization until such time as a suitable candidate is located.

The following table sets forth certain information concerning the individuals who are our current directors and nominees for director:

Name	Age	Position	Position Held Since
Thomas G. Wattles	54	Chairman and Director	2003
Evan H. Zucker	41	Chief Executive Officer, President, Secretary and Director	2002
James R. Mulvihill	42	Treasurer, Chief Financial Officer and Director	2002
Phillip R. Altinger	44	Director*	2006
Tripp H. Hardin, III	46	Director*	2002
John C. O Keeffe	46	Director*	2002
Bruce L. Warwick	68	Director*	2005

* Independent Director

Each of our directors has advised us he intends to vote the common shares beneficially owned by him for the election of each of the foregoing nominees. Proxies will be voted **FOR** the election of all of the foregoing nominees unless authority is withheld.

In the event that any nominee(s) should be unable to accept the office of director, which is not anticipated, it is intended that the persons named in the proxy will vote **FOR** the election of such other person in the place of such nominee(s) for director as our Board may recommend. Our Articles do not provide for cumulative voting in the election of directors. Therefore, provided a quorum is present, the affirmative vote of holders of a majority of our common shares present in person or by proxy and entitled to vote is required for the election of directors.

Set forth below is a brief description of the business experience during at least the past five years of each director and person nominated to become a director.

Thomas G. Wattles, age 54, is the Chairman, and director of Dividend Capital Trust and a consultant to the Advisor. Mr. Wattles also served as our Chief Investment Officer from March 2003 to September 2005. Mr. Wattles is a principal of both Dividend Capital Group LLC and Black Creek Capital, LLC, both of which he joined in February 2003. In addition, since April 2005, Mr. Wattles has been a manager of Dividend Capital Total Advisors Group LLC, which owns the advisor of DCTRT. From March 1997 and May 1998, Mr. Wattles served as Chairman of ProLogis Trust (NYSE:PLD), and served as Co-Chairman and Chief Investment Officer from November 1993 to March 1997. Mr. Wattles was a Managing Director of Security Capital Group Incorporated and served in various capacities including Chief Investment Officer from January 1991 to December 2002. Mr. Wattles is also currently a director of Regency Centers Corporation (NYSE:REG) and chairs its Investment Committee and is a member of its Audit Committee. Mr. Wattles holds a Bachelor s degree and an M.B.A. degree from Stanford University.

Evan H. Zucker, age 41, is the Chief Executive Officer, President, Secretary and a director of Dividend Capital Trust. Mr. Zucker is also a consultant to the Advisor. Mr. Zucker is a principal of Black Creek Capital, LLC, a Denver-based real estate investment firm which he co-founded in 1993. In addition, since April 2005, Mr. Zucker has been a manager of Dividend Capital Total Advisors Group LLC, which owns the advisor of DCTRT. Mr. Zucker has been active in real estate acquisition, development and redevelopment activities since 1989, and as of March 31, 2006, with Mr. Mulvihill and other affiliates, has overseen directly or indirectly through affiliated entities, the acquisition, development, redevelopment, financing and sale of real estate projects with an aggregate value of approximately $3.2 billion. Mr. Zucker served as the President and as a director of American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) from 1993 through 1997, and as a director of Keystone Property Trust from 1997 through 1999. Mr. Zucker had co-founded American Real Estate Investment Corp. in 1993, which was an industrial, office and logistics REIT and was acquired by ProLogis Trust (NYSE:PLD) in August 2004. Mr. Zucker graduated from Stanford University with a Bachelor s degree in Economics.

James R. Mulvihill, age 42, is the Treasurer, Chief Financial Officer and a director of Dividend Capital Trust. Mr. Mulvihill is also a consultant to the Advisor. Mr. Mulvihill is a principal of Black Creek Capital, LLC, a Denver-based real estate investment firm which he co-founded in 1993. In addition, since April 2005, Mr. Mulvihill has been a manager of Dividend Capital Total Advisors Group LLC, which owns the advisor of DCTRT. He was a co-founder and served as Chairman of Corporate Properties of the Americas (**CPA**) until its sale in September 2005. CPA, a joint venture between an affiliate of Black Creek Capital and Equity International Properties, is a fully-integrated industrial real estate company that acquires, develops and manages industrial properties throughout Mexico. Mr. Mulvihill has been active in real estate acquisition, development and redevelopment activities since 1992, and as of March 31, 2006, with Mr. Zucker and other affiliates has overseen directly, or indirectly through affiliated entities, the acquisition, development, redevelopment, financing and sale of real estate projects with an aggregate value of approximately $3.2 billion. Mr. Mulvihill served as the Chairman and as a director of American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) from 1993 through 1997, and as a director of Keystone Property Trust from 1997 through 1999. Mr. Mulvihill had co-founded American Real Estate Investment Corp. in 1993, which was an industrial, office and logistics REIT and was acquired by ProLogis Trust (NYSE:PLD) in August 2004. Prior to co-founding Black Creek Capital, Mr. Mulvihill served as Vice President of the Real Estate Banking and Investment Banking Groups of Manufacturer s Hanover and subsequently Chemical Bank. Mr. Mulvihill holds a Bachelor s degree from Stanford University in Political Science.

Phillip R. Altinger, age 44, is an Independent Director of Dividend Capital Trust. Mr. Altinger is currently a private investor. From 2001 through 2006, he was Executive Director, Corporate Development with Seagate Technology, a leading disc drive company, where he structured, executed and managed various equity and debt investments, as well as mergers-and-acquisitions transactions. Prior to joining Seagate, Mr. Altinger served in numerous senior financial positions at companies including Rio Hotel and Casino, Inc., a casino/hotel, and Catapult Entertainment, a videogame networking company. Mr. Altinger also held investment-banking positions with Volpe Brown Whelan & Company and Salomon Brothers. Mr. Altinger received his M.B.A., and Bachelor s degrees in Mechanical Engineering and Economics, from Stanford University.

Tripp H. Hardin, age 46, is an Independent Director of Dividend Capital Trust. Mr. Hardin is a Principal of Trammell Crow Krombach Partners, and has been associated with them or their predecessor company since

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1986. He has been active in real estate activities since 1984, focusing primarily on the sale and leasing of industrial, office and commercial properties. He has also been active in real estate investment and build-to-suit transactions. Mr. Hardin graduated from Stanford University with a Bachelor of Science degree in Industrial Engineering.

John C. O Keeffe, age 46, is an Independent Director of Dividend Capital Trust. Mr. O Keeffe has been associated with Wm. Blanchard Co., a construction management firm located in Springfield, NJ since 1987. He has been active in the construction industry since 1983. Mr. O Keeffe serves as a Project Executive, managing the construction of large healthcare projects. He graduated from Denison University in 1983 with a Bachelor s degree in English Literature.

Bruce L. Warwick, age 68, is an Independent Director of Dividend Capital Trust. Mr. Warwick is currently a Vice Chairman of The Related Companies, overseeing the development of various real estate development projects including office and residential properties throughout the United States. Prior to joining The Related Companies, Mr. Warwick served as Vice Chairman, Development of The Galbreath Company, overseeing development and management in the Eastern Region. He has been active in real estate construction activities since 1961. Mr. Warwick received a Bachelor of Arts degree from Colgate University in 1960.

The election of a director under the Director Proposal requires the affirmative vote of holders of a majority of our common shares in person or by proxy and entitled to vote at the Annual Meeting, *provided*, that a quorum is present.

Our Board has unanimously determined it to be advisable and in the best interests of us and our stockholders to elect each of the nominees for director named in the Director Proposal. Our Board unanimously recommends that you vote FOR each of the nominees for director named in the Director Proposal.

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EXECUTIVE OFFICERS

Our executive officers all serve at the pleasure of our Board. Our executive officers are as follows:

Name	Age	Position	Position Held Since
Thomas G. Wattles	54	Chairman and Director	2003
Evan H. Zucker	41	Chief Executive Officer, President, Secretary and Director	2002
James R. Mulvihill	42	Treasurer, Chief Financial Officer and Director	2002
James D. Cochran	45	Chief Investment Officer	2005
Daryl H. Mechem	45	Managing Director	2005
Matthew T. Murphy	42	Senior Vice President	2005
Michael J. Ruen	40	Senior Vice President	2005

Set forth below is a brief description of the business experience during at least the past five years of each of our executive officers:

James D. Cochran, age 45, is the Chief Investment Officer of Dividend Capital Trust and is responsible for overall capital deployment, fund management and dispositions. Mr. Cochran is an employee of the Advisor. Since he joined the Advisor in February 2004, he has overseen over $3.0 billion in investment activity. Prior to joining the Advisor, he spent ten years with ProLogis Trust (NYSE: PLD) where he was a senior vice president, member of the Investment Committee and served as a member of the Board of Directors and Executive Committee for Macquarie ProLogis Trust, a publicly traded listed property trust in Australia. At ProLogis, Mr. Cochran held various positions including acquisition officer, market officer responsible for operations and development in Denver and Kansas City, head of the national acquisition and sales group, and capital markets where he raised private equity for joint ventures and funds in North America. Prior to joining ProLogis, Mr. Cochran worked at TCW Realty Advisors where he held acquisition and leasing positions with a focus on industrial product. Mr. Cochran also worked for Economics Research Associates where he performed market and financial feasibility studies for a variety of development projects. Mr. Cochran has a B.A. degree from the University of California, Davis and an M.B.A. from The Anderson School at UCLA.

Daryl H. Mechem, CCIM, age 45, is the Managing Director of Dividend Capital Trust and is responsible for property operations. Mr. Mechem is an employee of the Advisor. Since joining the Advisor in January 2004, Mr. Mechem has been responsible for the organizational infrastructure to implement the primary functions of Property Management, Leasing and Capital Expenditures for our company s real estate portfolio. Currently, the operations department consists of approximately 26 associates located in our corporate headquarters in Denver, Colorado and two regional offices in Dallas, Texas and Atlanta, Georgia. Prior to joining the Advisor, Mr. Mechem was most recently a Senior Vice President and Regional Director for ProLogis where he had overall responsibilities for the day-to-day real estate operations in the Mid-Atlantic region which encompassed over 43 million square feet in 8 markets (Chicago, Cincinnati, Columbus, Indianapolis, Louisville, New Jersey, Pennsylvania and St. Louis). Mr. Mechem joined ProLogis in May 1995 as a Marketing Representative in the Houston market, was promoted to Vice President Market Officer in November 1999, First Vice President in 2001 and Senior Vice President in January 2003.

Matthew T. Murphy, age 42, is a senior vice president of Dividend Capital Trust and is responsible for accounting, financial reporting and treasury. Mr. Murphy is also the Controller of the Advisor. Prior to joining the Advisor in May 2003, since February 1998, Mr. Murphy was a Vice President and Controller of Pritzker Residential, LLC, a privately-owned, fully-integrated multi-family real estate investment company. Prior to joining Pritzker, Mr. Murphy served in various positions with Security Capital Group and its affiliates, including Archstone-Smith Trust and ProLogis. Prior to joining Security Capital Group, Mr. Murphy was a staff accountant with Coopers and Lybrand. Mr. Murphy has been active in the accounting functions in connection with real estate companies since 1992. Mr. Murphy holds a Bachelor s degree in Accounting from Colorado State University.

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Michael J. Ruen, age 40, is a Senior Vice President of Dividend Capital Trust and is responsible for capital deployment in the eastern United States and development. Mr. Ruen is an employee of the Advisor. Prior to joining us in February 2004, he was employed for nine years in various positions with ProLogis Trust (NYSE:PLD). Before leaving ProLogis, Mr. Ruen had been a First Vice President and Market Officer with responsibility over development, acquisition and portfolio operations for the state of Tennessee. Prior to that, he had similar responsibilities for Denver, Birmingham and Chattanooga, after managing the leasing and marketing activities for Atlanta. Prior to joining ProLogis, Mr. Ruen was with CB Richard Ellis-Atlanta and was responsible for various institutional account activities including general brokerage. Mr. Ruen has 15 years of experience in real estate. He received his Bachelor of Sciences degree from the University of Alabama and an M.B.A. from Georgia State University.

The backgrounds of Messrs. Wattles, Zucker and Mulvihill are described above under Election Of Directors.

There is no family relationship between our directors or executive officers. None of the organizations at which our directors or executive officers served or were employed prior to their employment with us are an affiliate of us.

If the Internalization is consummated, Mr. Hawkins will become our new Chief Executive Officer and a director. The following is a brief description of Mr. Hawkins s business experience during at least the past five years.

Philip L. Hawkins, age 50, will join us in a formal capacity as our new Chief Executive Officer and a director upon consummation of the Internalization. Mr. Hawkins s previous experience was as the President, Chief Operating Officer and a director of CarrAmerica Realty Corporation (NYSE: CRE), where he had been employed since 1996. CarrAmerica is a public REIT focused on the acquisition, development, ownership and operation of office properties in select markets across the United States. Prior to joining CarrAmerica, Mr. Hawkins spent approximately 13 years with Jones Lang LaSalle, a real estate services company where he held various positions involving real estate investment, development, leasing and management. Mr. Hawkins is currently a director of SBA Communications Corporation, a publicly traded wireless tower owner and operator. He holds an M.B.A. from the University of Chicago Graduate School of Business and a Bachelor of Arts degree from Hamilton College.

BOARD MEETINGS AND DIRECTORS ATTENDANCE

There were nine Board meetings held in 2005. No incumbent director during 2005 attended less than 75% of the total number of Board meetings or meetings held by any committees on which he served. Our Board does not have a standing nominating committee.

DIRECTORS ATTENDANCE AT ANNUAL MEETINGS

Although we have no policy with regard to attendance by the members of our Board at our annual meetings of stockholders, it is customary for a majority of the members of our Board to attend to foster communication between stockholders and our Board. All the members of our Board attended our 2005 annual meeting of stockholders.

COMMUNICATIONS WITH DIRECTORS

Any stockholder who desires to contact members of our Board may do so by writing to: The Board of Directors of Dividend Capital Trust Inc., 518 17th Street, Suite 1700, Denver, Colorado 80202, Attention: Secretary. Communications received will be distributed by our Secretary to such member or members of our Board as deemed appropriate by our Secretary, depending on the facts and circumstances outlined in the communication received. For example, if communications regarding accounting, internal accounting controls and auditing matters are received, they will be forwarded by our Secretary to our audit committee for review.

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AUDIT COMMITTEE OF THE BOARD OF DIRECTORS AND RELATED MATTERS

Audit Committee

Our Board has a separately-designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. Our audit committee meets on a regular basis at least annually and throughout the year as necessary. Our audit committee s primary function is to assist our Board in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls which management has established and the audit and financial reporting process, all in accordance with our audit committee charter. Our audit committee is required to be comprised of five directors, three of whom must be Independent Directors. Our audit committee is currently comprised of Phillip R. Altinger, Tripp H. Hardin, John C. O Keeffe, Bruce L. Warwick and Thomas G. Wattles. Messrs. Altinger, Hardin, O Keeffe and Warwick are independent as defined by NYSE Rule 303.01. Each of Mr. Wattles and Mr. Altinger qualifies as an audit committee financial expert as defined by the SEC. If the Internalization is consummated, Mr. Wattles will resign as a member of the Audit Committee. Our audit committee operates under a written charter that was originally adopted in July 2002. Our audit committee met four times during 2005.

Independent Registered Public Accountants

Our consolidated financial statements as of December 31, 2005 and 2004, and for the years ended December 31, 2005, 2004 and 2003, were audited by KPMG LLP, an independent registered public accounting firm. KPMG LLP representatives will be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. In addition, the KPMG LLP representatives will be available to respond to appropriate questions posed by any stockholders.

Audit Committee Report

The following report of our audit committee to stockholders is not soliciting material and is not deemed filed with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended (the **Securities Act**), or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, except to the extent that we incorporate it by specific reference.

At a meeting held on March 7, 2006, our audit committee, including the independent audit committee members, selected KPMG LLP to act as our independent accountants for the fiscal year ending December 31, 2006. In Proposal II The Accountant Proposal Ratification of Our Selection of KPMG LLP as Our Independent Registered Public Accounting Firm, we are asking you to ratify this selection. Our audit committee has received the written disclosures and the letter from KPMG LLP required by Independence Standards Board No. 1 (Independence Discussions with Audit Committees) and has discussed with KPMG LLP their independence with respect to us. We know of no direct financial or material indirect financial interest of KPMG LLP in Dividend Capital.

Our financial statements for the fiscal year ended December 31, 2005 were audited by KPMG LLP. Our audit committee has reviewed and discussed our audited financial statements with our management. Our audit committee has further discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Accounting Standards). Based on the foregoing review and discussions, our audit committee recommended to our Board that the audited financial statements for the fiscal year ended December 31, 2005 be included in our most recent annual report.

AUDIT COMMITTEE

/s/ Phillip R. Altinger, Member

/s/ Tripp H. Hardin, Member

/s/ John C. O Keeffe, Member

/s/ Bruce L. Warwick, Member

/s/ Thomas G. Wattles, Member

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Audit Fees

We engaged KPMG LLP to perform the annual audit and related quarterly reviews as well as to provide services in connection with certain regulatory filings for the years ended December 31, 2005 and 2004. The aggregate fees billed or estimated to be billed related to such services were $617,075 and $567,210, respectively, for the years ended December 31, 2005 and 2004.

Audit-Related Fees

During 2005, we have not engaged KPMG LLP to perform any audit-related services or other services outside the scope of services discussed above.

Tax Fees and All Other Fees

During 2005, we have not engaged KPMG LLP to perform any tax-related services or other services outside the scope of services discussed above.

Audit Committee Pre-approval

Our audit committee will have the ultimate authority and responsibility to select, evaluate and, when warranted, replace our independent registered public accounting firm (or to recommend such replacement for stockholder approval in any proxy statement, if applicable). Our audit committee will approve the fees and other compensation to be paid to the independent public accountants. Our audit committee will be primarily responsible for monitoring the independence and performance of our independent registered public accounting firm. The independent registered public accounting firm will be ultimately accountable to our Board and our audit committee.

In discharging its oversight role, our audit committee has the power to conduct or to authorize investigations into any matter brought to its attention with full access to all our books, records, facilities and personnel, including the independent auditors. Our audit committee will have the resources and authority appropriate to discharge its duties and responsibilities.

In addition, our audit committee will review our independent registered public accounting firm s engagement letter and audit plan, which discusses the scope, staffing, locations, reliance upon management and internal audit and general audit approach. Our audit committee will also review the scope of non-audit services performed for us by the independent registered public accounting firm and approve any significant non-audit relationship with the independent auditors.

Our audit committee approved all the audit and audit related work conducted by KPMG LLP in 2005 and 2004. Additionally, our audit committee has approved KPMG LLP to perform the 2006 annual audit, quarterly reviews, review of related registration statements and the necessary property audits to comply with Rule 3-14.

Our audit committee has considered whether the provision of non-audit services and the provision of services to affiliates of the Advisor and its affiliates is compatible with maintaining the independence of KPMG LLP.

OTHER COMMITTEES

Investment Committee

Our investment committee s primary function is to review, evaluate and ultimately vote to approve acquisitions proposed by the Advisor of up to $25.0 million. Proposed acquisitions in excess of $25.0 million require approval by our Board, including a majority of the Independent Directors. Our investment committee is required to be comprised of three directors, at least two of whom must be Independent Directors, and is currently comprised of Tripp H. Hardin, John C. O Keeffe and Thomas G. Wattles. Our investment committee met 13 times during 2005.

Compensation Committee

Our compensation committee administers our employee stock option plan (the **Employee Option Plan**). The Employee Option Plan is designed to enable us and the Advisor to obtain or retain the services of employees (not to include any person who is a sponsor or affiliate of ours) considered essential to our long-term success and the success of the Advisor by offering such employees an opportunity to participate in our growth through ownership of our common shares. The primary function of our compensation committee is to administer the granting of stock options to selected employees of the Advisor or its affiliates, based upon recommendations from the Advisor, and to set the terms and conditions of such options in accordance with the Employee Option Plan. Our compensation committee is required to be comprised of three directors, two of whom must be Independent Directors. Our compensation committee is currently comprised of Phillip R. Altinger, James R. Mulvihill and Bruce L. Warwick. If the Internalization is consummated, Mr. Mulvihill will resign as a member of our compensation committee, and will be replaced with an Independent Director. Our compensation committee met one time during 2005.

Compensation Committee Interlocks and Insider Participation

During 2005, the following directors served on our compensation committee: Robert F. Masten, Bruce L. Warwick, James R. Mulvihill, and Lars O. Soderberg. Mr. Mulvihill also served as our Treasurer and Chief Financial Officer.

Nominating and Corporate Governance Committee

We do not have a standing nominating and corporate governance committee. Our Board has previously determined that it is appropriate for us not to have a nominating committee because all of the matters which a nominating committee would be responsible for are presently considered by all the members of our Board.

Nominations of persons for election to our Board and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to our notice of meeting, (ii) by or at the direction of our Board or (iii) by any stockholder of us who was a stockholder of record both at the time of the giving of notice and at the time of the annual meeting of stockholders, who is entitled to vote at the meeting and who complied with the notice procedures set forth in our Bylaws.

Each member of our Board participates in the consideration of director nominees. The process followed by our Board to identify and evaluate director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of our Board. In considering whether to recommend any particular candidate for inclusion in its slate of recommended director nominees, our Board considers various criteria including the candidate s integrity, business acumen, knowledge of our business and industry, age, experience, diligence, conflicts of interest and ability to act in the interests of all stockholders. The Board does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. The Board believes that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow our Board to fulfill its responsibilities.

Our Board is currently evaluating the number of Board members as well as the composition of our Board and, in the event it is able to find one or more suitable candidates, our Board may seek to add one or more additional Independent Directors. Such candidates would possess appropriate knowledge and industry experience, including a relevant financial background.

Stockholders may recommend individuals to our Board for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials. Assuming that appropriate biographical and background material has been provided on a timely basis, our Board will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

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If the Internalization is consummated, we anticipate establishing a Nominating and Corporate Governance Committee.

COMPENSATION OF DIRECTORS AND OFFICERS

Compensation of Directors

During 2005, we paid each of our Independent Directors $5,000 per quarter plus $1,000 for each meeting attended. All directors received reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of our Board. If a director also was also one of our officers, no separate compensation was paid for services rendered as a director.

We have also adopted an independent director stock option plan which we use in an effort to attract and retain qualified Independent Directors (the **Independent Director Option Plan**). We have reserved 300,000 common shares for future issuance upon the exercise of stock options granted to the Independent Directors pursuant to our Independent Director Option Plan. As of December 31, 2005, there were 70,000 options outstanding under the Independent Director Option Plan.

During 2005, 2004 and 2003, our Independent Directors earned compensation in the aggregate amount of $138,000, $152,000 and $22,500, respectively. Approximately $36,000, $36,000 and $15,000 was accrued as of December 31, 2005, 2004 and 2003, respectively, related to compensation to the independent board of directors.

Directors who are members of a special committee are entitled to receive additional fees for services as members of that special committee. The members of the Special Committee formed in connection with the Internalization will receive compensation as follows: each of them will receive $1,500 per meeting; Mr. Warwick and Mr. Altinger, the committee co-chairs, will each receive a one-time payment of $50,000, as well as a monthly retainer equal to $7,500 for serving in such capacity beginning with the date the Special Committee was formed; and Messrs. O Keefe and Hardin, the other members of the Special Committee, will each receive a one-time payment of $20,000, as well as a monthly retainer equal to $5,000 for serving in such capacity beginning with the date the Special Committee was formed.

If the Internalization is consummated, we anticipate that we will review our Board compensation and structure with the assistance of outside consultants. Furthermore, if our 2006 Long-Term Incentive Plan Proposal is approved at the Annual Meeting, our directors will be eligible to participate in this plan.

Executive Officer Compensation

We currently have no paid employees. Day-to-day management functions are performed by the Advisor, and related affiliates.

Our executive officers are all employees of or consultants to the Advisor or its affiliates. We do not pay any of these individuals cash compensation for serving in their respective positions. See Certain Relationships and Related Transactions below for a discussion of fees paid to the Advisor and other affiliates.

Our executive officers qualify for our Employee Option Plan. However, since the plan s inception through December 31, 2005, no option grants have been made to executive officers.

Board Compensation Committee Report on Executive Compensation

Our compensation committee may recommend awards of stock options to our executive officers under our Employee Option Plan.

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EQUITY COMPENSATION PLANS INFORMATION

Stock Warrants

Pursuant to our first and second public offerings, Dividend Capital Securities LLC (the **Dealer Manager**) earned one soliciting dealer warrant for every 25 common shares sold (see Certain Relationships and Related Transactions below). These warrants, as well as the common shares issuable upon their exercise, were registered in connection with our first and second public offerings. In September 2005, our Board approved and we issued approximately 2.2 million soliciting dealer warrants to the Dealer Manager representing all of the warrants the Dealer Manager earned in connection with both of the aforementioned offerings.

The Dealer Manager may retain or re-allow these warrants to broker-dealers that participated in the offering, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The holder of a soliciting dealer warrant is entitled to purchase one common share from us at a price of $12.00 per share beginning on the first anniversary of the effective date of the offering in which such warrants were issued and ending five years after the effective date of such 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 the relevant public offering. Exercise of the soliciting dealer warrants is governed by the terms and conditions detailed in the warrant purchase agreement.

Equity Compensation Plan Table

The following table shows for our compensation plans and warrants, as a group, the number of common shares to be issued upon exercise of options outstanding at December 31, 2005, the weighted average exercise price of these options and the number of common shares remaining available for future issuance at December 31, 2005, excluding shares to be issued upon exercise of outstanding options.

Plan Category	Number of securities to be issued upon exercise of options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	177,500	$ 11.39(2)	872,500
Equity compensation plans not approved by security holders(3)	2,199,855	$ 12.00(4)	
Total	**2,377,355**	**$ 11.95**	**872,500**

(1) Represents our Independent Director Option Plan, of which 70,000 of the authorized 300,000 options are outstanding, and our Employee Option Plan, of which 107,500 of the authorized 750,000 options are outstanding.

(2) The weighted average exercise price of outstanding options issued under the Independent Director Option Plan is calculated as the greater of (1) $12.00 per share or (2) the fair market value of the shares on the date they are granted. The weighted average exercise price of outstanding options issued under the Employee Option Plan is calculated as the greater of (1) $11.00 per share or (2) the fair market value of the shares on the date they are granted.

(3) Represents dealer warrants owned by our dealer manager and certain participating broker dealers, of which 2,199,855 warrants were issued in September 2005.

(4) The weighted average exercise price of outstanding warrants is calculated as $12 per share, the price at which the holder of a warrant is entitled to purchase one common share.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Some of our directors and officers have material financial interests in the Internalization. In particular, all of our officers and three of our directors are also employees of or consultants to the Advisor or its affiliates. Moreover, Thomas Wattles, our Chairman and a director, has indirect beneficial ownership and control with his spouse of a 12.825% membership interest in the Advisor s Parent and a 8.084% Cash Flow Interest; Evan Zucker, our Chief Executive Officer, President, Secretary and a director, has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and a 12.280% Cash Flow Interest; and James Mulvihill, our Treasurer, Chief Financial Officer and a director, has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and a 12.280% Cash Flow Interest. Accordingly, the Internalization will result in Messrs. Wattles, Zucker and Mulvihill receiving indirect beneficial ownership with their respective spouses of approximately 4.9 million OP Units. Messrs. Zucker and Mulvihill will cease to be our officers and Mr. Zucker will cease to be one of our directors as of the Closing Date and subsequently will not participate in our day-to-day management.

Holders of OP Units generally have the right to cause our Operating Partnership to redeem all or a portion of their OP Units for cash or, at our sole discretion, common shares, or a combination of both. If the Advisor s Parent exercised its redemption rights with respect to its OP Units and we elected to redeem the OP Units for common shares, Messrs. Wattles, Zucker and Mulvihill would have indirect beneficial ownership with their respective spouses of approximately 4.9 million common shares, representing approximately 2.926% of our outstanding common shares, assuming all outstanding OP Units were exchanged for common shares on a one-for-one basis, as of June 30, 2006.

The Internalization

Contribution Agreement

On July 21, 2006, we entered into the Contribution Agreement to acquire the Advisor. In the Internalization, the entire outstanding membership interest and all economic interests in the Advisor, in addition to all of the outstanding shares in the Transferred Subsidiary (as described in this paragraph), will be contributed by the Advisor s Parent to our Operating Partnership. Prior to the Closing Date, the Advisor s Parent will form a new subsidiary (the **Transferred Subsidiary**) and transfer a 1% membership interest in the Advisor to the Transferred Subsidiary. As required by the Contribution Agreement, the Advisor s Parent will then transfer all of the outstanding shares in the Transferred Subsidiary to the Operating Partnership, in addition to the remaining 99% interest in the Advisor that the Advisor s Parent holds directly. The aggregate consideration payable by the Operating Partnership, upon consummation of the transactions contemplated in the Contribution Agreement, including the OP Units issuable pursuant to the Modification of the Special Units held by the Advisor s Parent, is 15,111,111 OP Units. Certain of our directors collectively have beneficial ownership and control with their respective spouses, of an aggregate of a 58.9% membership interest in the Advisor s Parent and collectively have an aggregate 32.644% Cash Flow Interest, and the Internalization will result in such persons collectively receiving indirect beneficial ownership with their respective spouses of approximately 4.9 OP Units.

As a result of the Internalization, the Advisor will become a wholly-owned subsidiary of our Operating Partnership. As of the Closing Date, we anticipate that approximately 50 of the Advisor s or its affiliates employees or consultants will become our employees. In addition, we have entered into the Employment Agreements with certain individuals associated with the Advisor or its affiliates and, as of the Closing Date, those individuals will also become our employees. As a result, we will become self-advised.

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Our directors, officers and Affiliates set forth below are holders of membership interests in the Advisor s Parent or have a Cash Flow Interest and will, through such interests, receive a beneficial interest in the following number of OP Units in connection with the Internalization:

Thomas G. Wattles	1,222,000
Evan H. Zucker	1,856,000
James R. Mulvihill	1,856,000
James D. Cochran	639,000
Daryl H. Mechem	394,000
Matthew T. Murphy	175,000
Michael J. Ruen	302,000

Registration Rights Agreement

In the Contribution Agreement, we agreed that at the Closing, we will enter into the Registration Rights Agreement with the Advisor s Parent in respect of any common shares acquired or otherwise owned by or issuable to the Advisor s Parent or its permitted transferees upon exchange of the OP Units issued in the Internalization. The Registration Rights Agreement requires us, on up to two occasions, on demand of the Advisor s Parent or its permitted transferees as a group, to prepare and file a registration statement within 45 days of the demand that covers the resale of the shares specified in the demand, and to use our commercially reasonable efforts to cause the registration statement to become effective if it is not automatically effective on filing. We are not required to file a registration statement unless the shares covered by the registration statement have a maximum aggregate offering price of at least $25.0 million (unless the registration statement covers all remaining registrable shares). This demand registration right is exercisable any time after the date that is 15 months following the date of the Registration Rights Agreement (subject to extension as discussed below). In addition, if at any time after the date that is 15 months following the date of the Registration Rights Agreement (subject to extension as discussed below), we propose to file a registration statement with respect to a public offering of common shares pursuant to a firm commitment underwritten offering or for the account of any holder of common shares, we must give notice of the proposed filing to the Advisor s Parent and its permitted transferees, if any, at least 21 days before the anticipated filing date and offer such persons the opportunity to include in the registration statement such amount of common shares as they may request, subject to customary underwriter cutback provisions (in addition to those described below) pursuant to which we will have priority. This piggyback registration right does not apply to registration statements filed in connection with employee stock option or purchase plans, relating to a transaction requiring registration pursuant to Rule 145 under the Securities Act, relating solely to a dividend or distribution reinvestment plan, or on Form S-8 or any successor form thereto. The foregoing rights are subject to our right to postpone the filing of any registration statement we may file, or suspend the use of an effective registration statement we have filed, pursuant to the Registration Rights Agreement, for a reasonable period of time, but not longer than 90 days in any consecutive 12-month period, if (i) our Board determines in good faith that such registration and the distribution of our common shares thereunder would materially and adversely affect us and our subsidiaries as a whole, because it would materially interfere with a material corporate development involving us or any of our subsidiaries, and we promptly provide written notice of that determination (together with the reasons for such delay or postponement and our approximation of the period of the anticipated delay) to the Advisor s Parent or its permitted transferees, or (ii) before the registration statement is declared effective by the SEC, we propose to file a registration statement providing for a Listing and we notify the Advisor s Parent or its permitted transferees within five (5) business days after such filing. The aggregate number of days in any such delays or postponements will extend for an equal period of time the ability of the Advisor s Parent or its permitted transferees to exercise their demand registration rights. In addition, if the managing underwriter(s) of a firm commitment underwritten offering advise(s) us that the total amount of securities requested to be included in an offering exceeds the amount which can be sold in such offering without jeopardizing the success of that offering (including the price per share of the securities to be sold), then we will pro-rate the number of shares requested to be included by the Advisor s Parent or its permitted transferees in the offering pursuant to their piggyback registration rights on the basis of the

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number of common shares with demand registration rights requested to be included. We will bear all costs, fees and expenses incident to our obligations under the Registration Rights Agreement, including the reasonable fees of one counsel selected by the majority of holders of registrable shares, other than the fees and expenses of any persons retained by the Advisor s Parent or its permitted transferees, including counsel (except as previously noted), any underwriters or dealers discounts and all commissions or brokers fees or fees of similar securities industry professionals and any transfer taxes relating to the disposition of their common shares but the fees and other changes of any counsel appointed to represent all the holders will be paid for by us.

Pledge Agreement

In the Contribution Agreement, the Advisor s Parent agreed to secure its indemnification obligations under the Contribution Agreement by entering into the Pledge Agreement with us. Pursuant to the Pledge Agreement, the Advisor s Parent will pledge in our favor the following (or any substituted collateral permitted pursuant to the Pledge Agreement): (a) for a period of 15 months after the Closing Date (the **Lock-Up Period**), all of the OP Units received in the Internalization, (b) for a period of nine months after the end of the Lock-Up Period (the **First Follow-On Period**), cash and/or OP Units having a fair market value of $20.0 million plus an amount reasonably sufficient to cover any unresolved indemnification claims asserted before the end of the First Follow-On Period, (c) for a period of 12 months after the end of the First Follow-On Period (the **Second Follow-On Period**), cash and/or OP Units having a fair market value of $10.0 million plus an amount reasonably sufficient to cover any unresolved indemnification claims asserted before the end of the Second Follow-On Period, and (d) following the end of the Second Follow-On Period, assets having a fair market value equal to the amount of unresolved indemnification claims asserted before the end of the Second Follow-On Period until those claims are resolved. Under the terms of the Pledge Agreement, we will hold a first priority security interest in all of the assets pledged pursuant to the Pledge Agreement (or any substituted collateral).

Employment Agreements

On July 21, 2006, we entered into the Employment Agreements with Thomas Wattles, James Cochran, Daryl Mechem, Matthew Murphy and Michael Ruen. On August 14, 2006 we entered into our Employment Agreement with Philip Hawkins. Each of these agreements will take effect on the date the Internalization is consummated. Under these agreements, Mr. Wattles will serve as our Executive Chairman, Mr. Hawkins will serve as our Chief Executive Officer and a director, Mr. Cochran will serve as our President, Mr. Mechem will serve as our Managing Director of Operations, Mr. Murphy will serve as our Senior Vice President of Finance, and Mr. Ruen will serve as our Senior Vice President. The Employment Agreements for Messrs. Wattles, Cochran, Mechem, and Ruen each have a term ending on the three-year anniversary of the Closing Date, and the Employment Agreement for Mr. Murphy has a term ending on the eighteen-month anniversary of the Closing Date. The Employment Agreement for Mr. Hawkins has a three-year term, which, commencing August 14, 2009, will automatically renew for successive one-year periods unless Mr. Hawkins or we give notice of non-renewal or his employment otherwise terminates.

The Employment Agreement for Mr. Hawkins provides for an annual salary of $575,000. His initial target annual bonus will be at least 100% of salary, with a guaranteed *pro rata* bonus of 100% of salary for 2006 and a guaranteed *pro rata* bonus of 80% of salary for 2007. Mr. Hawkins will be entitled to receive an annual long-term incentive compensation award with an aggregate annual target value of $1,150,000, which will vest in equal annual installments over four to five years, subject to the achievement of pre-established, performance-related goals. In addition, as contemplated by his agreement, as a signing bonus, Mr. Hawkins, under our 2006 Long-Term Incentive Plan, will receive, subject to the approval of the 2006 Long-Term Incentive Plan by our stockholders at the Annual Meeting, 450,795 common shares (or equivalent full value awards and including either dividend rights or dividend equivalent rights) vesting over five years (0%, 0%, 25%, 25% and 50%) commencing on August 1, 2007, and in addition, upon the Closing, will purchase 88,889 common shares at $11.25 per share. Mr. Hawkins will be reimbursed for reasonable moving and relocation expenses related to his relocation to the Denver, Colorado area, with a gross-up for taxes; we will provide him with reasonable allowance for housing extending possibly through September 15, 2007; and he will be entitled to reimbursement for travel, including commuting costs prior to the relocation of his family to Denver. If the payments under his employment agreement constitute a parachute payment under the Code, such that an excise tax is imposed, Mr. Hawkins is generally entitled to receive a gross-up payment equal to the amount of such excise tax owed (including any penalties and interest for underpayments) plus the amount necessary to put him in the same after-tax position as if no excise tax had been imposed. If Mr. Hawkins employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of two times annual salary, two times the greater of the target bonus for the year of termination and the average of the actual bonuses for the two years prior to the year of termination, two years of continuing coverage under the group health plan, and payments in respect of certain relocation-related obligations. In addition, in that event, Mr. Hawkins will be entitled to a pro-rated target bonus for the year of termination and the vesting of all outstanding equity awards. Mr. Hawkins equity compensation awards will also vest in the event of a change in control. Upon his death or termination by us on account of his disability, a pro-rated target bonus for the year of termination will be payable, and any exclusively time-based (as opposed to performance-based) vesting conditions on his equity compensation awards will become inapplicable.

The Employment Agreements with our other executives provide for annual salaries of $200,000 for Mr. Wattles, $300,000 for Mr. Cochran, $250,000 for Mr. Mechem, $200,000 for Mr. Murphy and $235,000 for Mr. Ruen. In addition, the Employment Agreements also provide for a target cash bonus of $200,000 for Mr. Cochran, $125,000 for Mr. Mechem, $75,000 for Mr. Murphy and $90,000 for Mr. Ruen. In addition to annual salary and target cash bonus, the executives will be eligible to receive an annual long-term incentive compensation award that vests in equal annual installments over four to five years, subject to the achievement of pre-established, performance-related goals, of the following aggregate annual target values: $500,000 for Mr. Cochran, $225,000 for Mr. Mechem, $25,000 for Mr. Murphy, and $275,000 for Mr. Ruen, at our discretion. Mr. Wattles Employment Agreement provides that he may be eligible to receive a target cash bonus in an amount to be determined and a long-term incentive compensation award. If the executive s employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of his annual base compensation and target bonus and six months continuing coverage under the group health plans (for Mr. Cochran and Mr. Ruen, two years continuing coverage). In addition, in that event, the executive will be entitled to a pro-rated target bonus for the year of termination and the vesting of all outstanding equity awards. With respect to Mr. Cochran, in the case of a termination by us without cause or by him for good reason following certain changes in control of us, termination payments will be two times salary and bonus rather than one times salary and bonus.

Under the Employment Agreements, each of Messrs. Wattles, Hawkins, Cochran, Mechem, Murphy and Ruen is subject to a number of restrictive covenants, including an up to one-year non-competition provision that becomes applicable following certain terminations, and non-solicitation, non-interference and confidentiality provisions. Generally, for all executives other than Mr. Wattles, Mr. Hawkins and Mr. Ruen, upon the scheduled expiration of the employment term or upon a termination following a change of control of us, the non-competition provision will expire upon the date of the termination of employment and, upon a termination of employment by us without cause or by the executive for good reason, the non-competition provision will expire six months following the termination of employment. For Mr. Hawkins, upon the scheduled expiration of the employment term, the non-competition provision will expire upon the date of the termination of employment. For Mr. Ruen, upon a termination of employment on or after the second anniversary of the date of his Employment Agreement or upon a termination following a change of control of us, the non-competition provision will expire upon the date of his termination of employment. In addition, upon a termination of employment by us without cause or by Mr. Ruen for good reason that occurs prior to the second anniversary of the date of his Employment Agreement and that does not follow a change of control, the non-competition provision will expire six months following the termination of employment. In addition, Mr. Ruen will forfeit his entire interest in his long-term incentive compensation awards under our 2006 Long Term Incentive Plan (both vested and unvested) if he terminates without good reason or is terminated for cause on or after the second anniversary of his Employment Agreement.

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Our Advisor

The services the Advisor currently provides to us and the fees we currently pay to the Advisor in consideration of such services pursuant to the Advisory Agreement are summarized below. If Internalization is completed, we will acquire the Advisor, and become self-advised.

Since our inception, our day-to-day operations have been managed by the Advisor under the supervision of our Board, pursuant to the terms and conditions of an advisory agreement with the Advisor. The Advisor is considered a related party as it is indirectly majority owned and/or controlled by Messrs. Wattles, Zucker and Mulvihill and their affiliates. Collectively, these individuals have primary responsibility for the management decisions of the Advisor and certain of its affiliates, including the selection of investment properties to be recommended to our Board, the negotiations for these investments and the property management and leasing of these properties.

The Advisor and its affiliates are paid fees in connection with services provided to us and are entitled to reimbursement for certain expenses. Upon termination of the Advisory Agreement, the Advisor will be paid all accrued and unpaid fees and expense reimbursements and any subordinated fees earned prior to the termination. We will not reimburse the Advisor or its affiliates for services for which the Advisor or its affiliates are entitled to compensation in the form of a separate fee.

We pay certain acquisition and asset management fees to the Advisor. The amount of such acquisition fees was previously equal to 3% of the aggregate purchase price of all properties we acquired up to a cumulative purchase price of $170.0 million. In March 2004, we reached the cumulative threshold of $170.0 million in properties and all subsequent acquisitions have been and, through the Closing, will continue to be subject to a reduced acquisition fee of 1.0%. During the year ended December 31, 2005, the Advisor earned approximately $11.1 million for acquisition fees which are accounted for as part of the historical cost of the acquired properties.

We pay the Advisor an asset management fee equal to 0.75% per annum of the total undepreciated cost of the properties we own in excess of $170.0 million. During the year ended December 31, 2005, we incurred asset management fees of $8.9 million.

Pursuant to the Advisory Agreement, the Advisor is obligated to advance all of our offering costs subject to its right to be reimbursed for such costs by us in an amount up to 2% of the aggregate gross offering proceeds raised in our public offerings of common shares. Such offering costs include, but are not limited to, actual legal, accounting, printing and other expenses attributable to preparing the SEC registration statements, qualification of the shares for sale in the states and filing fees incurred by the Advisor, as well as reimbursements for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares, other than selling commissions and the Dealer Manager fee (see below).

During the year ended December 31, 2005, the Advisor incurred approximately $8.6 million of offering costs and we reimbursed the Advisor approximately $13.3 million for such costs, which includes unreimbursed costs from prior periods. These costs are reflected in equity as offering costs when such reimbursement obligations are incurred. As of December 31, 2005, the un-reimbursed amount of offering costs incurred by the Advisor, since inception (April 12, 2002), was approximately $451,000. As described in Management s Discussion and Analysis of Financial Condition and Results of Operations, we closed the primary offering component of our fourth public offering on January 23, 2006 and, as of March 31, 2006, we had reimbursed the Advisor for all of the then existing un-reimbursed offering costs.

Our Operating Partnership is currently offering undivided tenancy-in-common interests in industrial properties to accredited investors in a private placement exempt from registration under the Securities Act. We anticipate that these tenancy-in-common interests may serve as replacement properties for investors seeking to complete like-kind exchange transactions under Section 1031 of the Code. Additionally, the tenancy-in-common interests sold to investors will be 100% leased by our Operating Partnership, and such leases will contain

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purchase options whereby our Operating Partnership will have the right to acquire the tenancy-in-common interests from the investors at a later point in time in exchange for OP Units in our Operating Partnership under Section 721 of the Code. We refer to these transactions as our Operating Partnership s private placement.

The Advisor is obligated to pay all of the offering and marketing related costs associated with our Operating Partnership s private placement. However, our Operating Partnership is obligated to pay the Advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised through our Operating Partnership s private placement. During the year ended December 31, 2005 our Operating Partnership incurred approximately $2.3 million payable to the Advisor for such expense allowance.

In accordance with the Advisory Agreement we are obligated, subject to certain limitations, to reimburse the Advisor for certain other expenses incurred on our behalf for providing services contemplated in the Advisory Agreement, except that the Advisor does not receive a specific fee for the activities which generate the expenses to be reimbursed. For the year ended December 31, 2005 we have reimbursed approximately $511,000 for such costs.

As of December 31, 2005, we owed the Advisor approximately $624,000 for various fees and reimbursements as described above which is included in other liabilities on our accompanying consolidated balance sheets. The total compensation paid to the Advisor during 2005, exclusive of reimbursements, was approximately $20.0 million.

The Advisor currently owns 20,000 OP Units of our Operating Partnership, for which it contributed $200,000. The Advisor may not sell any of these OP Units during the period it serves as the Advisor. We serve as the general partner of our Operating Partnership and currently own 200 general partnership units for which we contributed $2,000. As of December 31, 2005, we owned 133,206,784 OP Units, or approximately 98% of our Operating Partnership. The Advisor s Parent owns 10,000 Special Units, for which it contributed $1,000. Such Special Units will be modified into a portion of the 15,111,111 OP Units being issued in connection with the Internalization, pursuant to an amendment to our Operating Partnership s partnership agreement. The resale of any shares by our affiliates is subject to the provisions of Rule 144 promulgated under the Securities Act, which rule limits the number of shares that may be sold at any one time and the manner of such resale.

Although the Advisor and its affiliates generally are not prohibited from acquiring our common shares, the Advisor has no options or warrants to acquire shares and has no current plans to acquire shares.

The Dealer Manager

Our public and private offerings of common shares have been managed by the Dealer Manager. We expect that if we pursue and complete a Listing, we will not subsequently sell common shares through the Dealer Manager. The Dealer Manager is owned by Dividend Capital Securities Group LLLP, in which Messrs. Mulvihill, Wattles, and Zucker and their affiliates indirectly own limited partnership interests.

We entered into an agreement with the Dealer Manager pursuant to which we have paid a dealer manager fee of up to 2.0% of gross offering proceeds raised pursuant to our public offerings of common shares to the Dealer Manager as compensation for managing the offering. The Dealer Manager may re-allow a portion of such fees to broker-dealers who participate in the offering. We also have paid up to a 6% sales commission of gross offering proceeds raised pursuant to our public offerings of common shares. For the year ended December 31, 2005, we incurred approximately $49.9 million payable to the Dealer Manager for dealer manager fees and sales commissions. As of December 31, 2005, all sales commissions had been re-allowed to participating broker-dealers. Such amounts are considered a cost of raising capital and as such are included as a reduction of additional paid-in capital on our consolidated balance sheets.

We have entered into a separate agreement with the Dealer Manager pursuant to which we have paid a dealer manager fee of up to 1.5% of the gross equity proceeds raised through our Operating Partnership s private placement. We also have paid the Dealer Manager a sales commission of up to 5.0% of the gross equity proceeds raised through our Operating Partnership s private placement. For the year ended December 31, 2005, we incurred up front fees of approximately $7.6 million payable to the Dealer Manager for dealer manager fees and sales commissions. As of December 31, 2005, substantially all of the sales commissions were re-allowed to participating broker-dealers who are responsible for effecting sales. Such amounts are included in deferred loan costs on our consolidated balance sheets.

Pursuant to our first and second public offerings, the Dealer Manager earned one soliciting dealer warrant for every 25 shares sold. The holder of a soliciting dealer warrant has the right to purchase one common share for $12. In September 2005, our Board approved and we issued approximately 2.2 million soliciting dealer warrants to the Dealer Manager representing all of the warrants the Dealer Manager earned in connection with our first and second public offerings. Pursuant to SFAS No. 123, we valued these warrants using the Black-Scholes option-pricing model, and based on our historical volatility, these warrants had a nominal value. No warrants were offered in our third or fourth public offerings. During the year ended December 31, 2005, the Dealer Manager did not earn any soliciting dealer warrants as all shares sold during such period were in connection with our third and fourth public offerings.

As of December 31, 2005, we owed the Dealer Manager approximately $1.4 million in relation to the fees described above, which is included in other liabilities on our accompanying consolidated balance sheets.

The Facilitator

Dividend Capital Exchange Facilitators LLC (the **Facilitator**) is responsible for the facilitation of transactions associated with our Operating Partnership s private placement. The Facilitator is considered a related party as it is indirectly majority owned and/or controlled by Messrs. Mulvihill, Wattles, and Zucker and their affiliates.

We pay the Facilitator up to 1.5% of the gross equity proceeds raised through our Operating Partnership s private placement for transaction facilitation. For the year ended December 31, 2005, we incurred approximately $1.8 million payable to the Facilitator for such fees. In accordance with SFAS No. 98, these fees, as well as the other fees associated with our Operating Partnership s private placement, are recorded as deferred loan costs and amortized over the life of the financing.

New Agreements with Affiliates of the Advisor s Parent

In connection with the Internalization, we will enter into new agreements with affiliates of the Advisor s Parent, including the following:

Transitional Services Agreement. At the Closing of the Internalization, we will enter into the Transitional Services Agreement with DC Services that will provide us with enumerated transitional services to the extent we need them to operate our business. Under this agreement, existing resource-sharing arrangements among the Advisor, other affiliates of the Advisor s Parent and us will continue until we are able to make alternative arrangements for the provision of similar services, including IT services, human resources, payroll and accounts payable services. This agreement terminates one year after the Closing Date and is terminable by DC Services upon the occurrence of an uncured default by us or by either party upon the occurrence of bankruptcy- or insolvency-related events. We may terminate any individual service upon 30 days prior written notice. The maximum monthly amount payable under this agreement is $71,600.

License Agreement. At the Closing of the Internalization, we will enter into the License Agreement with the Advisor s Parent granting us the right to the Dividend Capital name without payment of any fees for a period of one year. The License Agreement may be terminated by the Advisor s Parent upon: (i) our failure to cure a material breach under the agreement within 30 days of written notice thereof; (ii) our assigning or otherwise encumbering the License Agreement or our rights thereunder, including in connection with a change of control of us; or (iii) our bankruptcy or insolvency.

Pursuant to the Transitional Services Agreement and the License Agreement, we expect to receive administrative services and other rights from DC Services and the Advisor s Parent, respectively, reasonably necessary to operate the Advisor s business for a limited transition period until it is integrated into our operations.

Joint Venture Agreement. We intend to enter into a Joint Venture Agreement with the DCTRT JV Entities, providing for the formation of a joint venture that will serve as the exclusive vehicle through which the DCTRT JV Entities will acquire industrial assets in certain major markets in which we currently operate until the end of 2008, so long as we introduce a certain minimum amount of potential acquisition opportunities and we do not otherwise materially breach this agreement However, if (and only for so long as) these exclusivity provisions are not in effect, Mr. Zucker and Mr. Mulvihill will be prohibited under their respective Non-Competition Agreement with us from directly or indirectly participating in certain activities in respect of industrial real estate on behalf of either DCTRT or other related entities. See Proposal I Election of Directors: Nominees for Election to Our Board of Directors Certain Relationships and Related Transactions Non-Competition Agreements.

Agreements with Certain of Our Directors and Officers

As described above, we have entered into the Employment Agreements with Messrs. Wattles, Hawkins, Cochran, Mechem, Murphy and Ruen effective as of the Closing Date of the Internalization.

As described elsewhere in this proxy statement under the heading Proposal III The Internalization Proposal; Description of the Internalization Indemnification Agreements, we have entered into indemnification agreements with our directors.

Non-Competition Agreements

In connection with the Internalization, we will enter into the Non-Competition Agreements with Messrs. Evan Zucker and James Mulvihill. Pursuant to the Non-Competition Agreements, during the period commencing on the date of the Non-Competition Agreements and terminating on the third anniversary date of the Non-Competition Agreements (the **Restricted Period**), each of Messrs. Zucker and Mulvihill will agree not to, individually or together with any other person or entity, directly or indirectly, (i) engage in the business of owning, acquiring, developing or managing industrial real estate located anywhere in North America (the **Business**) for his own account, (ii) render any managerial, consulting or other services to any person or entity who or which is engaged in the Business (other than us, our Operating Partnership or any of our or its respective subsidiaries), or (iii) become a partner, member, manager, shareholder, principal, agent, employee, trustee or consultant of any person or entity engaged in the Business (other than us, our Operating Partnership or any of our or its respective subsidiaries)*; provided*, *however*, that, Messrs. Zucker and Mulvihill will be permitted to:

own or acquire, directly or indirectly, solely as an investment, securities of any entity which are traded on any national securities exchange or an over-the-counter market if Mr. Zucker or Mr. Mulvihill (1) does not control such entity and is not a member of a group that controls such entity and (2) does not, directly or indirectly, own 5% or more of any class of equity securities of such entity;

become associated with a specific division, group or department of any entity engaged in the Business, if the division, group or department with which Mr. Zucker or Mr. Mulvihill becomes associated is not itself engaged in the Business and Mr. Zucker or Mr. Mulvihill does not provide any services, assistance or advice to the division, group or department of such entity which is engaged in the Business;

acquire an interest in any entity engaged in the Business, solely as an investment, if the fair market value of any industrial real estate owned, acquired, developed or managed by such entity does not constitute more than 20% of the fair market value of all real estate owned, acquired, developed or managed by such entity;

invest in any pooled investment vehicle or fund which is managed by and/or includes capital provided by unaffiliated third parties;

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engage in any and all activities in respect of a fund if the fair market value of such fund s industrial real estate assets does not exceed 20% of such fund s total real estate assets*; provided*, that if such fund allows a third party equity participation in industrial real estate in Mexico, we will have the right of first offer with respect thereto;

engage in any and all activities with respect to (i) DCTRT and a fund with similar investment objectives for accredited investors that enters into an agreement with us that is substantially identical to the Joint Venture Agreement (collectively, the **DCTRT Entities**), and (ii) any advisor to the DCTRT Entities, subject to the provision that if (and only for so long as) the exclusivity provisions of the Joint Venture Agreement are not in effect, Mr. Zucker and Mr. Mulvihill will be prohibited from actively participating in the procurement, sourcing or identification of acquisition or investment opportunities in respect of industrial real estate on behalf of either of the DCTRT Entities.

The above restrictions will not apply and will become null and void in their entirety if at any time a representative of the Advisor s Parent is not serving as a director on our Board as a result of our breach of the provisions of the Contribution Agreement that obligate us to nominate an individual designated by the Advisor s Parent to our Board at our annual meetings of our stockholders to be held in 2007, 2008 and 2009, in each case to serve a one-year term. That obligation will terminate if at any time the persons who on the Closing Date are the beneficial owners of the outstanding membership interests in the Advisor s Parent, together with certain other specified persons, cease to beneficially own, directly or indirectly, an aggregate of at least 5.0 million of the OP Units issued in connection within the Internalization.

In addition Messrs. Zucker and Mulvihill will agree not to, during the Restricted Period, directly or indirectly, knowingly (1) solicit or entice to leave employment, or (2) employ any person, who is an employee (or was in the previous three months) of us, our Operating Partnership or any of its or our respective subsidiaries.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under Section 16(a) of the Exchange Act, directors, certain executive officers and certain persons holding more than 10% of our common shares are required to report their initial ownership of our common shares and any changes in that ownership to the SEC. The SEC has designated specific due dates for these reports and we are required to identify in this proxy statement those persons who did not file these reports when due.

Based solely on the review of the copies of such forms received, or written representations received from certain reporting persons, we believe that all of our directors and officers have filed the reports required of them under Section 16(a) during fiscal year 2005. However, certain filings were deemed late due to administrative errors associated with our Independent Director Option Plan. Our Independent Director Option Plan allows for options to be automatically granted to directors upon the occurrence of certain events and subsequently such options are to be evidenced by a certificate. In 2005, such certificates were issued much later than the actual grant date of such options and therefore the directors were not timely notified of such option grants in order to timely file under Section 16(a). Upon receipt of the option certificates evidencing the grant of such options, the directors promptly filed their respective Forms 4 with the SEC. The following directors were affected in 2005 by this administrative error and therefore had late filings associated with issuances of options under our Independent Director Option Plan: Bruce L. Warwick, John C. O Keeffe and Tripp H. Hardin each filed one late report with respect to these options. In addition, a Form 3 filed by Mr. Warwick was not filed within 10 days after his appointment as a director.

We did not have any stockholders owning more than 10% of our common shares during fiscal year 2005.

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PROPOSAL II:

THE ACCOUNTANT PROPOSAL

Ratification of Our Selection of KPMG LLP as Our Independent Registered Public Accounting Firm

Our consolidated financial statements as of December 31, 2005, 2004 and 2003, and for the years ended December 31, 2005 and 2004, were audited by KPMG LLP, an independent registered public accounting firm, and our management believes that they are knowledgeable about our operations and accounting practices and are well qualified to act as our independent registered public accounting firm. Therefore, our Board, upon the recommendation of our audit committee, has appointed KPMG LLP to act as our independent registered public accounting firm for the year ending December 31, 2006. We are asking you to ratify this selection, which requires the affirmative vote of a majority of the votes cast at a meeting where a quorum is present.

KPMG LLP representatives will be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. In addition, the KPMG LLP representatives will be available to respond to appropriate questions posed by any stockholders. KPMG LLP has advised us that neither it nor any member thereof has any financial interest, direct or indirect, in our company or in any of our subsidiaries, in any capacity.

Our Board has unanimously determined it to be advisable and in the best interests of us and our stockholders to ratify KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2006. Our Board unanimously recommends that you vote FOR the Accountant Proposal.

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PROPOSAL III:

THE INTERNALIZATION PROPOSAL

Our Company

We were formed as a Maryland corporation in April 2002 to invest in commercial real estate properties, consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. We have qualified, and intend to continue to qualify, as a REIT for U.S. federal income tax purposes. We are structured as an umbrella partnership REIT, or UPREIT, under which substantially all of our current and future business is, and will be, conducted through our Operating Partnership.

Our Operating Partnership was formed under Delaware law in April 2002 to acquire, own and lease properties on our behalf. We hold substantially all of our assets in our Operating Partnership or in subsidiary entities in which our Operating Partnership owns an interest. We are the sole general partner of our Operating Partnership, which means we have the exclusive power to manage and conduct the business of our Operating Partnership. As of March 31, 2006, we held 149,154,163 OP Units and owned approximately 98% of our Operating Partnership. The Advisor currently owns 20,000 OP Units and the Advisor s Parent currently owns 10,000 Special Units.

Since our inception, our day-to-day operations have been managed by the Advisor under the supervision of our Board, pursuant to the terms and conditions of an advisory agreement with the Advisor. The Advisor is currently majority-owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. In addition, under the terms of certain dealer manager agreements, the Dealer Manager serves as the dealer manager of our public and private offerings. The Dealer Manager is also majority-owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. The Advisor and its affiliates, including the Dealer Manager, receive various forms of compensation, reimbursements and fees for services relating to our public and private offerings and for the investment and management of our real estate assets.

In our current externally-advised structure, we do not have any of our own employees. All management and administrative personnel responsible for conducting our business are currently employed by the Advisor and its affiliates and the Dealer Manager. Currently, the Advisor and its affiliates have approximately 100 full-time employees or consultants engaged in business activities on our behalf.

We invest in commercial real estate properties consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. These facilities are generally located in what we believe to be the top 26 industrial markets throughout the United States. Such properties include properties which are under development or construction, newly constructed or have been constructed and have operating histories. In addition, we have acquired, and may continue to acquire, properties with some level of vacancy at the time of closing.

Our corporate objectives are:

- to pay consistent quarterly cash distributions to our investors and to increase the amount of such distributions over time;

- to manage risk in order to preserve, protect and return our stockholders capital contributions; and

- to ultimately list our common shares on a national securities exchange or an over-the-counter market, or complete a sale or merger of us in a transaction which provides our stockholders with securities of a publicly traded company or sell substantially all of our properties for cash or other consideration and to realize capital appreciation for our stockholders in connection with any such transaction or such listing. If we do not complete such a transaction or obtain such listing of our common shares by February 2013, our Articles require us to begin selling our properties and other assets and distribute the net proceeds to our stockholders.

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We intend to achieve these objectives by continuing to build an industrial real estate operating company that owns, develops and operates a high-quality, diversified portfolio of bulk distribution and light industrial properties in the leading distribution and logistics markets. We will continue to build our portfolio through our acquisition program and selective investment in development activities and joint ventures.

The Advisor and the Advisory Agreement

The Advisor is a Colorado limited liability company that was organized in April 2002 to provide management, advisory and administrative services. The Advisor s Parent owns the entire outstanding membership interest, and all economic interests, in the Advisor. The Advisor s Parent was formed under Colorado law in April 2002 as a holding company. Our day-to-day operations are managed by the Advisor under the supervision of our Board through the authority delegated to it under our Articles and the Advisory Agreement and pursuant to the policies established by our Board. We originally entered into the current Advisory Agreement with the Advisor effective November 21, 2003 and this agreement has been renewed for successive one-year periods, most recently as of February 28, 2006.

All of our officers and three of our directors are also employees of or consultants to the Advisor or its affiliates:

Thomas G. Wattles, our Chairman and a director, is also a consultant to the Advisor.

Evan H. Zucker, our Chief Executive Officer, President, Secretary and a director, is also a consultant to the Advisor.

James R. Mulvihill, our Treasurer, Chief Financial Officer and a director, is also a consultant to the Advisor.

James D. Cochran, our Chief Investment Officer, is also an employee of the Advisor.

Daryl H. Mechem, our Managing Director, is also an employee of the Advisor.

Matthew T. Murphy, a senior vice president, is also an employee of the Advisor.

Michael J. Ruen, a senior vice president, is also an employee of the Advisor.

In addition, Mr. Wattles has indirect beneficial ownership and control with his spouse of a 12.825% membership interest in the Advisor s Parent and a 8.084% Cash Flow Interest; Mr. Zucker has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and a 12.280% Cash Flow Interest; and Mr. Mulvihill has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and a 12.280% Cash Flow Interest. Messrs. Zucker and Mulvihill will cease to be our officers and Mr. Zucker will cease to be one of our directors as of the Closing Date and subsequently will not participate in our day-to-day management. In addition, pursuant to certain contractual arrangements, Messrs. Cochran, Mechem, Murphy and Ruen collectively have an aggregate 9.987% Cash Flow Interest.

The Advisor has certain contractual responsibilities to us and our stockholders pursuant to the Advisory Agreement. Many of the services to be performed by the Advisor in managing our day-to-day activities are summarized below. This summary is provided to illustrate the material functions which the Advisor performs for us 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, the Advisor undertakes to use its best efforts to present to us investment opportunities consistent with our investment policies and objectives as adopted by our Board. In its performance of this undertaking, the Advisor, either directly or indirectly by engaging an affiliate, subject to the authority of our Board:

Finds, presents and recommends to us real estate investment opportunities consistent with our investment policies and objectives;

Structures the terms and conditions of transactions pursuant to which acquisitions or development of properties will be made;

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

- Arranges for financing and refinancing of properties;

- Enters into leases and service contracts for the properties acquired;

- Evaluates, recommends to our Board and, at the direction of our Board, executes suitable strategies for providing our stockholders the opportunity to liquidate their ownership of our common shares, whether as a result of a possible Listing, the merger or sale of us, the sale of any or all properties, or otherwise; and

- Provide daily management and other various administrative functions.

The term of the current Advisory Agreement ends on February 28, 2007 and may be renewed by our Board for an unlimited number of successive one-year periods. The Advisory Agreement may be terminated:

- Immediately by us for cause, or upon the bankruptcy of the Advisor, or upon a material breach of the Advisory Agreement by the Advisor;

- Without cause by a majority of our Independent Directors or a majority of all our directors upon 60 days written notice; or

- Without cause by the Advisor upon 60 days written notice.

Cause is defined in the Advisory Agreement to mean fraud, criminal conduct, willful misconduct or willful or negligent breach of fiduciary duty by the Advisor or a breach of the Advisory Agreement by the Advisor.

The Advisor and its affiliates engage in other business ventures and, as a result, their resources are not dedicated exclusively to our business. However, pursuant to the Advisory Agreement, the Advisor is required to devote sufficient resources to our business operations to discharge its obligations. The Advisor may assign the Advisory Agreement to an affiliate upon approval of a majority of our Independent Directors. The Advisor may not make any acquisition or development of property or financing of such acquisition on our behalf without the prior approval of a majority of our Independent Directors or, in certain instances, of our Board s investment committee, which is composed of a majority of Independent Directors. The actual terms and conditions of transactions involving investments in properties are determined in the sole discretion of the Advisor, subject at all times to such Board approval.

We reimburse the Advisor 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 2.0% of the aggregate gross offering proceeds, which include but are not limited to actual legal, accounting, printing and expenses attributable to organizing our company, preparing SEC registration statements for capital raising purposes, qualification of the shares for sale in the states and filing fees incurred by the Advisor, as well as reimbursements for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares, other than selling commissions and the dealer manager fee;

- The annual cost of goods and materials used by us and obtained from entities not affiliated with the Advisor, including brokerage fees paid in connection with the purchase and sale of our properties; and

Administrative services including personnel costs, except that no reimbursements are made for costs of personnel to the extent that personnel are used in transactions for which the Advisor receives a separate fee.

The Advisor must reimburse us at least quarterly for reimbursements paid to the Advisor in any four consecutive fiscal quarters to the extent that such reimbursements cause operating expenses to exceed the greater of (i) 2% of our average invested assets, which generally consists of the average book value of our real estate

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properties before depreciation, or (ii) 25% of our net income, which is defined as our total revenues less total expenses for any given period excluding depreciation and bad debt. Such operating expenses do not include amounts payable out of capital contributions which may be capitalized for tax and/or accounting purposes such as the acquisition and advisory fees payable to the Advisor. 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, the Advisor 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 four consecutive fiscal quarters then ended exceed the limitation, there will be sent to the stockholders a written disclosure, together with an explanation of the factors the Independent Directors considered in arriving at the conclusion that the excess expenses were justified.

The Advisor and its affiliates are paid the following fees in connection with services provided to us:

Acquisition Fees: Up to 1.0% of the aggregate purchase price of properties for the review and evaluation of such acquisitions. Includes the acquisition of a specific property or the acquisition of a portfolio of properties through a purchase of assets, merger or similar transaction.

Asset Management Fee: Up to 0.75% annually of the cost of properties acquired (before non-cash reserves and depreciation). Actual asset management fees will be determined in accordance with the Advisory Agreement based upon the actual value of all properties acquired.

Real Estate Commissions: In connection with the sale of properties (which includes the sale of a specific property or the sale of a portfolio of properties through a sale of assets, merger or similar transaction), an amount equal to 50% of the brokerage commission paid*; provided*, that 50% of such commission may not exceed 3% of the contract price of each property sold*; provided further*, that the total amount of brokerage commission paid on the sale of any property may not exceed the lesser of the reasonable, customary and competitive total real estate brokerage commissions that would be paid for the sale of a comparable property in light of the size, type and location of the property, and an amount equal to 6% of the contract price of the property sold. The payment of these fees will be deferred until partners of our Operating Partnership have received cumulative distributions equal to their capital contributions plus a 7% cumulative non-compounded annual pre-tax return on their net contributions.

Upon termination of the Advisory Agreement, the Advisor is entitled to be paid all accrued and unpaid fees and expense reimbursements, and any subordinated fees earned before the termination.

The Advisory Agreement provides exculpatory provisions pursuant to which the Advisor may not be liable to us or our stockholders or others, except by reason of acts constituting bad faith, fraud, willful misfeasance, misconduct, negligence or reckless disregard of its duties, and will not be responsible for any action of our Board in following or declining to follow any advice or recommendation given by it. We have agreed to indemnify the Advisor with respect to acts or omissions of the Advisor undertaken in good faith, in accordance with the foregoing standards and pursuant to the authority set forth in the Advisory Agreement. Any indemnification made to the Advisor may be made only out of our net assets and not from our stockholders.

If the Internalization is consummated, we will no longer bear the cost any of the Advisor s fees and other amounts payable under the Advisory Agreement. Instead we will pay directly the overhead cost necessary to provide the services that the Advisor currently provides to us under the Advisory Agreement. We have also agreed that during the period from July 21, 2006 until the Closing Date of the Internalization:

the Advisor will continue to earn and be paid acquisition fees pursuant to and in accordance with the terms of the Advisory Agreement;

the Advisor will continue to earn and be paid asset management fees pursuant to and in accordance with the terms of the Advisory Agreement;

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- the Advisor will continue to earn and be paid real estate commissions with respect to property dispositions pursuant to and in accordance with the terms of the Advisory Agreement;

- the Advisor will continue to be reimbursed for expenses incurred in the ordinary course of business, in accordance with the terms of the Advisory Agreement; and

- the Advisor will not be entitled to receive any other fees under the Advisory Agreement or our Articles or Bylaws, and such fees will not be paid during such period or otherwise.

Reasons for Becoming Self-Advised

When we were organized in April 2002, our Board determined that the size and scope of our business operations were insufficient to support the overhead costs associated with a self-advised structure. Accordingly, we contracted with the Advisor to provide all personnel, accounting, administrative and other support services and resources necessary for our business operations. Since then, we have grown rapidly. We held over $2.2 billion in assets at March 31, 2006. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we expect to hire various individuals associated with the Advisor or its affiliates who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies.

We believe that by completing the Internalization we will enhance the likelihood of a successful Listing; however, we expect that the Internalization will be beneficial to us even if we do not complete a Listing. We believe the Internalization that we are proposing will be accretive over time to our net income per share and our FFO per share because the reduction in our operating costs that will result from eliminating the advisory and other fees we otherwise would continue to pay to the Advisor will more than offset the dilutive effect of the issuance of additional OP Units pursuant to the Internalization and the direct employee and related expenses we will incur will be offset. However, there can be no assurance that these reductions in operating costs will be realized. We also believe that the kinds of equity-based compensation arrangements we will enter into with the members of our senior management team effective upon the closing of the Internalization will better align their interests with those of our stockholders than the current arrangements (under which many of those managers have indirect interests in the equity or net cash flow of the Advisor).

Since our inception, our common shares have not been Listed on any securities exchange, such as the NYSE or NASDAQ, or in the over-the-counter market. In addition to considering the Internalization, our Board has also been considering whether we should pursue a Listing because of the advantages a Listing could bring. Among other things, a Listing would create greater liquidity for our stockholders, who at present have only very limited opportunities to sell their common shares if and when they wish to do so. A Listing also could allow us greater access to capital to fund our future growth. Finally, our Articles require that, by February 2013, we either arrange for a Listing of our common shares on a national securities exchange or an over-the-counter market, or begin a liquidation of our assets in an orderly fashion. Completing a Listing well before 2013 could help eliminate uncertainty about whether we could be forced to liquidate at that time. After considering these factors, our Board has decided that we should pursue a Listing following the consummation of the Internalization, if and when market conditions make it desirable and it is otherwise in our best interest, to do so. However, there can be no assurance that we will in fact complete a Listing or that market conditions will permit us to do so. While we believe that the proposed Internalization should help facilitate a Listing, the Internalization we are proposing is not contingent upon completion of a Listing because we believe the Internalization will be beneficial to us whether or not we complete a Listing. Even if a possible Listing occurs, an active trading market for our common shares may not develop and, if it does develop, may not be sustained, and the price at which our common shares will trade is uncertain. Further, even if a possible Listing occurs, no assurance can be given that our common shares will remain Listed.

We believe any future Listing will be more likely to be successful if we are self-advised. Listed REITs, including REITs like us that own industrial properties, are predominantly self-advised. As of the date of this proxy statement, 96 of the 100 largest Listed equity REITs by equity market capitalization were self-advised. We also believe the prevalence of the self-advised model reflects investor preference and that, if our common shares were Listed, investors and market analysts could view us more favorably if we were self-advised. We also believe that in light of these investor preferences, being self-advised when we are Listed could positively impact our share price performance.

The relationship between externally-advised REITs and their outside advisors is susceptible to conflicts of interest, most of which can be avoided by being self-advised. Notwithstanding the Advisor s fiduciary obligation or governance mechanisms implemented to resolve potential conflicts of interest and protect our stockholders, we believe there may be a negative perception of externally-advised Listed REITs in the marketplace.

Although there can be no assurance that the conversion to a self-advised structure would increase the market price of our common shares, we believe that remaining externally-advised could have a negative effect on the price of our common shares over the long-term. As a result, we believe the internalization of the Advisor through the Internalization in advance of a potential Listing is an important step in the process of becoming Listed.

After due deliberation and consideration of various factors, including those described above, and upon the recommendation of the Special Committee, our Board determined that it would be fair and reasonable to us and advisable and in the best interests of our company and our stockholders to become self-advised. We propose to accomplish this by acquiring the Advisor and thereby internalizing the operations of the Advisor.

Although approval of the Internalization Proposal by our stockholders is not required by our Articles or the MGCL, we made such approval a condition to closing under the Contribution Agreement. We are seeking your approval of the Internalization Proposal because we believe it is appropriate to request our stockholders to approve the Internalization Proposal in light of the importance of the Internalization and because some of our directors and officers have material financial interests in the Internalization. It is also a condition to closing stated in the Contribution Agreement.

For additional reasons why the Internalization has been proposed, please see Background of the Internalization Proposal and Recommendations of the Special Committee and Our Board of Directors below.

Background of the Internalization Proposal

While an externally-advised structure was appropriate for our original operations, it is not a typical structure for a Listed REIT. From time to time we have previously considered the possibility of internalizing the operations of the Advisor into our operations in order to facilitate a possible Listing. At a meeting held in February 2006, our Board began to explore several opportunities, each of which would result in our common shares becoming Listed.

Proceedings of the Special Committee and Our Board

The Advisory Agreement between the Advisor and us provides for successive one-year renewals upon mutual consent of the parties and requires our directors to evaluate the performance of the Advisor before renewing the Advisory Agreement. At a meeting of the Board held on February 28, 2006, the members of the Board discussed the renewal of the Advisory Agreement (which then was scheduled to expire in February 2006) and evaluated the Advisor s performance. The members of the Board then engaged in a broader discussion of strategic considerations. They noted that our Articles require us to either complete a Listing or to begin a liquidation by February 2013. The directors also noted that, while they believed our external advisory arrangements had served us well in the early years of our operations by providing cost-efficient management and advisory services, our recent growth has resulted in the fees payable under the Advisory Agreement (which generally are based on our size) now likely exceeding the costs that we would incur if we were self-advised. At the meeting, representatives from an investment bank (which was not Banc of America Securities LLC, the financial advisor to the Special Committee in connection with the Internalization) made a presentation regarding prevailing capital markets conditions and likely market receptivity for a Listing by us. The investment bank s representatives stated that, in their view, a Listing would be better received if we were self-advised than if we remained externally advised. After considering and discussing these issues, the Board resolved to further analyze whether and how we might convert from being externally-advised to being self-advised. Mr. Zucker, who indirectly holds a substantial interest in the Advisor s Parent, advised the Board that he believed the owners of the Advisor s Parent would be willing to consider an internalization transaction, if the parties could agree on mutually-acceptable terms. The other members of the Board agreed that this approach could be beneficial to us and should be explored.

All of our officers are employees of or consultants to the Advisor or its affiliates and some of those officers, as well as some of our directors, indirectly hold membership interests and/or Cash Flow Interest in the Advisor s Parent that, in the aggregate, constitute more than a majority of the outstanding membership interests in the Advisor s Parent. These relationships result in those directors and officers having material financial interests in the Internalization. Accordingly, at the February 28, 2006 meeting, our Board determined that a special committee of independent directors should be formed to review and evaluate a possible internalization transaction. The Special Committee consists of Messrs. Phillip Altinger, John O Keeffe, Bruce Warwick and Tripp Hardin, with Messrs. Altinger and Warwick serving as Co-Chairmen. None of the members of the Special Committee is an officer or employee of our company, the Advisor or any of the Advisor s affiliates, and none of them has an ownership or other economic interest, direct or indirect, in the Advisor. The Special Committee was formally constituted by resolutions adopted by our Board on April 14, 2006 by which the Board delegated to the Special Committee the power to:

- review, consider and evaluate any proposals made with respect to any business combination transaction involving an internalization;
- negotiate the terms and conditions of any such proposal (including price, form, and structure) and of any and all definitive agreements in respect of such a transaction, if the Special Committee deems it appropriate or advisable to do so;
- reject any proposal that may be made with respect to such a transaction;
- make recommendations to our Board and stockholders with respect to any proposal; and
- select and retain such legal, financial and other advisors and agents as the Special Committee deems necessary or appropriate to assist it in the performance of its duties and the exercise of its powers.

After conducting interviews of law firms, the Special Committee retained Clifford Chance US LLP (**Clifford Chance**) to serve as counsel to the company in negotiating the terms of any proposal for an internalization transaction that might be made and to engage Hogan & Hartson LLP (**Hogan & Hartson**) to act as special counsel to the Special Committee. Clifford Chance acts as our securities counsel and has recently represented us in connection with a variety of matters, including our four public offerings of our common shares. Hogan & Hartson previously has represented certain of our affiliates in connection with securities law compliance matters. After conducting interviews with several investment banking firms, the Special Committee engaged Banc of America Securities to act as its financial advisor based on its reputation and relevant experience.

The Special Committee recognized that in any internalization transaction that might be pursued, it would be necessary to make appropriate compensation arrangements with the individuals who would become directly employed by us. Accordingly, the Special Committee retained FPL Advisory Group, a compensation consulting firm (**FPL**), to advise the Special Committee on various compensation-related matters.

During the course of its deliberations and negotiations concerning the Internalization, the Special Committee met a total of eight times, with two meetings in April 2006, two meetings in May 2006, three meetings in June 2006 and one meeting in July 2006, and the full Board met one time between April 13, and July 21, 2006. The following is a brief summary of those meetings.

On April 13, 2006, the Special Committee received a written proposal from the Advisor s Parent for a transaction pursuant to which we would acquire the Advisor. The proposal contemplated we would acquire the Advisor in exchange for consideration consisting of 18,761,904 OP Units, which the Advisor s Parent described as having a value of $10.50 per unit (yielding an implied aggregate value of approximately $197.0 million). The proposal provided among other things that the Advisor s Parent s liability to indemnify for breaches of representations and warranties would be capped at $10.0 million and that the Advisor s Parent s indemnity obligations would not be secured by any escrow or other arrangement.

The Special Committee held a meeting on April 24, 2006 to discuss the Advisor s Parent s proposal. At the meeting, representatives of the Special Committee s financial advisor summarized the financial terms of the proposal and representatives of the Special Committee s legal advisors summarized the non-price terms of the proposal. Based on the discussion at the meeting, the Special Committee directed counsel to contact the law firm retained by the Advisor s Parent for this purpose, Paul, Weiss, Rifkind, Wharton & Garrison LLP (**Paul Weiss**), to obtain clarification on certain aspects of the Advisor s Parent s proposal. The Special Committee determined that, pending receipt of additional information and the conduct of a due diligence investigation of the Advisor, no counter-proposal would be made.

Following the April 24, 2006 meeting, representatives of the Special Committee s legal and financial advisors conducted due diligence in respect of the Advisor on behalf of the Special Committee. The results of those due diligence efforts were discussed at meetings of the Special Committee held on May 1, 2006 and June 23, 2006.

The Special Committee held a meeting on May 1, 2006 to discuss the status of the due diligence review. The Special Committee s legal advisors described the results of their conversations with Paul Weiss concerning the Advisor s Parent s proposal, and possible responses to the non-price terms of the proposal, including provisions related to the type of consideration to be paid, working capital adjustments to the final purchase price, the scope of the proposed indemnification provisions, the periods of survival of representations and warranties to be made by the Advisor s Parent regarding the Advisor, the terms of employment agreements between us and certain executive officers who would be hired upon consummation of the Internalization, and of non-competition agreements to be entered into with certain executive officers of the Advisor. The Special Committee s financial advisor discussed certain financial aspects of the proposed transaction and a possible counterproposal. Based on the discussion at the meeting, the Special Committee directed its advisors to prepare a counterproposal on behalf of the Special Committee.

On May 1, 2006, Mr. Altinger delivered a written counterproposal to the Advisor s Parent. The counterproposal provided for consideration consisting of 11,914,894 OP Units, which the Special Committee described as having a value of approximately $140.0 million based on a price of $11.75 per OP Unit. The Special Committee noted that, if the valuation of $10.50 per OP Unit contemplated by the Advisor s Parent s original proposal were used, the value of the Special Committee s counteroffer would have been approximately $125.0 million; conversely, if the $11.75 per OP Unit valuation were applied, the Advisor s Parent s original proposal, the value of the consideration contemplated by that original proposal would have been approximately $220.0 million. The Special Committee s counterproposal also contemplated more favorable non-price protections for us than the Advisor s original proposal, notably in the area of indemnification by the Advisor s Parent for breaches of its representations and warranties under the Contribution Agreement, including longer survival periods for the Advisor s Parent s indemnity obligations, a higher cap on the Advisor s Parent s indemnity obligations and an escrow of the OP Units to support those obligations.

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Between May 1 and May 9, 2006, Mr. Altinger and, at the direction of the Special Committee, the Special Committee s financial advisor held discussions with the Advisor s Parent and representatives of the Advisor s Parent s financial advisor, Morgan Stanley & Co. (**Morgan Stanley**), concerning the financial terms of the Internalization.

On May 4, 2006, the Advisor s Parent delivered to the Special Committee a revised written proposal. The revised proposal provided for consideration consisting of $18.2 million in cash plus 15,110,701 OP Units which, according to the Advisor s Parent, had an approximate value of $163.8 million (for a total consideration including the cash component of $182.0 million) based on an assumed valuation of $10.84 per OP Unit. The proposal also provided for an increased indemnification deductible on indemnity claims and an escrow of the OP Units to secure any indemnification claims.

The Special Committee held a meeting on May 9, 2006 to discuss the Advisor s Parent s revised proposal. At the meeting, the Special Committee s financial advisor summarized the financial terms of the revised proposal, including the substance of recent conversations held with Morgan Stanley concerning the Advisor. The Special Committee also discussed with counsel the non-price aspects of the revised proposal.

On May 10, 2006, Messrs. Altinger and Warwick, the Special Committee s financial advisor and representatives of the Advisor s Parent and Morgan Stanley met to discuss the most recent counterproposal made by the Advisor s Parent. Based on discussions at this meeting, the Special Committee and the Advisor s Parent reached tentative agreement on an aggregate transaction value of $170.0 million. The consideration was to be payable entirely in OP Units, which would be valued for this purpose at $11.25 per unit (resulting in a total of 15,111,111 OP Units). The Special Committee and the Advisor s Parent also reached agreement in principle on certain non-price issues. Notably, it was agreed that the cap on the Advisor s Parent s indemnity obligations for the 15 months following the closing of the Internalization would be $170.0 million, and that the Advisor s Parent s indemnity obligation would be secured by a pledge of all the OP Units to be received by the Advisor s Parent in the Internalization. Based on the progress made at this meeting, Clifford Chance was directed by the Special Committee to prepare drafts of definitive documentation.

Mr. Altinger, together with representatives of the Special Committee s legal and financial advisors, participated on behalf of the Special Committee in several subsequent conference calls and meetings with counsel and representatives of the Advisor s Parent and its counsel, regarding transaction terms and due diligence matters. On May 23, 2006, Clifford Chance circulated an initial draft of the Contribution Agreement, as well as drafts of the License Agreement, Registration Rights Agreement and Non-Competition Agreement. There ensued over the next several weeks a series of conference calls and negotiations followed by numerous revisions and re-circulations of drafts of the Contribution Agreement and the ancillary documents.

The Special Committee held a meeting on June 13, 2006 to discuss the Internalization. Representatives of the Special Committee s legal counsel provided a detailed summary of the terms and conditions of the most recent draft Contribution Agreement. The Special Committee discussed these terms and conditions at length, including counterproposals to the Advisor s Parent s position on various provisions of the Contribution Agreement. In addition, at the meeting, the Special Committee s advisors summarized the status of the financial and legal due diligence being conducted on behalf of the Special Committee, including their review of certain pending transactions. The members of the Special Committee also discussed the duration of, and the amount of collateral to be pledged by the Advisor s Parent under, the Pledge Agreement. The Special Committee also discussed the scope of, and permissible exclusions from, the Non-Competition Agreements to be entered into by Mr. Zucker and Mr. Mulvihill. The Special Committee s financial advisor discussed, among other things, management s rationale for the Internalization and certain financial aspects of the Internalization, including the key assumptions and estimates that the Special Committee s financial advisor expected to use in its financial analysis of the Advisor and the consideration to be paid by us in the Internalization from a financial point of view.

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The Special Committee held a meeting on June 23, 2006. At this meeting the Special Committee s legal counsel presented summaries of the terms and conditions of the latest drafts of certain of the ancillary documents, and the Special Committee discussed its negotiating strategy with respect to open issues on the Contribution Agreement and the ancillary documents. The results of further legal and financial due diligence were discussed, in particular due diligence on the Advisor s employees and consultants to be hired by us following consummation of the Internalization and projected costs associated with these employees and consultants and additional resources necessary to operate the business after the closing. The Special Committee also discussed possible alternatives to the Internalization, including terminating the advisory agreement between us and the Advisor and retaining a third-party advisor, continuing to operate under the terms of the existing Advisory Agreement with the Advisor, or completing a Listing while retaining an external advisor, and the advantages and disadvantages of these alternatives. The Special Committee noted current and anticipated market conditions and other factors it had previously considered that favored pursuing the Internalization, including costs associated with disruption to the business, the increased cost associated with not completing an internalization due to higher fee structures under the Advisory Agreement over time as our business grows and the loss of continuity of experience if the Internalization were not consummated.

On June 27, 2006, the Special Committee held a meeting to discuss the progress of negotiations of key terms and conditions of the Contribution Agreement and the ancillary documents, including the Transitional Service Agreement and the proposed Joint Venture Agreement with DCTRT, and described the principal terms that remained to be negotiated. The Special Committee s legal and financial advisors provided an update on financial and legal due diligence as well as pending diligence items. The Special Committee s financial advisor confirmed for the Special Committee that there was no material change to its valuation approach based on its review of the additional financial information that it had received. The Special Committee s legal counsel also continued to review the principal terms and conditions of the transaction documents. The Special Committee discussed a number of employment related matters, including the compensation analysis being conducted by FPL and certain of the representations and warranties of the Advisor s Parent. Also at this meeting, the Special Committee authorized Mr. Altinger, on behalf of the Special Committee, to negotiate the final terms and conditions of the Contribution Agreement and the ancillary documents and to seek input from the Special Committee members individually, as appropriate, prior to the next meeting of the Special Committee.

The Special Committee held a meeting on July 21, 2006. At that meeting, a representative of FPL presented FPL s analysis and recommendations with respect to cash and equity compensation for the senior management employees of or consultants to the Advisor or its affiliates who would be hired by us as of the closing of the Internalization. The Special Committee s legal advisors also described and discussed the term sheet summarizing the material terms and conditions of the Joint Venture Agreement with DCTRT, and the Non-Competition Agreements, in particular the operation of the exclusivity and non-compete provisions in those agreements with respect to the activities of DCTRT, Mr. Zucker and Mr. Mulvihill in the industrial real estate market. The Special Committee s legal advisors also described the proposed resolution of key points of difference with the Advisor s Parent on the Contribution Agreement and the ancillary documents. Clifford Chance presented an updated due diligence report to the Special Committee. The Special Committee discussed the terms of the Employment Agreements. Also at this meeting, Banc of America Securities reviewed with the Special Committee its financial analysis of the consideration to be paid by us pursuant to the Contribution Agreement and delivered to the Special Committee an oral opinion, which was confirmed by delivery of a written opinion dated July 21, 2006 to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the consideration to be paid by us pursuant to the Contribution Agreement was fair, from a financial point of view, to us. Banc of America Securities opinion was based on the assumption that the 15,111,111 OP Units issuable pursuant to the Contribution Agreement have an aggregate value of $170.0 million, which was the aggregate value agreed upon by the Special Committee and the Advisor s Parent in their negotiation of the terms of the Internalization. The Special Committee discussed at length the various prospective benefits of the Internalization, including the financial and strategic benefits that we would realize through the Internalization even if we did not complete a Listing, the higher value generally placed by investors on internally managed REITs and the advisability of completing the Internalization prior to a possible Listing of our common shares.

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After considering and discussing this information and the proposed terms of the Internalization contained in the Contribution Agreement and the ancillary documents, the Special Committee determined that the Contribution Agreement, in substantially the form provided to the Special Committee, the Internalization and the other transactions expressly contemplated by the Contribution Agreement, are advisable and are fair and reasonable and in the best interests of us and our stockholders and recommended that the Contribution Agreement and the Internalization be approved by our Board and our stockholders.

At a meeting of our full Board held immediately following the Special Committee meeting on July 21, 2006, the Co-Chairmen of the Special Committee presented to the Board the Special Committee s report concerning the Internalization, which discussed the process followed by the Special Committee in reviewing, analyzing and negotiating the Internalization and the Contribution Agreement and included the unanimous recommendation from the Special Committee that we proceed with the Internalization, substantially in accordance with the terms and conditions of the draft Contribution Agreement approved by the Special Committee and presented to the Board. Based on this recommendation and the other factors listed under Recommendations of the Special Committee and Our Board of Directors, our Board determined that the Contribution Agreement, the Internalization and the other transactions expressly contemplated by the Contribution Agreement are advisable and are fair and reasonable and in the best interests of us and our stockholders. Accordingly, after due consideration and receipt of the recommendation of the Special Committee, the Board (with Messrs. Mulvihill, Wattles and Zucker abstaining) approved the Contribution Agreement and the Internalization and the other transactions expressly contemplated by the Contribution Agreement by a vote which included the affirmative vote of all of the independent directors, and recommended that our stockholders approve the Contribution Agreement and the Internalization.

Recommendations of the Special Committee and Our Board of Directors

Special Committee Recommendation; Reasons for Recommendation

In reaching its conclusion to unanimously recommend that our Board approve Contribution Agreement, the Internalization and the other transactions expressly contemplated by the Contribution Agreement, the Special Committee took into account the following factors (without assigning relative weights) which the Special Committee believes weigh in favor of the Internalization proposal (we refer to our company as DCT for the purposes of this subsection):

- the belief of the Special Committee that internalization of the management of the Advisor could eliminate perceived or actual conflicts of interest and improve DCT s ability to raise capital, although it is not possible to quantify such benefit;

- DCT s ability, through the Internalization, to realize its long-standing strategic initiative to control key functions that are important to the growth of DCT s business;

- the belief of the Special Committee that the beneficial ownership of the common shares of DCT by certain of DCT s officers and directors would more directly align the interests of such officers and directors with those of DCT s current stockholders and mitigate certain potential conflicts of interest;

- the requirement under DCT s charter that, by February 2013, DCT either lists securities on a national securities exchange or over-the-counter market or liquidate;

- the belief of the Special Committee that the principal alternatives available to DCT would not be as beneficial to DCT and DCT s stockholders as the transactions contemplated by the Internalization in particular, the Special Committee believes that termination of the existing Advisory Agreement would cause a significant disruption in DCT s affairs and that continuation of the current structure could limit DCT s ability to raise additional capital and achieve certain other important corporate objectives;

- the belief of the Special Committee that, if DCT s common shares are Listed, investors and market analysts could view DCT more favorably if DCT becomes self-advised instead of remaining externally advised;

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the proven expertise and substantial experience, including long-standing relationships with DCT s significant third-party customers and third-party management companies, of the employees of or consultants to the Advisor or its affiliates who would become employees of DCT in connection with the Internalization, as well as the potential liabilities associated with the direct employment of personnel, including the compensation which will be payable under employment agreements, workers disability and compensation claims, labor disputes and other employee-related grievances;

the belief of the Special Committee that the Internalization would enable DCT to realize certain efficiencies arising from a self-advised structure in that DCT will pay for management, advisory, acquisition and development services directly rather than paying a third-party fee for such services, thereby enabling DCT to both eliminate the profits that were previously being realized by the Advisor for providing such services and potentially allowing DCT in the future to raise additional equity without a proportionate increase in the cost of managing DCT that would likely result had DCT continued to be managed by the Advisor;

the terms and conditions of the Contribution Agreement and the Transitional Services Agreement, the License Agreement, the Non-Competition Agreements, the Pledge Agreement, the Registration Rights Agreement and the Employment Agreements, including, among other things, (i) the type and amount of consideration to be paid to the Advisor s Parent, (ii) the indemnities and the pledge and security obtained, and (iii) certain conditions to DCT s obligation to consummate the Internalization, including approval by DCT s shareholders of the Internalization;

the lock-up and non-compete provisions of the Contribution Agreement, the Non-Competition and Non-Solicitation Agreement and the Registration Rights Agreement that are contemplated to be executed and delivered at the Closing;

the terms, including the exclusivity provisions, set forth in the term sheet summarizing the material terms and conditions of the Joint Venture Agreement with DCTRT and to be contained in a definitive Joint Venture Agreement;

the financial presentation of Banc of America Securities, including its opinion, dated July 21, 2006, to the Special Committee as to the fairness, from a financial point of view and as of the date of the opinion, to DCT of the consideration to be paid by DCT pursuant to the Contribution Agreement, as more fully described in the section entitled Opinion of the Special Committee s Financial Advisor below; and

the belief of the Special Committee that the Internalization would be accretive to net income per share and FFO per share in 2007.

The Special Committee also took into account, without assigning relative weights to, the following factors. Although the Special Committee viewed these as potentially negative factors with respect to the Internalization Proposal, the Special Committee believed these factors were outweighed by the positive factors set forth above:

existing potential conflicts of interest between DCT and the Advisor, including the respective positions of our management team and certain of our directors with us and the Advisor and the compensation and/ or other benefits to be received by such persons, either directly or indirectly, as a result of the Internalization, as well as the fact that: (i) Mr. Wattles, our Chairman and a director, has indirect beneficial ownership and control with his spouse of a 12.825% membership interest in the Advisor s Parent and a 8.084% Cash Flow Interest, which will result in Mr. Wattles receiving indirect beneficial ownership with his spouse of approximately 1.22 million OP Units; (ii) Mr. Zucker, our Chief Executive Officer, President, Secretary and a director, has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and a 12.280% Cash Flow Interest, which will result in Mr. Zucker receiving indirect beneficial ownership with his spouse of approximately 1.86 million OP Units; (iii) Mr. Mulvihill, our Treasurer, Chief Financial Officer and a director, has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and a 12.280% Cash Flow Interest, which will result in Mr. Mulvihill receiving indirect beneficial ownership with his spouse of approximately 1.86 million OP Units; and

(iv) Messrs. Cochran, Mechem, Murphy and Ruen, pursuant to certain contractual arrangements, collectively have a 9.987% Cash Flow Interest, which, in connection with the Internalization, will entitle them to certain economic rights with respect to the Advisor s Parent s ownership of an aggregate of approximately 1.5 million OP Units, although the Special Committee believes that this risk is mitigated by the steps taken (such as the creation of the Special Committee and the retention of its own legal and financial advisors) to ensure that the Internalization Proposal would not be negatively affected by such conflicts;

the potential conflicts of interest that will continue after consummation of the Internalization. See Proposal I Election of Directors: Nominees for Election to Our Board of Directors Certain Relationships and Related Transactions and Risk Factors Certain of Our Directors and Officers Have Potential Conflicts of Interests;

the potential liabilities associated with the direct employment of personnel, including the compensation which will be payable under the Employment Agreements, workers disability and compensation claims, labor disputes and other employee-related grievances; and

the potential liabilities that we may inherit from the Advisor as a result of the Internalization that would not be covered by the indemnities in the Contribution Agreement.

With respect to its analysis of the terms and conditions of the Contribution Agreement, the Special Committee took into account, among other things, the lock-up and non-compete provisions of the Contribution Agreement, the Registration Rights Agreement, the Non-Competition Agreements and the Employment Agreements, which were designed to align the interests of our directors and officers who also hold membership interests in the Advisor s Parent or have a Cash Flow Interest with those of all of our other stockholders.

The Special Committee considered the above factors, among others, in light of various alternatives to the proposed transactions which are described more fully below.

Maintain the Status Quo. This alternative ensured continuity of operations and key personnel, but had the disadvantage of, among other things, requiring us to continue paying advisory and management fees.

Hire New Third Parties to provide Advisory Services and Terminate Our Advisory Agreement. The advantage of this alternative was the prospect of negotiating lower fees with third party providers, *provided*, that the services provided by or through the Advisor could be adequately provided by a single or a discrete group of service providers. The disadvantages of this alternative included, among other things, the costs associated with redeeming the Special Units upon termination of the Advisory Agreement, the costs associated with a lengthy transition period, the loss of the continuity and experience of the Advisor s or its affiliates key employees and consultants, the loss of the right to use the Dividend Capital name and the ongoing payment of advisory and management fees.

Build Advisory Functions Internally and Terminate Our Advisory Agreement. The benefit of this alternative was the prospect of reducing costs, on an asset basis, over time, because our advisory costs would no longer be based on a percentage of our real property assets. The disadvantages of this alternative included, among other things, the costs associated with redeeming the Special Units upon termination of the Advisory Agreement, the costs associated with a lengthy transition period and risks attendant to internally developing the broad range of services currently provided by the Advisor, the loss of continuity and experience of the Advisor s or its affiliates key employees and consultants, the disruption to our property acquisition pipeline and the loss of the right to use the Dividend Capital name.

Acquire Our Advisor. The advantages of this alternative were, among other things, eliminating the fees paid to the Advisor and achieving an internally-managed structure appropriate to our size, aligning more closely the interests of the management of the Advisor with those of our stockholders by eliminating the potential conflict of interest resulting from the fact that fees paid to the Advisor are primarily based on a percentage of our real property asset base, substantially reducing transition risks associated with the

termination alternatives, and preserving the right to use the Dividend Capital name for one year. The main disadvantage of this alternative was the difficulty in quantifying the value of the relationship between the Advisor and its affiliates as well as the advisory services provided by the Advisor.

The Special Committee determined that, in light of all the factors that it considered, the Contribution Agreement, the Internalization and the transactions expressly contemplated by the Contribution Agreement are advisable and are fair and reasonable and in our best interests and in the best interests of our stockholders. Accordingly, the Special Committee **unanimously** recommended that our Board approve the Contribution Agreement and the Internalization.

Board of Directors Recommendation

Our Board (Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have material financial interests in the Internalization, have abstained from voting on the approval of the Contribution Agreement) has approved the Contribution Agreement, the Internalization and the other transactions expressly contemplated by the Contribution Agreement, having determined that the Contribution Agreement, the Internalization and the transactions expressly contemplated by the Contribution Agreement and are fair and reasonable to DCT and advisable and in the best interests of us and our stockholders. **Accordingly, our Board (excluding Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have material financial interests in the Internalization and, accordingly, are abstaining from joining in our Board s recommendation) recommends that stockholders vote FOR the Internalization Proposal.**

Our Board based its determination that the Internalization is advisable and in our best interests and in the best interests of our stockholders primarily on:

- the factors considered and conclusions of the Special Committee (which were adopted by our Board as its own); and

- the extensive negotiations of the Special Committee with representatives of the Advisor.

Our Board did not find it practical to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination.

Opinion of the Special Committee s Financial Advisor

We retained Banc of America Securities to act as the Special Committee s financial advisor in connection with the Internalization. Banc of America Securities is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. We selected Banc of America Securities to act as the Special Committee s financial advisor in connection with the Internalization on the basis of Banc of America Securities experience in transactions similar to the Internalization and its reputation in the REIT sector and investment community.

On July 21, 2006, at a meeting of the Special Committee held to evaluate the Internalization, Banc of America Securities delivered to the Special Committee an oral opinion, which was confirmed by delivery of a written opinion, dated July 21, 2006, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in its opinion, the consideration to be paid by DCT pursuant to the Contribution Agreement was fair, from a financial point of view, to DCT. For purposes of its opinion, Banc of America Securities evaluated the 15,111,111 OP Units issuable by DCT pursuant to the Contribution Agreement as having an aggregate value of $170.0 million, which was the aggregate value agreed upon by the Special Committee and the Advisor s Parent in their negotiation of the terms of the Internalization. For purposes of this section, such consideration is referred to as the DCT Consideration.

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The full text of Banc of America Securities written opinion to the Special Committee, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Appendix B to this proxy statement and is incorporated by reference in its entirety into this document. You are encouraged to read the Banc of America Securities opinion carefully in its entirety. The following summary of the opinion is qualified in its entirety by reference to the full text of the opinion. Banc of America Securities provided its opinion to the Special Committee to assist the Special Committee in its evaluation of the DCT Consideration from a financial point of view. Banc of America Securities opinion does not address any other aspect of the Internalization and does not constitute a recommendation as to how you should vote or act in connection with the proposed Internalization.

For purposes of this section, we and our Operating Partnership are collectively referred to as DCT.

For purposes of its opinion, Banc of America Securities:

- reviewed certain publicly available financial statements and other business and financial information of DCT and certain publicly available business information relating to the Advisor;
- reviewed certain internal financial statements and other financial and operating data concerning DCT and the Advisor prepared by management;
- reviewed certain financial forecasts relating to DCT and the Advisor prepared by management;
- reviewed and discussed with the Special Committee, DCT s management and the Advisor s senior executives the organizational and management structure of DCT and information relating to certain cost savings and other benefits expected by management to result from the Internalization through the elimination of management fees (referred to in this section as cost savings) currently payable by DCT to the Advisor pursuant to the Advisory Agreement;
- discussed the past and current operations, financial condition and prospects of DCT and the Advisor with members of the Special Committee, DCT s management and the Advisor s senior executives;
- reviewed the purchase prices paid by third party investors in prior offerings of our common shares as reflected in our publicly filed reports;
- reviewed the potential pro forma financial impact of the Internalization on our future financial performance, including the potential effect on our estimated FFO per share;
- compared the financial performance of DCT and the Advisor, respectively, with that of certain publicly traded companies Banc of America Securities deemed relevant;
- compared certain financial terms of the Internalization to financial terms, to the extent publicly available, of certain other transactions Banc of America Securities deemed relevant;
- participated in discussions and negotiations among the Special Committee, the Advisor s representatives and their respective advisors;

reviewed the Contribution Agreement and certain related documents;

reviewed the Advisory Agreement; and

performed other analyses and considered other factors as Banc of America Securities deemed appropriate.

Banc of America Securities assumed and relied on, without independent verification, the accuracy and completeness of the financial and other information reviewed by it for the purposes of its opinion. Banc of America Securities was advised by DCT s representatives that the Advisor manages the operations of, and performs various administrative functions for, DCT pursuant to the Advisory Agreement, including the preparation of financial forecasts and other information relating to DCT. Accordingly, at the Special

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Committee s direction, Banc of America Securities utilized, for purposes of its analyses, financial forecasts relating to DCT provided by management. Banc of America Securities assumed, upon the Advisor s advice and at the Special Committee s direction, that the financial forecasts relating to DCT and the Advisor (including potential cost savings) referred to above, were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of management as to DCT s and the Advisor s future financial performance and the other matters covered by the forecasts. Banc of America Securities did not make any independent valuation or appraisal of DCT s or the Advisor s assets or liabilities and Banc of America Securities was not furnished with any such valuations or appraisals. In addition, Banc of America Securities assumed, with the Special Committee s consent, that the Internalization would be consummated as provided in the Contribution Agreement, with full satisfaction of all covenants and conditions contained in the Contribution Agreement and without any waivers of the Contribution Agreement. Banc of America Securities also assumed, with the Special Committee s consent, that all third party consents, approvals and agreements necessary for the consummation of the Internalization would be obtained without any adverse effect on DCT, the Advisor or the Internalization. Banc of America Securities was advised by management that we have operated in conformity with the requirements for qualification as a REIT for U.S. federal income tax purposes since our formation as a REIT and Banc of America Securities further assumed, with the Special Committee s consent, that the Internalization would not adversely affect our status or operations as a REIT.

Banc of America Securities expressed no view or opinion as to any terms or aspects of the Internalization other than the DCT Consideration to the extent expressly specified in its opinion, including the form or structure of the Internalization or tax or accounting aspects. In addition, Banc of America Securities expressed no opinion as to the relative merits of the Internalization in comparison to other transactions available to DCT or in which DCT might engage or as to whether any transaction might be more favorable to DCT as an alternative to the Internalization, nor did Banc of America Securities express any opinion as to the underlying business decision of the Special Committee or the Board to proceed with or effect the Internalization. Banc of America Securities expressed no opinion as to what the value of OP Units or our common shares into which OP Units may be exchangeable would be when issued or the prices at which OP Units or our common shares would be transferable or trade at any time. Except as described above, the Special Committee imposed no other limitations on the investigations made or procedures followed by Banc of America Securities in rendering its opinion.

Banc of America Securities opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to Banc of America Securities as of, the date of its opinion. Accordingly, although subsequent developments may affect its opinion, Banc of America Securities did not assume any obligation to update, revise or reaffirm its opinion.

The following represents a brief summary of the material financial analyses presented by Banc of America Securities to the Special Committee in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by Banc of America Securities, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by Banc of America Securities. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Banc of America Securities.**

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Financial Analyses Relating to the Advisor

Analysis of Selected Precedent Transactions. Banc of America Securities reviewed, to the extent publicly available, financial information relating to the following 13 selected transactions in which a non-self-administered REIT acquired its external advisor:

Announcement Date	Acquiror	Target
5/2/06	CNL Retirement Properties, Inc.	CNL Retirement Corp.
4/3/06	CNL Hotels & Resorts, Inc.	CNL Hospitality Corp.
9/10/04	Inland Retail Real Estate Trust, Inc.	Inland Southeast Property Management Corp.
9/10/03	Cedar Shopping Centers Inc.	Cedar Bay Realty Advisors, Inc.
5/2/00	Inland Real Estate Corporation	Inland Real Estate Advisory Services, Inc.
11/30/99	Carey Diversified LLC	Management Business of W.P. Carey & Co., Inc.
3/12/99	CNL American Properties Fund, Inc.	CNL Fund Advisors, Inc.
2/4/98	Cabot Industrial Trust	Cabot Partners Limited Partnership
11/26/97	AMB Property Corporation	AMB Institutional Realty Advisors, Inc.
5/15/97	Commercial Net Lease Realty, Inc.	CNL Realty Advisors, Inc.
3/21/97	Security Capital Pacific Trust	Security Capital Group Incorporated
3/21/97	Security Capital Atlantic Incorporated	Security Capital Group Incorporated
2/26/97	Berkshire Realty Company	Berkshire Property Management

Banc of America Securities reviewed the transaction values of the selected transactions, calculated as the equity value implied for the target company based on the consideration payable in the selected transaction, plus net debt and minority interests, less cash and cash equivalents, as multiples of latest 12 months earnings before interest, taxes, depreciation and amortization, referred to as EBITDA, and total fees received for asset management services, referred to as total fees. Banc of America Securities then applied a range of selected multiples of latest 12 months EBITDA and total fees derived from the selected transactions to corresponding financial data of the Advisor for the 12 months ended June 30, 2006. Multiples for the selected transactions were based on publicly available financial information at the time of announcement of the relevant transaction. Estimated financial data of the Advisor were based on internal estimates of management. This analysis indicated the following implied enterprise value reference ranges for the Advisor, as compared to the DCT Consideration:

Implied Enterprise Value Reference Ranges for the Advisor		DCT
Latest 12 Months EBITDA	Latest 12 Months Total Fees	Consideration
\$136,000,000 - \$215,000,000	\$76,000,000 - \$177,000,000	\$170,000,000

No company, business or transaction used in this analysis is identical to the Advisor or the Internalization. Accordingly, an evaluation of the results of these analyses is not entirely mathematical. Rather, these analyses involve complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or other values of the companies, business segments or transactions to which the Advisor and the Internalization were compared.

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Analysis of Selected Publicly Traded Companies. Banc of America Securities reviewed, to the extent publicly available, financial and stock market information for the following ten selected publicly traded companies, four of which are focused primarily on real estate asset management and six of which are focused primarily on financial asset management:

Real Estate Asset Management Companies	Financial Asset Management Companies
CB Richard Ellis Group, Inc.	BlackRock, Inc.
Grubb & Ellis Co.	Franklin Resources, Inc.
Jones Lang LaSalle Inc.	Gamco Investor Inc.
Trammell Crow Company	Janus Capital Group Inc.
	Nuveen Investments, Inc.
	T. Rowe Price Group, Inc.

Banc of America Securities reviewed enterprise values of the selected companies, calculated as fully-diluted market value based on closing stock prices on July 19, 2006, plus net debt and minority interests, less cash and cash equivalents, as a multiple of calendar year 2007 estimated EBITDA. Banc of America Securities then applied to the Advisor s calendar year 2007 estimated EBITDA a range of selected multiples of calendar year 2007 estimated EBITDA derived from the selected real estate asset management companies and from the selected financial asset management companies, in each case discounted to take into account the lack of trading liquidity and smaller size of the Advisor relative to the selected companies. Estimated financial data of the selected companies were based on publicly available research analysts estimates. Estimated financial data of the Advisor were based on internal estimates of management. This analysis indicated the following implied enterprise value reference ranges for the Advisor, as compared to the DCT Consideration:

Implied Enterprise Value Reference Ranges for the Advisor		
Real Estate Asset Management Companies	Financial Asset Management Companies	DCT Consideration
$174,000,000 - $302,000,000	$92,000,000 - $256,000,000	$170,000,000

No company or business used in this analysis is identical to the Advisor or its business. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies or business segments to which the Advisor was compared.

Discounted Cash Flow Analysis. Banc of America Securities performed a discounted cash flow analysis of the Advisor to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that the Advisor could generate during fiscal years 2006 through 2010 based on internal estimates of management. Banc of America Securities calculated a range of estimated terminal values by applying a range of EBITDA terminal value multiples of 6.5x to 8.5x to the Advisor s fiscal year 2010 estimated EBITDA. The present value of the cash flows and terminal values were then calculated using discount rates ranging from 15.0% to 20.0%. This analysis indicated the following implied enterprise value reference ranges for the Advisor, as compared to the DCT Consideration:

Implied Enterprise Value Reference Range for the Advisor	DCT Consideration
$144,000,000 - $196,000,000	$ 170,000,000

Financial Analyses Relating to DCT

Net Asset Valuation. Banc of America Securities performed a net asset valuation of DCT s income producing properties and other assets and liabilities based on financial information provided by management. The estimated value of DCT s income-producing properties was calculated by applying a range of weighted average capitalization rates of 6.0% to 7.0% to the latest 12 months ended March 31, 2006 net operating income of such properties based on internal estimates of management reflecting, among other things, 100% ownership of Cabot Industrial Value Fund and full-year adjustments for acquisitions and dispositions consummated during that period and for acquisitions consummated during the second quarter of 2006. Other asset and liability values were calculated as follows:

- in the case of development assets and developable land, by applying a 20% premium to the cost of those assets; and
- in the case of other assets and liabilities, based on book values as of March 31, 2006 (as adjusted, in the case of debt, for acquisition financing in the second quarter of 2006) and estimated values per management.

This analysis indicated the following implied per share equity reference range for DCT, as compared with the assumed per unit value of the 15,111,111 OP Units issuable in the Internalization:

Implied Per Share Equity Reference Range for DCT	Assumed Per Unit Value of OP Units in Internalization
$8.87 - $11.61	$ 11.25

Analysis of Selected Publicly Traded Companies. Banc of America Securities reviewed financial and stock market information for the following six selected publicly traded REITs in the industrial REIT industry:

- AMB Property Corporation
- Duke Realty Corporation
- EastGroup Properties, Inc.
- First Industrial Realty Trust, Inc.
- Liberty Property Trust
- ProLogis

Banc of America Securities reviewed, among other things, closing stock prices of the selected REITs on July 19, 2006 as a multiple of calendar years 2006 and 2007 estimated FFO per share. Banc of America Securities then applied a range of selected multiples of calendar years 2006 and 2007 estimated FFO per share derived from the selected REITs to corresponding data of DCT. Estimated financial data of the selected REITs were based on publicly available research analysts estimates. Estimated financial data of DCT were based on internal estimates of management after giving effect to the Internalization. This analysis indicated the following implied per share equity reference range for DCT, as compared to the assumed per unit value of the 15,111,111 OP Units issuable in the Internalization:

Implied Per Share Equity Reference Ranges for DCT		Assumed Per Unit Value of
2006E FFO	2007E FFO	OP Units in Internalization
$9.55 - $11.56	$10.27 - $12.15	$11.25

No company or business used in this analysis is identical to DCT or its business. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies or business segments to which DCT was compared.

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Pro Forma Accretion/Dilution Analysis

Banc of America Securities analyzed the potential pro forma financial effect of the Internalization on DCT s estimated FFO per share for the 12 month-period beginning July 1, 2006 and for calendar year 2007. Estimated financial data for DCT and the pro forma adjustments described below were based on internal estimates of management. For purposes of this analysis, Banc of America Securities applied pro forma adjustments to reflect, among other things:

- one-time transaction-related expenses;
- elimination of asset management fees previously paid to the Advisor by DCT;
- payment of acquisition fees to DCT by joint venture partners which were previously paid to the Advisor;
- incremental general and administrative and interest expense; and
- capitalization of certain leasing and development expenses.

Based on the DCT Consideration, this analysis indicated that the Internalization should be accretive to DCT s estimated FFO per share for each of the periods observed. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Miscellaneous

The discussion set forth above is merely a summary of the material financial analyses performed by Banc of America Securities and is not a comprehensive description of all analyses undertaken by Banc of America Securities in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. Banc of America Securities believes that its analyses and the summary above must be considered as a whole. Banc of America Securities further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Banc of America Securities analyses and opinion. Banc of America Securities did not assign any specific weight to any of the analyses described above. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis.

In performing its analyses, Banc of America Securities considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of DCT and the Advisor. The estimates of the future performance of DCT and the Advisor in or underlying Banc of America Securities analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by Banc of America Securities analyses. These analyses were prepared solely as part of Banc of America Securities analysis of the financial fairness of the DCT Consideration to be paid pursuant to the Contribution Agreement and were provided to the Special Committee in connection with the delivery of Banc of America Securities opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be Banc of America Securities view of the actual value of DCT or the Advisor.

The type and amount of consideration payable in the Internalization were determined through negotiations between the Special Committee and the Advisor s Parent, rather than by any financial advisor, and were approved by the Special Committee. The decision to enter into the Contribution Agreement was solely that of the

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Special Committee and the Board. As described above, Banc of America Securities opinion and analyses were only one of many factors considered by the Special Committee in its evaluation of the Internalization and should not be viewed as determinative of the views of the Special Committee, the Board or our management with respect to the Internalization or the DCT Consideration.

We have agreed to pay Banc of America Securities for its services in connection with the Internalization an aggregate fee of $1.2 million, portions of which were payable in connection with Banc of America Securities engagement and upon rendering its opinion and a significant portion of which is contingent upon the completion of the Internalization. We also have agreed to indemnify Banc of America Securities, any controlling person of Banc of America Securities and each of their respective directors, officers, employees, agents, affiliates and representatives against specified liabilities, including liabilities under the federal securities laws.

Banc of America Securities or its affiliates currently are acting as administration agent, book-running manager and co-lead arranger for, and as a lender under, certain credit facilities of Mexico Retail Properties Venture I, L.P., an affiliate of the Advisor s Parent. In the ordinary course of its business, Banc of America Securities and its affiliates may actively trade or hold the securities or loans of DCT or certain of its affiliates for their own accounts or for the accounts of customers and, accordingly, Banc of America Securities or its affiliates may at any time hold long or short positions in these securities or loans.

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DESCRIPTION OF THE INTERNALIZATION

Set forth below is a summary of the material terms of the Internalization. The Contribution Agreement, a copy of which is attached hereto as ***Appendix A*** *contains a more extensive description of the terms of the Internalization. The summary set forth below is qualified in its entirety by reference to the Contribution Agreement.*

General

The Contribution Agreement provides that, subject to the approval thereof by our stockholders and subject to the satisfaction of certain other conditions, the entire outstanding membership interest, and all economic interests, in the Advisor, in addition to all of the outstanding shares in the Transferred Subsidiary (as described in this paragraph), will be contributed by the Advisor s Parent to our Operating Partnership in exchange for aggregate consideration of 15,111,111 OP Units, which includes the Modification of the Special Units held by the Advisor s Parent into OP Units. Prior to the Closing Date, the Advisor s Parent will form the Transferred Subsidiary and transfer a 1% interest in the Advisor to the Transferred Subsidiary. As required by the Contribution Agreement, the Advisor s Parent will then transfer all of the outstanding shares in the Transferred Subsidiary to the Operating Partnership, in addition to the remaining 99% interest in the Advisor that the Advisor s Parent holds directly.

As a result of the Internalization, the Advisor will become a wholly-owned subsidiary of our Operating Partnership and we will become self-advised. As of the Closing Date, we anticipate that approximately 50 of the Advisor s or its affiliates employees or consultants will become our employees. In addition, we will hire and enter into the Employment Agreements with certain individuals associated with the Advisor or its affiliates and, as of the Closing Date, those individuals will also become our employees. Under the MGCL and our existing Articles, holders of our common shares will not be entitled to appraisal rights with respect to the Internalization.

Payment of Internalization Consideration

In the Internalization, the entire outstanding membership interest, and all economic interests, in the Advisor, in addition to all of the outstanding shares in the Transferred Subsidiary (as described in the paragraph above), will be contributed by the Advisor s Parent to our Operating Partnership in exchange for aggregate consideration of 15,111,111 OP Units, which includes the Modification of the Special Units held by the Advisor s Parent into OP Units. As a result of the Internalization, some of our directors who collectively have beneficial ownership and control with their respective spouses of an aggregate of a 58.9% membership interest in the Advisor s Parent and collectively have an aggregate 32.644% Cash Flow Interest, will collectively receive indirect beneficial ownership with their respective spouses of approximately 4.9 million OP Units. In the Internalization, the OP Units have been valued at a per-unit price of $11.25. The Contribution Agreement provides that a portion of the Internalization Consideration will be allocated to the modified Special Units and the balance to the contributed membership interests of the Advisor.

Closing

The Contribution Agreement provides that the Internalization will be consummated on the Closing Date, which will be within three business days following the satisfaction or waiver of the conditions to the Internalization set forth in the Contribution Agreement (other than conditions that by their nature are to be satisfied at the Closing), or on such other date as we and the Advisor s Parent may mutually agree.

In connection with the Internalization, we will enter into new agreements with affiliates of the Advisor s Parent, including the following:

Transitional Services Agreement. At the Closing of the Internalization, we will enter into the Transitional Services Agreement with DC Services that will provide us with enumerated transitional services to the extent we need them to operate our business. Under this agreement, existing resource-

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sharing arrangements among the Advisor, other affiliates of the Advisor s Parent and us will continue until we are able to make alternative arrangements for the provision of similar services, including IT services, human resources, payroll and accounts payable services. This agreement terminates one year after the Closing Date and is terminable by DC Services upon the occurrence of an uncured default by us or by either party upon the occurrence of bankruptcy- or insolvency-related events. We may terminate any individual service upon 30 days prior written notice. The maximum monthly amount payable under this agreement is $71,600.

License Agreement. At the Closing of the Internalization, we will enter into the License Agreement with the Advisor s Parent granting us the right to the Dividend Capital name without payment of any fees for a period of one year. The License Agreement may be terminated by the Advisor s Parent upon: (i) our failure to cure a material breach under the agreement within 30 days of written notice thereof; (ii) our assigning or otherwise encumbering the License Agreement or our rights thereunder, including in connection with a change of control of us; or (iii) our bankruptcy or insolvency.

Pursuant to the Transitional Services Agreement and the License Agreement, we expect to receive administrative services and other rights from DC Services and the Advisor s Parent, respectively, reasonably necessary to operate the Advisor s business for a limited transition period until it is integrated into our operations.

Joint Venture Agreement. We intend to enter into a Joint Venture Agreement with the DCTRT JV Entities, providing for the formation of a joint venture that will serve as the exclusive vehicle through which the DCTRT JV Entities will acquire industrial assets in certain major markets in which we currently operate until the end of 2008, so long as we introduce a certain minimum amount of potential acquisition opportunities and we do not otherwise materially breach this agreement However, if (and only for so long as) these exclusivity provisions are not in effect, Mr. Zucker and Mr. Mulvihill will be prohibited under their respective Non-Competition Agreement with us from directly or indirectly participating in certain activities in respect of industrial real estate on behalf of either DCTRT or other related entities. See Proposal I Election of Directors: Nominees for Election to Our Board of Directors Certain Relationships and Related Transactions Non-Competition Agreements.

Employment/Non-Competition Agreements

We will enter into the Non-Competition Agreements with Messrs. Zucker and Mulvihill, effective as of the Closing Date, as more fully described below. We have also entered into Employment Agreements with Messrs. Wattles, Hawkins, Cochran, Mechem, Murphy and Ruen, effective as of the Closing Date, as more fully described below.

Registration Rights Agreement

In the Contribution Agreement, we agreed that at the Closing, we will enter into the Registration Rights Agreement with the Advisor s Parent in respect of any common shares acquired by the Advisor s Parent and its permitted transferees upon exchange of the OP Units issued in connection with the Internalization, as more fully described below.

Pledge Agreement

In the Contribution Agreement, the Advisor s Parent agreed to secure its indemnification obligations under the Contribution Agreement by entering into the Pledge Agreement with us. Pursuant to the Pledge Agreement, the Advisor s Parent will pledge in our favor the following (or any substituted collateral permitted pursuant to the Pledge Agreement): (a) for a period of 15 months after the Closing Date (the **Lock-Up Period**), all of the OP Units received in the Internalization, (b) for a period of nine months after the end of the Lock-Up Period (the **First Follow-On Period**), cash and/or OP Units having a fair market value of $20.0 million plus an amount reasonably sufficient to cover any unresolved indemnification claims asserted before the end of the First Follow-On Period, (c) for a period of 12 months after the end of the First Follow-On Period (the **Second Follow-On Period**), cash and/or OP Units having a fair market value or $10.0 million plus an amount reasonably sufficient to cover any unresolved indemnification claims asserted before the end of the Second Follow-On Period, and (d) following the end of the Second Follow-On Period, assets having a fair market value equal to the amount of unresolved indemnification claims asserted before the end of the Second Follow-On Period until those claims are resolved. Under the terms of the Pledge Agreement, we will hold a first priority security interest in all of the assets pledged pursuant to the Pledge Agreement (or any substituted collateral).

Conduct of Business Prior to Closing

The Advisor s Parent has agreed, among other things, that, except to the extent expressly provided in the Contribution Agreement, until the Closing, the Advisor s Parent:

- will cause the Advisor to conduct its business in the ordinary course consistent with past practice and consistent with the requirements of the Advisory Agreement;
- will, and will cause the Advisor to, use commercially reasonable efforts to preserve substantially intact the present organization of the Advisor;
- will, and will cause the Advisor to, use commercially reasonable best efforts to keep available the services of the present officers and employees of the Advisor or its affiliates and all other persons who provide material services to the Advisor; and
- will, and will cause the Advisor to, use commercially reasonable efforts to preserve the Advisor s relationships with others having business dealings with the Advisor.

The Advisor s Parent has also agreed, without limiting the generality of the foregoing, that until the Closing, the Advisor s Parent will not permit the Advisor to:

- sell, lease, encumber, transfer or dispose of any of its assets, including by relinquishing any rights under any contract material to the Advisor, in each case except in the ordinary course of business (it being understood that the Advisor makes distributions of substantially all its cash to the Advisor s Parent on a regular basis);
- fail to timely pay any account payable, except in the ordinary course of business;
- take any action that would adversely affect our qualification as a REIT;
- enter into any material commitment or transaction except in the ordinary course of business;
- enter into any agreement providing for management services to be provided by the Advisor to a third party;
- incur, create, assume or guarantee any indebtedness;

change (or permit to be changed) any accounting or tax procedure or practice (including any method of accounting for tax purposes), make (or permit to be made) any tax election or settle or compromise any tax liability but only to the extent that such procedure or practice, election or compromise relates to any tax liability of the Advisor or taxes of the Advisor as a separate entity;

enter into, adopt, amend, terminate or waive any right under any employee benefit plan (including without limitation, employment or consulting arrangement), hire any employees, increase in any manner the compensation or benefits of any officer, employee or consultant or pay or otherwise grant any benefit not required by any employee benefit plan, or enter into any contract to do any of the above, except (i) in the ordinary course of business, (ii) to provide payments and benefits under existing employee benefit plans for newly hired employees or consultants or in connection with promotions permitted under the Contribution Agreement and (iii) to the extent required by applicable law;

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make or commit to any single capital expenditure or commitment in excess of $50,000 or make aggregate capital expenditures and commitments in excess of $150,000 (on a consolidated basis);

cancel any debts or waive any claims or rights of substantial value;

enter into, amend or terminate any contract of a type that, if in effect at the date of the Contribution Agreement, would be required to be disclosed thereunder or, except in the ordinary course of business consistent with past practice, enter into, amend or terminate any other contract;

pay, discharge or satisfy any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise) other than the payment, discharge or satisfaction in the ordinary course of business consistent with past practice of liabilities and obligations reflected or reserved against in the balance sheet of the Advisor as of December 31, 2005 or incurred in the ordinary course of business since the date of such balance sheet;

settle or compromise any claim, action, suit or proceeding pending or threatened against the Advisor;

except as permitted above, enter into any transaction or any contract with any of its directors, officers or affiliates (including with the Advisor s Parent);

make or authorize any change in the Advisor s certificate of formation or operating agreement;

enter into any new lease for real property except for leases for which the aggregate monthly rental obligation does not exceed $5,000; or

take, or agree or otherwise commit to take, any of the foregoing actions or any other action that if taken would reasonably be expected to (i) cause any representation or warranty of the Advisor s Parent contained in the Contribution Agreement (A) to be untrue or incorrect as of the Closing Date, if such representation or warranty is qualified by materiality, or (B) to be untrue or incorrect in all material respects as of the Closing Date, if such representation or warranty is not qualified by materiality; or (ii) prevent the satisfaction of any of the closing conditions or post-closing tax matters set forth in the Contribution Agreement.

Certain Pre-Closing Covenants

Pursuant to the Contribution Agreement, we, our Operating Partnership and the Advisor s Parent have agreed to certain covenants, among others, as described below.

The Advisor s Parent has agreed:

(a) to notify us in writing of any information obtained after the date of the Contribution Agreement that was required to be, but was not, disclosed pursuant to the Contribution Agreement, or that was necessary to complete or correct any such disclosure or any representation or warranty of the Advisor s Parent; (b) to promptly inform us of any claim by any third party that a contract has been breached, is in default, may not be renewed or would require a consent to be obtained, as a result of the transactions contemplated by the Contribution Agreement; (c) to notify us promptly after becoming aware of the occurrence of non-occurrence of any event after the date of the Contribution Agreement that would be likely to cause either any representation or warranty in the Contribution Agreement to be breached in any material respect if it was made as of the Closing Date or any of the closing conditions set forth in the Contribution Agreement to be unsatisfied on the Closing Date; and (d) to notify us promptly after becoming aware of any material failure by the Advisor s Parent to comply with or satisfy any covenant, condition or agreement applicable to it;

to deliver to us a certificate (the **Loss Certificate**), not less than five business days before the Closing Date, that (i) identifies all of the breaches of representations and warranties that it reasonably believes would exist on the Closing Date if those representations and warranties were made on and as of that date, and as to which we would be entitled to seek indemnification under the applicable indemnification provisions of the Contribution Agreement and (ii) sets forth its good-faith estimate of the amount of losses (as defined in the Contribution Agreement) that we would reasonably be expected to recover under those indemnification provisions as a result of such breaches. If the estimated amount of losses in the certificate described in preceding sentence exceeds $5.0 million and we waive the applicable closing condition, our right to indemnification under the Contribution Agreement with respect to such losses will be limited to a maximum of $5.0 million;

to provide us, promptly after they become available (but no later than the tenth business day prior to the Closing Date), with copies the Advisor s unaudited consolidated balance sheet as of June 30, 2006 and copies of the Advisor s unaudited balance sheet as of the last day of each month that ends before the tenth business day prior to the Closing Date, as well as the related unaudited statements of income and cash flows for the year to date ending on the last day each such month;

to use its commercially reasonable efforts to have the lease (the **13th Floor Lease**) for office space on the 13th floor of our corporate offices in Denver, Colorado, assigned directly to us at the Closing Date or as soon as practicable thereafter (without being required to make any financial accommodation to cause such assignment), *provided*, that if the Advisor s Parent is not able to secure such assignment, it will sublease to us such lease at the Closing Date on the same terms as set forth in the 13th Floor Lease;

to use its commercially reasonable efforts to assist us in procuring a separate lease for an entire floor in the same building as our corporate headquarters (without being required to make any financial accommodation to procure such lease), at which time the Advisor s Parent or one of its affiliates will take an assignment of or otherwise relieve us of any obligations with respect to the 13th Floor Lease; and

prior to the Closing Date, to cause the Advisor, on behalf of us, our Operating Partnership and the Transferred Subsidiary, to establish or cause to be established (at our sole cost and expense) insurance policies providing insurance coverage to us, the Advisor, our Operating Partnership and the Transferred Subsidiary after the Closing Date, which will be (i) no less beneficial in the aggregate than the insurance policies disclosed pursuant the Contribution Agreement, or (ii) to the extent such coverage is not then reasonably available, as close as practicable to existing coverage terms consistent with prevailing insurance market conditions.

We have agreed:

to maintain in effect, and cause the Advisor to maintain in effect, for six years following the Closing Date, either (i) the directors and officers liability insurance policies maintained on or prior to the Closing Date to the extent they cover the Advisor and its officers, members and managers (and persons serving in a similar capacity), or (ii) comparable policies of at least the same coverage and amounts, and containing terms and conditions that are no less advantageous with respect to claims arising out of or relating to events that occurred on or prior to the Closing Date;

not to, and cause the Advisor not to, terminate or assign the Advisory Agreement prior to the expiration of the one-year term of the Advisory Agreement in effect after the Closing Date;

cause each of the Advisor and the Transferred Subsidiary to continue in existence until at least December 31, 2007;

that the outstanding Special Units held by the Advisor s Parent will be modified at the Closing Date such that they will become that number of OP Units (not to exceed the Internalization Consideration) as will be specified in a notice given to us by the Advisor s Parent at least five business days prior to the Closing (the **Modified Units**), with the understanding that such Modified Units are intended to have a fair market value equal to the fair market value of the Special Units, and that such Modified Units will constitute a portion of the 15,111,111 OP Units being issued in connection with the Internalization; and through and including the Closing, not to rescind, alter or amend or permit to occur the rescission, alteration or amendment of the registration rights provided for in our Operating Partnership s partnership agreement (as in effect on the date of the Contribution Agreement) in any manner that is adverse to the holders of the OP Units.

Covenants Concerning Post-Closing Employment Arrangements

Prior to the Closing Date, the Advisor s Parent will, and will cause the Advisor to, use commercially reasonable efforts to encourage the Transferred Employees (as defined in the Contribution Agreement) of the Advisor, to the extent we determine they are in good standing, to become our employees. We have agreed to make offers of employment to all Transferred Employees on substantially the same terms as their current employment except as may be provided in the Employment Agreements. Subject to any required stockholder approvals, the Advisor, on behalf of us or the Operating Partnership, will establish or cause to be established employee benefit plans for the Transferred Employees who become our employees which (a) are no less beneficial in the aggregate than the employee benefits plans in which the Transferred Employees participated immediately before the Closing Date, (b) recognize the service of employees to the same extent recognized by the applicable employee benefits plans prior to the Closing Date, and (c) recognize any deductible and co-payments employees have made under employee benefits plans in the plan year in which the Closing Date occurs.

Post-Closing Covenants

Nomination to the Board

We have agreed, following the Closing, to cause an individual designated by the Advisor s Parent to be nominated for election to our Board at our annual stockholders meetings to be held in 2007, 2008 and 2009, in each case to serve a one-year term. Any individual designated by the Advisor s Parent for nomination must be reasonably acceptable to our Board. For this purpose, each of Messrs. Zucker and Mulvihill is deemed to be reasonably acceptable.

Our obligation to make such nominations will terminate if at any time the owners of outstanding interests in the Advisor s Parent as of the Closing Date and the Transferred Employees cease to beneficially own directly or indirectly (including through their ownership of the Advisor s Parent) an aggregate of at least 5.0 million of the OP Units issued in connection with the Internalization.

In addition, if at any time while we are obligated to make such nominations our Board becomes classified with the result that directors serve for terms of greater than one year, we will not be required to make any nominations otherwise required under the Contribution Agreement except at a meeting where the term of an individual nominated pursuant to our obligation under the Contribution Agreement and elected to our Board in connection with such nomination is scheduled to expire.

Lock-Up of OP Units

The Advisor s Parent has agreed, without our prior written consent, not to offer, sell, contract to sell, pledge (other than pursuant to the Pledge Agreement) or otherwise transfer or dispose of any of the OP Units issued in connection with the Internalization or securities convertible or exchangeable or exercisable for any such OP Units or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the OP Units issued in connection with the Internalization during the Lock-Up Period; it being understood that the foregoing restriction does not prohibit the purchase or sale of securities (including derivative securities that do not involve any securities issued by us) issued by persons other than us or our Operating Partnership.

The Advisor s Parent also agrees to hold cash or cash equivalents or OP Units having a fair market value of the following: (a) during the First Follow-On Period, $20.0 million plus an amount reasonably sufficient to cover any unresolved indemnification claims asserted before the end of the Lock-Up Period; (b) during the Second Follow-On Period, $10.0 million plus an amount reasonably sufficient to cover any unresolved indemnification claims asserted before the end of the First Follow-On Period; and (c) following the end of the Second Follow-On Period, assets having a fair market value equal to the amount of unresolved indemnification claims asserted before the end of the Second Follow-On Period.

Covenants Not to Compete/Confidentiality

Pursuant to the Contribution Agreement, the Advisor s Parent has agreed, from the Closing and for three years thereafter, not to, directly or indirectly, anywhere in North America:

- engage in, own any interest in, invest in, lend funds to, or provide any management, consulting, financial, administrative or other services to any business that includes the ownership, acquisition, development or management of industrial real estate; or

- solicit or encourage to leave employment or employ or contract or offer to employ any Transferred Employee (as defined in the Contribution Agreement) or any person who is (or was during the previous three months) hired by us.

The Advisor s Parent has also agreed, for a period of three years after the Closing Date, not to disclose to any third party any confidential or non-public information regarding the business of the Advisor.

In addition, we have agreed that, from the Closing and for three years thereafter, we will not, directly or indirectly, anywhere in North America, solicit or encourage to leave employment or employ or contract or offer to employ any person who is (or was during the previous three months) an employee of the Advisor s Parent (other than persons who also are or were during the relevant time period, officers or employees of us, our Operating Partnership or the Advisor).

Taxes

Without our prior written consent, neither the Advisor s Parent nor the Advisor will, to the extent it may affect or relate to the Advisor, (i) make or change any tax election, (ii) change any annual tax accounting period, (iii) adopt or change any method of tax accounting, (iv) file any amended tax return, (vi) enter into any closing agreement related to any taxes, (vi) settle any tax claim or assessment, (vii) surrender any right to claim a tax refund, (viii) offset or effect any other reduction in tax liability, (ix) consent to any extension or waiver of the limitations period applicable to any tax claim or assessment or (x) take or omit to take any other action, if any such action or omission would have the effect of increasing the tax liability or reducing any tax asset of the Advisor*; provided*, these provisions shall only apply to the extent they relate to the tax liability of the Advisor as an entity.

We and the Advisor s Parent have also agreed to cooperate fully, as and to the extent reasonably requested by the other party, in connection with the preparation and filing of any tax return and any audit or other proceeding with respect to taxes.

Insurance Claims

After the Closing Date, the Advisor s Parent will use its commercially reasonable efforts to preserve any rights that we, the Advisor, our Operating Partnership or the Transferred Subsidiary, may have to make claims under the insurance policies disclosed pursuant the Contribution Agreement for claims arising out of occurrences prior to the Closing Date. We and the Advisor s Parent will cooperate with and assist each other in (i) issuing notices of claims by us, the Advisor, our Operating Partnership or the Transferred Subsidiary under such insurance policies, (ii) presenting such claims for payment and (iii) collecting insurance proceeds related thereto.

Conditions to Closing

Conditions to Each Party s Obligations

The respective obligations of our company, our Operating Partnership and the Advisor s Parent to effect the Closing are subject to the satisfaction or waiver at or prior to the Closing of the following conditions:

- All necessary consents and approvals of any governmental authority required for the consummation of the transactions contemplated by the Contribution Agreement shall have been obtained;

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No statute, rule, regulation, order, decree or injunction shall have been enacted, entered, promulgated or enforced by a governmental authority that prohibits the consummation of the transactions contemplated by the Contribution Agreement shall be in effect; and

The approval of the Contribution Agreement and the transactions contemplated thereunder by the affirmative vote of the holders of at least a majority of our common shares represented in person or by proxy at a duly constituted meeting of our stockholders and actually voted on the matter (excluding shares beneficially owned by any of Advisor s Parent, the members of the Advisor s Parent or their affiliates) shall have been obtained.

Conditions to Our and Our Operating Partnership s Obligations

The obligations of us and our Operating Partnership to effect the Closing of the Internalization are further subject to the satisfaction or waiver at or prior to the Closing of the following conditions:

Each of the representations and warranties made by the Advisor s Parent in the Contribution Agreement that is qualified by reference to materiality or a material adverse effect shall be true and correct, and each of the other representations and warranties made by the Advisor s Parent in the Contribution Agreement shall be true and correct in all material respects, in each case as of the date of the Contribution Agreement and at and as of the Closing Date as if made on that date (except in any case that representations and warranties that expressly speak as of a specified date or time need only be true and correct as of such specified date or time).

The Advisor s Parent shall have performed and complied in all material respects with each agreement, covenant and obligation required by the Contribution Agreement to be so performed or complied with by it at or before the closing.

Since the date of the Contribution Agreement, no event, circumstance or change shall have occurred, that individually or in the aggregate with one or more other events, circumstances or changes, have had or reasonably would be expected to have, a material adverse effect with respect to the Advisor.

All consents or approvals disclosed pursuant to the Contribution Agreement, and any other consents or approvals, the absence of which reasonably would be expected to have a material adverse effect on the Advisor, shall have been obtained and we shall have received copies of such consents in form and substance reasonably satisfactory to us.

The Advisor s Parent shall have delivered to us a certificate, dated the Closing Date and duly executed by Evan Zucker, James Mulvihill or another authorized signatory of the Advisor s Parent reasonably acceptable to us, as authorized signatories of the Advisor s Parent, in form and substance reasonably satisfactory to us, certifying the satisfaction of specified closing conditions.

The Employment Agreements with Thomas Wattles, James Cochran, Daryl Mechem, Matthew Murphy and Michael Ruen shall be in full force and effect.

The Advisor s Parent shall have executed and delivered to us an unconditional release dated as of the Closing Date, in the form attached as an exhibit to the Contribution Agreement, and none of the releases, in the form attached as a exhibit to the Contribution Agreement, executed by certain executives disclosed pursuant to the Contribution Agreement at or prior to the execution of the Contribution Agreement shall have been revoked in accordance with its terms.

The loss estimate contained in the Loss Certificate described above shall not have been greater than $5.0 million.

Conditions to the Obligations of the Advisor s Parent

The obligations of the Advisor s Parent to effect the Closing are further subject to the satisfaction or waiver at or prior to the closing of the following conditions:

Each of the representations and warranties made by us and our Operating Partnership in the Contribution Agreement that is qualified by reference to materiality or a material adverse effect shall be true and correct, and each of the other representations and warranties made by us and our Operating Partnership in the Contribution Agreement shall be true and correct in all material respects, in each case as of the date of the Contribution Agreement and at and as of the Closing Date as if made on that date (except in any case that representations and warranties that expressly speak as of a specified date or time need only be true and correct as of such specified date or time).

Each of us and our Operating Partnership shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by the Contribution Agreement to be so performed or complied with by us or it at or before the closing.

We shall have delivered to the Advisor s Parent a certificate, dated the Closing Date and duly executed by our Chief Executive Officer or Chief Financial Officer, in form and substance reasonably satisfactory to the Advisor s Parent, certifying the satisfaction of specified closing conditions.

None of the releases executed and delivered by certain executives disclosed pursuant to the Contribution Agreement at or prior to the execution and delivery of the Contribution Agreement shall have been revoked in accordance with its terms.

Representations and Warranties

Representations and Warranties of the Advisor s Parent

The Contribution Agreement includes various representations and warranties of the Advisor s Parent and the Advisor as to, among other things (as applicable):

the limited liability company organization and qualification of the Advisor s Parent;

the power and authority of the Advisor s Parent to enter into the Contribution Agreement and related transaction documents to which it is a party and perform the transactions contemplated thereby;

the Contribution Agreement and related transaction documents non-contravention of the organizational documents of the Advisor s Parent, any contract or instrument to which it is a party or any judgment, law or regulation;

the absence of certain approvals relating to the Internalization;

the Advisor s Parent s ownership of the membership interest in the Advisor;

the limited liability company organization and qualification of the Advisor and the Transferred Subsidiary;

the Advisor s capitalization;

the absence of subsidiaries of and equity investments by the Advisor;

the Advisor s financial statements;

the absence of undisclosed liabilities of the Advisor;

the absence of certain material adverse changes or events respecting the Advisor and its business;

the books and records of the Advisor;

tax matters;

the Employee Retirement Income Security Act of 1974, as amended (**ERISA**) and employee benefits;

employment matters;

the Advisor s labor relations;

the absence of litigation respecting the Advisor and the Advisor s Parent;

the absence of certain violations of law by the Advisor;

the Advisor s title to its assets and the absence of encumbrances with respect thereto;

the sufficiency of the Advisor s assets;

insurance matters;

the Advisor s contracts and other agreements;

the absence of disputed accounts payable;

the Advisor s intellectual property;

the Advisor s real property;

environmental matters;

the Advisor s bank accounts;

the absence of other clients of the Advisor;

the Advisor s licenses and permits;

the Advisor s notes and accounts receivable;

the absence of powers of attorney on behalf of the Advisor;

the absence of certain related party transactions;

the absence of fees or commissions payable to brokers in connection with the Internalization;

the information supplied by the Advisor s Parent and the Advisor for inclusion in this proxy statement;

- the disclosure of material facts relating to the Advisor s representations and warranties;
- the Advisor s anticipated fees and expenses payable by us;
- certain securities laws matters relating to acquisition by the Advisor s Parent of unregistered OP Units; and
- the Advisor s status as a non-foreign person within the meaning of U.S. Treasury regulation Section 1.1445-2(b)(2).

These representations and warranties generally survive until 15 months after the Closing Date, with the exception of, among others, representations and warranties relating to (i) tax, which survive until 60 days after the expiration of the applicable statute of limitations, and (ii) ERISA, which survive for 36 months after the Closing Date.

Our Representations and Warranties

The Contribution Agreement also includes various customary representations and warranties of us as to, among other things:

- the corporate and limited liability partnership organization and qualification of us and our Operating Partnership;
- the power and authority of us and our Operating Partnership to enter into the Contribution Agreement and related transaction documents and perform the transactions contemplated thereby;
- the Contribution Agreement and related transaction documents non-contravention of the organizational documents of us and our Operating Partnership, any contract or instrument to which we or any of our subsidiaries (including our Operating Partnership) is a party, or any judgment, law or regulation;
- the absence of certain approvals relating to the Internalization;

our capitalization;

the absence of fees or commissions payable to brokers in connection with the Internalization;

the information contained in the proxy statement (other than the information supplied by the Advisor s Parent and the Advisor);

the information contained in our filings with the SEC;

the absence of certain material adverse changes or events with respect to us or our business; and

the disclosure of material facts relating to our representations and warranties.

These representations and warranties generally survive until the date that is 15 months after the Closing Date, with the exception of representations and warranties relating to our SEC filings, absence of material changes and the actual knowledge of our Special Committee regarding the absence or omission of material facts relating to those representations and warranties, which do not survive the Closing.

Indemnification

General

Subject to the qualifications and limitations described below, the Advisor s Parent has agreed to indemnify and hold harmless us and our subsidiaries (including our Operating Partnership) and their respective successors and the respective shareholders, directors, officers, employees and agents of each such indemnified person (collectively, the **Company Indemnified Parties**) from and against any and all losses that may be asserted against, or paid, suffered or incurred by any Company Indemnified Party to the extent they arise out of, result from, are based upon or relate to:

any breach, as of the date of the Contribution Agreement or the Closing Date (except for any representations and warranties that expressly speak as of a specified date or time, in which case as of such specified date or time), of any representation and warranty made by the Advisor s Parent in the Contribution Agreement or in the Pledge Agreement*; provided*, that if any such representations or warranties (other than the representations and warranties relating to the Advisor s financial statements, the absence of undisclosed liabilities of the Advisor, the absence of certain material adverse changes or events respecting the Advisor and its business, tangible assets owned or leased by the Advisor, the Advisor s contracts and other agreements, the Advisor s material intellectual property licenses, the Advisor s leased real property, the information supplied by the Advisor s Parent and the Advisor for inclusion in this proxy statement and the disclosure of material facts relating to the Advisor s representations and warranties) is qualified in any respect by knowledge, materiality or a material adverse effect, such knowledge, materiality or a material adverse effect qualification will in all respects be ignored (other than the knowledge qualifiers relating to employment matters, the Advisor s labor relations, the Advisor s contracts and other agreements and the Advisor s real property, which will not be ignored);

any failure by the Advisor s Parent duly and timely to perform or fulfill any of its covenants or agreements required to be performed by it under the Contribution Agreement (other than the covenants and agreements relating to notification, except to the extent provided therein); and

any act, omission or state of affairs for which the Advisor would be required to provide indemnity under the Advisory Agreement if the Advisory Agreement remained in effect, to the extent such an act, omission or state of affairs preceded the Closing and to the extent the Advisor would have been required to indemnify the Company Indemnified Parties under the Advisory Agreement;

provided, that indemnification by the Advisor s Parent for certain breaches of representations and warranties will be subject to further limitations set forth in the Contribution Agreement.

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These limitations provide that the Advisor s Parent will deliver to us a certificate (the **Loss Certificate**), not less than five business days before the Closing Date (but dated as of the Closing Date), that (i) identifies all of the breaches of representations and warranties that it reasonably believes would exist on the Closing Date if those representations and warranties were made on and as of that date (other than those existing on the date of the Contribution Agreement), and as to which we would be entitled to seek indemnification under the applicable indemnification provisions of the Contribution Agreement (we can seek indemnification for losses arising from a breach of any representation or warranty subject to a cap of $170.0 million, and subject to a $350,000 deductible for most representations and warranties pursuant to which deductible we can only seek indemnification for losses in excess of the first $350,000 of indemnifiable claims in the aggregate), and (ii) sets forth its good-faith estimate of the amount of losses (as defined in the Contribution Agreement) (the **Loss Estimate**) that we would reasonably be expected to recover under those indemnification provisions as a result of such breaches. If the Loss Estimate exceeds $5.0 million, the Advisor s Parent must furnish as promptly as practicable all such additional information available to it that we request in respect of the matters referenced in the Loss Certificate, and we will be entitled to postpone the Closing Date until a date that is five business days after we receive all such information (but in no event later than 15 days from the date the Loss Certificate is delivered to us). We may waive the condition that the Loss Estimate be less than $5.0 million, but if we do so our right to indemnification regarding the items disclosed on the Loss Certificate will be limited to a maximum of $5.0 million.

We have agreed to indemnify and hold harmless the Advisor s Parent, the Advisor and their respective successors (and their respective shareholders, members, partners, directors, officers, managers, employees and agents) (collectively the **Advisor Indemnified Parties**) from and against any and all losses that may be asserted against, or paid, suffered or incurred by any Advisor Indemnified Party to the extent they arise out of, result from, are based upon or relate to:

- any inaccuracy, untruth or incompleteness, as of the date of the Contribution Agreement or the Closing Date (except for any representations and warranties that expressly speak as of a specified date or time, in which case as of such specified date or time), of any representation or warranty made by us or our Operating Partnership in the Contribution Agreement in any of the other related transaction documents or in the certificate delivered by us pursuant to the Contribution Agreement certifying the satisfaction of the applicable closing conditions*; provided*, that if any such representation or warranty is qualified in any respect by materiality or Material Adverse Effect, such qualification as to materiality or Material Adverse Effect will in all respects be ignored;

- any failure by each of us or our Operating Partnership to perform or fulfill any of our covenants or agreements required to be performed by us or our Operating Partnership under the Contribution Agreement or any of the other related transaction documents (other than the covenants and agreements relating to notification, except to the extent provided therein); and

- any act, omission or state of affairs for which we would be required to provide indemnity under the Advisory Agreement if the Advisory Agreement remained in effect, to the extent such act, omission or state of affairs preceded the Closing and to the extent we would have been required to indemnify the Advisor Indemnified Parties under the Advisory Agreement.

Except for the representations and warranties relating to the information contained in our filings with the SEC, the absence of certain material adverse changes or events with respect to us or our business and the disclosure of material facts with respect to our representations and warranties, which will not survive the Closing Date, the representations and warranties in the Contribution Agreement will survive the Closing Date:

- until 60 calendar days after the expiration of all applicable statutes of limitation with respect to the representations and warranties of the Advisor s Parent regarding:

  - the limited liability company organization and qualification of the Advisor s Parent;

  - the power and authority of the Advisor s Parent and the Advisor to enter into the Contribution Agreement and related transaction documents and perform the transactions contemplated thereby;

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- the Advisor s Parent s ownership of the membership interest in the Advisor;
- the limited liability company organization and qualification of the Advisor;
- the Advisor s capitalization;
- tax matters;
- the absence of fees or commissions payable to brokers in connection with the Internalization; and
- with respect to the assessment of any taxes provided for in the Contribution Agreement;

until 60 calendar days after the expiration of all applicable statutes of limitation with respect to the representations and warranties of us regarding:

- the corporate and limited liability partnership organization and qualification of us and our Operating Partnership;
- the power and authority of us and our Operating Partnership to enter into the Contribution Agreement and related transaction documents and perform the transactions contemplated thereby; and
- the absence of fees or commissions payable to brokers in connection with the Internalization;

until 36 months after the Closing Date with respect to the Advisor s Parent s representations and warranties relating to ERISA and employee benefit matters; and

until the date that is 15 months after the Closing Date in the case of all other representations and warranties.

If a claim is given in good faith and in accordance with the Contribution Agreement regarding a representation and warranty on or prior to the date on which the representation and warranty ceases to survive, that claim will not be barred by the expiration of the survival period and may be pursued regardless of such expiration.

Except as otherwise expressly provided in the Contribution Agreement, each covenant survives without limit.

No amounts of indemnity will be payable by the Advisor s Parent with respect to any claim relating to a breach or alleged breach of a representation or warranty unless and until the Company Indemnified Parties have paid, suffered or incurred losses in excess of $350,000 in the aggregate, in which case the Company Indemnified Parties may bring a claim for all losses in excess of such amount*; provided*, no such limitation exists with respect to certain specified representations. In addition, the maximum aggregate liability of the Advisor s Parent with respect to any claim relating to a breach of a representation or warranty cannot exceed $170.0 million (the **Indemnity Amount**).

No amounts of indemnity will be payable by us unless and until the Advisor Indemnified Parties have paid, suffered, incurred, sustained or become subject to losses in excess of $350,000 in the aggregate, in which case the Advisor Indemnified Parties may bring a claim for all losses in excess of such amount*; provided*, that no such limitation exists with respect to certain specified representations and warranties. In addition, our maximum aggregate liability cannot exceed the Indemnity Amount.

Notwithstanding the foregoing, the limitations on liability described above will not apply to any claim for indemnity based on:

- the representations and warranties of the Advisor s Parent regarding:
  - the power and authority of the Advisor s Parent to enter into the Contribution Agreement and related transaction documents and perform the transactions contemplated thereby;

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- the Advisor s Parent s ownership of the membership interest in the Advisor;
- the limited liability company organization and power and authority of the Advisor;
- the Advisor s capitalization;
- tax matters;
- ERISA and employee benefit matters; and
- the absence of fees or commissions payable to brokers in connection with the Internalization; or

our representations and warranties regarding:

- the corporate and limited liability partnership organization and qualification of us and our Operating Partnership;
- the power and authority of us and our Operating Partnership to enter into the Contribution Agreement and related transaction documents and perform the transactions contemplated thereby;
- our capitalization; and
- brokers.

The Advisor s Parent may elect to pay any indemnity obligation under the Contribution Agreement in cash or by surrender of the OP Units issued in the Internalization. To the extent any indemnity obligation is satisfied by surrender or cancellation of OP Units, such OP Units will be credited against the loss being indemnified on the basis of their market value, as defined in the Contribution Agreement, on the date of such cancellation or surrender.

To avoid any duplicative recovery, if the amount of any loss suffered by an Indemnified Party due to a breach of any representation and warranty of the Advisor s Parent has also resulted in a reduction of the Advisor s Parent s net assets shown on the Advisor s balance sheet as of the close of business on the day preceding the Closing Date, the amount of such loss will be reduced in an amount equal to such reduction.

Tax-Related Matters

The Advisor s Parent has agreed to indemnify and hold harmless us, our Operating Partnership and our respective affiliates (including, effective upon the Closing of the Internalization, the Advisor) against any:

(1) taxes of the Advisor attributable to a tax period ending on or before the Closing Date or to the portion of any tax period beginning, but not ending, on or before the Closing Date that occurs prior to the Closing Date;

(2) without duplication, losses or damages resulting from a breach of the (i) representations and warranties as to tax matters, (ii) covenant not to cause the Advisor to change (or permit to be changed) any accounting or tax procedure or practice, make (or permit to be made) any tax election or settle or compromise any tax liability and (iii) post-closing tax covenants of the Advisor s Parent and the Advisor described above;

(3) any liability for taxes of others which results from the Advisor having been a disregarded entity (within the meaning of U.S. Treasury Regulation Section 301.7701-3) of the Advisor s Parent or which is imposed by law or as a result of any agreement or transaction that the Advisor was a party to or subject to prior to the Closing Date; and

(4) without duplication, liabilities, costs, expenses, losses, damages, assessments, settlements or judgments arising out of or incident to the imposition, assessment or assertion of any tax described in (1), (2) or (3) above (the sum of (1), (2) and (3) being referred to as a **Tax Loss**)*; provided*, that the amount otherwise recoverable for any Tax Loss will be reduced by the amount, if any, of Tax Loss set forth as a current liability on the balance sheet of the Advisor as of the Closing Date as finally determined pursuant to the Contribution Agreement.

We can seek indemnification under this provision for such losses in excess of the first $350,000 of indemnifiable claims in the aggregate (except with respect to certain specified representations and warranties, for which we can seek indemnification for the full amount of all losses), up to a maximum amount of $170.0 million.

In addition, the Advisor s Parent has agreed to file or cause to be filed, in a manner consistent with past practices unless otherwise required by applicable law, all tax returns that are required to be filed by the Advisor prior to the Closing Date. In the case of any tax return required to be filed after the date of the Contribution Agreement, the Advisor s Parent will, within 30 days before the filing due date for that tax return, provide us with the opportunity to review a draft copy of the return.

Appointment of Evan H. Zucker as Representative of the Advisor s Parent and the Advisor

The Advisor s Parent appointed Evan H. Zucker as its exclusive agent and attorney-in-fact to act on its behalf in respect of any indemnification claims by the Advisor Indemnified Parties against us under the Contribution Agreement and indemnification claims made by the Company Indemnified Parties against the Advisor s Parent under the Contribution Agreement and to take any and all actions he believes are necessary or appropriate under the Contribution Agreement, on behalf of the Advisor Indemnified Parties individually and collectively.

Amendment; Waiver; Assignment; Termination

Amendments and Waivers

The Contribution Agreement may be only amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party to the Contribution Agreement. In addition, any term or condition of the Contribution Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver will be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition.

Assignment

Neither the Contribution Agreement nor any right, interest or obligation thereunder may be assigned by any party by operation of law or otherwise without the prior written consent of the other party to the Contribution Agreement and any attempt to do so will be void.

Termination

The Contribution Agreement may be terminated, and the transactions contemplated thereby may be abandoned at any time prior to the Closing by:

the mutual written agreement of our company and the Advisor s Parent, before or after approval of the Internalization Proposal by our stockholders;

either us or the Advisor s Parent if any court of competent jurisdiction or other competent governmental authority has issued a statute, rule, regulation, order, decree or injunction or taken any other action permanently restraining, enjoining or otherwise prohibiting all or any portion of the transactions contemplated by the Contribution Agreement and such statute, rule, regulation, order, decree or injunction or other action has become final and nonappealable;

either us or the Advisor s Parent, in the event (i) of a material breach of the Contribution Agreement by the non-terminating party if such non-terminating party fails to cure such breach within 30 days following notification thereof by the terminating party or (ii) the satisfaction of any condition to the terminating party s obligations under the Contribution Agreement becomes impossible, but only if the failure of such condition to be satisfied is not caused by a breach of the Contribution Agreement by the terminating party or its affiliates (a **Material Breach/Impossibility Termination**);

either us or the Advisor s Parent if the Closing has not occurred on or before January 31, 2007 (an **Expired Deadline Termination**); or

either us or the Advisor s Parent if the Contribution Agreement has been submitted to our stockholders for approval at a duly convened stockholders meeting (or adjournment or postponement thereof) and the approval of our stockholders is not obtained (a **Failure to Obtain Approval Termination**).

Except as described below, any termination of the Contribution Agreement will relieve the parties to the Contribution Agreement or their respective affiliates, directors, officers, managers, stockholders or members of any liability or further obligation.

If (i) before the Annual Meeting, our Board withdraws or adversely modifies its recommendation to our stockholders that they vote to approve the Internalization Proposal and (ii) either (A) the Contribution Agreement subsequently is terminated pursuant to an Expired Deadline Termination before the Annual Meeting is held or (B) the Contribution Agreement subsequently is terminated by the Advisor s Parent pursuant to a Material Breach/Impossibility Termination or by either us or the Advisor s Parent pursuant to an Expired Deadline Termination or a Failure to Obtain Approval Termination at any time after the Annual Meeting has been held and at that meeting stockholder approval of the Internalization Proposal is not obtained, we are required to promptly reimburse the Advisor s Parent for all reasonable out-of-pocket costs and expenses (including reasonable fees and expenses of counsel, accountants and financial advisors) incurred by it or on its behalf in connection with the Contribution Agreement, up to a maximum aggregate amount not to exceed $2.0 million.

Expenses

Except as otherwise expressly provided in the Contribution Agreement, whether or not the transactions contemplated by the Contribution Agreement are consummated, each party will pay its own costs and expenses incurred in connection with the negotiation, execution and closing of the Contribution Agreement and the related transaction documents and the transactions contemplated thereby. However, as described above in Amendment; Waiver; Assignment; Termination Termination, we may be liable for up to $2.0 million of the reasonable out-of-pocket costs and expenses of the Advisor s Parent under certain circumstances.

Certain Financial and Other Information Regarding the Internalization

Financial Information

Attached on pages F-1 through F-92 of this proxy statement is certain *pro forma* and other financial information with respect to us and the Advisor.

Accounting Treatment

The Internalization will be accounted for primarily as costs incurred in connection with terminating the Advisory Agreement which will be treated as an expense when incurred.

Certain U.S. Federal Income Tax Considerations

The following discussion summarizes certain material U.S. federal income tax consequences of the Internalization to us and our stockholders. This summary is intended to address only certain U.S. federal income tax consequences of the Internalization and may not contain all of the information that may be important to you. As you review this discussion, you should keep in mind that the tax consequences to you may vary depending on your particular tax situation, and that this summary does not address the U.S. federal income tax consequences of the Internalization to stockholders subject to special rules (including tax-exempt organizations, broker-dealers, stockholders who elect to mark to market, stockholders who hold common shares as part of a hedge, straddle or conversion transaction, stockholders who acquire our common shares pursuant to the exercise of employee stock options or otherwise as compensation, stockholders who do not hold our common shares as a capital asset, stockholders who are a non-U.S. corporation, non-U.S. partnership, non-U.S. trust, non-U.S. estate, or individual who is not taxed as a citizen or resident of the Untied States, or stockholders otherwise subject to special tax treatment under the Code). In addition, this summary does not address state, local, or foreign tax considerations.

The information in this summary is based upon the current Code, current, temporary and proposed Treasury regulations, the legislative history of the Code, current administrative interpretations, and practices of the Internal Revenue Service (the **IRS**), including its practices and policies as endorsed in private letter rulings, which are not binding on the IRS, and existing court decisions. Future legislation, regulations, administrative interpretations and court decisions could change current law or adversely affect interpretations of current law, possibly on a retroactive basis. We have not requested and do not plan to request, any rulings from the IRS concerning the tax treatment of the Internalization. It is possible that the IRS could challenge the statements in this summary, which do not bind the IRS or the courts, and that a court could agree with the IRS.

Stockholders are urged to consult their tax advisors with regard to the U.S. federal state, local and foreign tax consequences to them of the Internalization and the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of shares in an entity that has elected to be treated as a REIT for U.S. federal income tax purposes.

U.S. Federal Income Tax Consequences of the Internalization

The Internalization will not result in the recognition of taxable income by us or our stockholders for U.S. federal income tax purposes. In addition, the Internalization will not adversely affect our qualification as a REIT for U.S. federal income tax purposes.

Regulatory Matters

We and the Advisor are not aware of any license or regulatory permit which is material to the business of us or the Advisor and which is likely to be adversely affected by the consummation of the Internalization or of any material approval or other action by any state, federal or foreign government agency that would be required prior to the consummation of the Internalization.

No Appraisal Rights in connection with the Internalization

Under Maryland law, stockholders will not have appraisal rights in connection with the Internalization or the stockholder vote to approve the Internalization Proposal.

Vote Required to Approve the Internalization Proposal

Pursuant to Maryland law, transactions in which directors have a material financial interest are not void or voidable solely because of such fact if, among other things, disinterested director approval or ratification occurs, stockholder approval or ratification is obtained or the transaction is otherwise fair and reasonable. The Internalization was unanimously approved by our four Independent Directors (each of whom served on our Special Committee), which Special Committee retained its own legal and financial advisors. In reaching its conclusion to unanimously approve the Internalization, the Special Committee determined the Internalization was fair and reasonable to us, taking into account the factors described under the section titled Proposal III: The Internalization Proposal Recommendations of the Special Committee and Our Board of Directors Special Committee Recommendation; Reasons for Recommendation, which factors should be read in their entirety. Neither Maryland law nor our Articles or Bylaws require us to obtain stockholder approval of the Internalization. However, because the Internalization involves a transaction in which some of our directors and our officers have a material financial interest, we have determined to solicit stockholder approval of the Internalization so as to empower our stockholders with respect to whether the Internalization should occur. Such requirement will be satisfied if the Internalization Proposal is approved by the affirmative vote of holders of at least a majority of our common shares present in person or by proxy (excluding for this purpose common shares beneficially owned by any of the Advisor, the Advisor s Parent or their affiliates), if, in addition to such approval, a quorum is present at the Annual Meeting. If the required stockholder approval is not received, then the Internalization will not be consummated.

Our directors and officers and their Affiliates, as well as Franklin Street Advisors, LLC, an Affiliate of the Advisor, collectively own less than 0.1% of our outstanding common shares. Our Articles provide that neither the Advisor, our directors nor any of their Affiliates may vote their common shares on matters submitted to our stockholders regarding, among other things, transactions between us and any Affiliate of the Advisor. Therefore, the common shares owned by them will not be considered to be common shares entitled to vote at the Annual Meeting for purposes of determining whether the Internalization has been approved.

In addition, we have entered into the Employment Agreements with various individuals associated with the Advisor or its affiliates, which will generally become effective as of the closing of the Internalization. The Employment Agreements are with the persons who will consitute our senior management following the Internalization. These agreements provide, among other things, for long-term incentive compensation awards and target bonuses that will be paid pursuant to the 2006 Long-Term Incentive Plan and the Incentive Compensation Plan. If the 2006 Long-Term Incentive Plan is not approved by our stockholders, pursuant to the terms of the Employment Agreements, the members of our senior management will be entitled to terminate their respective agreements for good reason. Further, if the 2006 Long-Term Incentive Plan is not approved by our stockholders, it could materially adversely affect us because we could be deprived of the services of our senior management and the ability to provide the incentives necessary to attract qualified replacements and other personnel.

Non-Competition Agreements, Employment Agreements and Other Agreements

Non-Competition Agreements

In connection with the Internalization, we will enter into the Non-Competition Agreements with Messrs. Zucker and Mulvihill. Pursuant to the Non-Competition Agreements, during the period commencing on the date of the Non-Competition Agreement and terminating on the third anniversary date of the Non-Competition Agreement (the **Restricted Period**), each of Messrs. Zucker and Mulvihill will agree not to, individually or together with any other person or entity, directly or indirectly, (i) engage in the business of owning, acquiring, developing or managing industrial real estate located anywhere in North America (the **Business**) for his own account, (ii) render any managerial, consulting or other services to any person or entity who or which is engaged in the Business (other than us, our Operating Partnership or any of our or its respective subsidiaries), or (iii) become a partner, member, manager, shareholder, principal, agent, employee, trustee or consultant of any person or entity engaged in the Business (other than us, our Operating Partnership or any of our or its respective subsidiaries)*; provided*, *however*, that, Messrs. Zucker and Mulvihill will be permitted to:

own or acquire, directly or indirectly, solely as an investment, securities of any entity which are traded on any national securities exchange or an over-the-counter market if Mr. Zucker or Mr. Mulvihill (1) does not control such entity and is not a member of a group that controls such entity and (2) does not, directly or indirectly, own 5% or more of any class of equity securities of such entity;

become associated with a specific division, group or department of any entity engaged in the Business, if the division, group or department with which Mr. Zucker or Mr. Mulvihill becomes associated is not itself engaged in the Business and Mr. Zucker or Mr. Mulvihill does not provide any services, assistance or advice to the division, group or department of such entity which is engaged in the Business;

acquire an interest in any entity engaged in the Business, solely as an investment, if the fair market value of any industrial real estate owned, acquired, developed or managed by such entity does not constitute more than 20% of the fair market value of all real estate owned, acquired, developed or managed by such entity;

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invest in any pooled investment vehicle or fund which is managed by and/or includes capital provided by unaffiliated third parties;

engage in any and all activities in respect of a fund if the fair market value of such fund s industrial real estate assets does not exceed 20% of such fund s total real estate assets*; provided*, that if such fund allows a third party participation in industrial real estate in Mexico, we will have the right of first offer with respect thereto;

engage in any and all activities with respect to (i) the DCTRT Entities, and (ii) any advisor to the DCTRT Entities; subject to the provision that if (and only for so long as) the exclusivity provisions of the Joint Venture Agreement are not in effect, Mr. Zucker and Mr. Mulvihill will be prohibited from actively participating in the procurement, sourcing or identification of acquisition or investment opportunities in respect of industrial real estate on behalf of either of the DCTRT Entities.

The above restrictions will not apply and will become null and void in their entirety if at any time a representative of the Advisor s Parent is not serving as a director on our Board as a result of our breach of the provisions of the Contribution Agreement that obligate us to nominate an individual designated by the Advisor s Parent to our Board at our annual stockholders meetings to be held in 2007, 2008 and 2009, in each case to serve a one-year term. That obligation will terminate if at any time the persons who on the Closing Date are the beneficial owners of the outstanding membership interests in the Advisor s Parent, together with certain other specified persons, cease to beneficially own, directly or indirectly, an aggregate of at least 5.0 million of the OP Units issued in connection within the Internalization.

In addition Messrs. Zucker and Mulvihill will agree not to, during the Restricted Period, directly or indirectly, knowingly (1) solicit or entice to leave employment, or (2) employ any person, who is an employee (or was in the previous three months) of us, our Operating Partnership or any of its or our respective subsidiaries.

Employment Agreements and Other Agreements

On July 21, 2006, we entered into the Employment Agreements with Thomas Wattles, James Cochran, Daryl Mechem, Matthew Murphy and Michael Ruen. On August 14, 2006 we entered into our Employment Agreement with Philip Hawkins. Each of these agreements will take effect on the date the Internalization is consummated. Under these agreements, Mr. Wattles will serve as our Executive Chairman, Mr. Hawkins will serve as our Chief Executive Officer and a director, Mr. Cochran will serve as our President, Mr. Mechem will serve as our Managing Director of Operations, Mr. Murphy will serve as our Senior Vice President of Finance, and Mr. Ruen will serve as our Senior Vice President. The Employment Agreements for Messrs. Wattles, Cochran, Mechem, and Ruen each have a term ending on the three-year anniversary of the Closing Date, and the Employment Agreement for Mr. Murphy has a term ending on the eighteen-month anniversary of the Closing Date. The Employment Agreement for Mr. Hawkins has a three-year term, which, commencing August 14, 2009, will automatically renew for successive one-year periods unless Mr. Hawkins or we give notice of non-renewal or his employment otherwise terminates.

The Employment Agreement for Mr. Hawkins provides for an annual salary of $575,000. His initial target annual bonus will be at least 100% of salary, with a guaranteed *pro rata* bonus of 100% of salary for 2006 and a guaranteed *pro rata* bonus of 80% of salary for 2007. Mr. Hawkins will be entitled to receive an annual long-term incentive compensation award with an aggregate annual target value of $1,150,000, which will vest in equal annual installments over four to five years, subject to the achievement of pre-established, performance-related goals. In addition, as contemplated by his agreement, as a signing bonus, Mr. Hawkins, under our 2006 Long-Term Incentive Plan, will receive, subject to the approval of the 2006 Long-Term Incentive Plan by our stockholders at the Annual Meeting, 450,795 common shares (or equivalent full value awards and including either dividend rights or dividend equivalent rights) vesting over five years (0%, 0%, 25%, 25% and 50%) commencing on August 1, 2007, and in addition, upon the Closing, will purchase 88,889 common shares for $11.25 per share. Mr. Hawkins will be reimbursed for reasonable moving and relocation expenses related to his relocation to the Denver, Colorado area, with a gross-up for taxes; we will provide him with reasonable

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allowance for housing extending possibly through September 15, 2007; and he will be entitled to reimbursement for travel, including commuting costs prior to the relocation of his family to Denver. If the payments under his employment agreement constitute a parachute payment under the Code, such that an excise tax is imposed, Mr. Hawkins is generally entitled to receive a gross-up payment equal to the amount of such excise tax owed (including any penalties and interest for underpayments) plus the amount necessary to put him in the same after-tax position as if no excise tax had been imposed. If Mr. Hawkins employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of two times annual salary, two times the greater of the target bonus for the year of termination and the average of the actual bonuses for the two years prior to the year of termination, two years of continuing coverage under the group health plan, and payments in respect of certain relocation-related obligations. In addition, in that event, Mr. Hawkins will be entitled to a pro-rated target bonus for the year of termination and the vesting of all outstanding equity awards. Mr. Hawkins equity compensation awards will also vest in the event of a change in control. Upon his death or termination by us on account of his disability, a pro-rated target bonus for the year of termination will be payable, and any exclusively time-based (as opposed to performance-based) vesting conditions on his equity compensation awards will become inapplicable.

The Employment Agreements with our other executives provide for annual salaries of $200,000 for Mr. Wattles, $300,000 for Mr. Cochran, $250,000 for Mr. Mechem, $200,000 for Mr. Murphy and $235,000 for Mr. Ruen. In addition, the Employment Agreements also provide for a target cash bonus of $200,000 for Mr. Cochran, $125,000 for Mr. Mechem, $75,000 for Mr. Murphy and $90,000 for Mr. Ruen. In addition to annual salary and target cash bonus, the executives will be eligible to receive an annual long-term incentive compensation award that vests in equal annual installments over four to five years, subject to the achievement of pre-established, performance-related goals, of the following aggregate annual target values: $500,000 for Mr. Cochran, $225,000 for Mr. Mechem, $25,000 for Mr. Murphy, and $275,000 for Mr. Ruen, at our discretion. Mr. Wattles Employment Agreement provides that he may be eligible to receive a target cash bonus in an amount to be determined and a long-term incentive compensation award. If the executive s employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of his annual base compensation and target bonus and six months continuing coverage under the group health plans (for Mr. Cochran and Mr. Ruen, two years continuing coverage). In addition, in that event, the executive will be entitled to a pro-rated target bonus for the year of termination and the vesting of all outstanding equity awards. With respect to Mr. Cochran, in the case of a termination by us without cause or by him for good reason following certain changes in control of us, termination payments will be two times salary and bonus rather than one times salary and bonus.

Under the Employment Agreements, each of Messrs. Wattles, Hawkins, Cochran, Mechem, Murphy and Ruen is subject to a number of restrictive covenants, including an up to one-year non-competition provision that becomes applicable following certain terminations, and non-solicitation, non-interference and confidentiality provisions. Generally, for all executives other than Mr. Wattles, Mr. Hawkins and Mr. Ruen, upon the scheduled expiration of the employment term or upon a termination following a change of control of us, the non-competition provision will expire upon the date of the termination of employment and, upon a termination of employment by us without cause or by the executive for good reason, the non-competition provision will expire six months following the termination of employment. For Mr. Hawkins, upon the scheduled expiration of the employment term, the non-competition provision will expire upon the date of the termination of employment. For Mr. Ruen, upon a termination of employment on or after the second anniversary of the date of his Employment Agreement or upon a termination following a change of control of us, the non-competition provision will expire upon the date of his termination of employment. In addition, upon a termination of employment by us without cause or by Mr. Ruen for good reason that occurs prior to the second anniversary of the date of his Employment Agreement and that does not follow a change of control, the non-competition provision will expire six months following the termination of employment. In addition, Mr. Ruen will forfeit his entire interest in his long-term incentive compensation awards under our 2006 Long Term Incentive Plan (both vested and unvested) if he terminates without good reason or is terminated for cause on or after the second anniversary of his Employment Agreement.

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Joint Venture Agreement

We intend to enter into the Joint Venture Agreement with the DCTRT JV Entities, establishing a series of joint ventures pursuant to which such joint ventures will be the exclusive vehicles used by the DCTRT JV Entities to acquire industrial real estate assets in our major markets through the end of 2008. We will have the obligation to provide minimum amounts of investment opportunities to these joint ventures. We will act as the managing member of these entities, subject to the approval of major decisions by the DCTRT JV Entities, and will receive certain fees and, if certain performance criteria are met, certain promoted payments.

Indemnification Agreements

On April 13, 2006, in connection with the formation of the Special Committee, we entered into indemnification agreements with each of our directors (each an **Indemnitee**). In general, each of these indemnification agreements provides that we will indemnify and advance expenses to the Indemnitee to the fullest extent permitted by applicable law and our Articles in effect as of the date of the agreement or to such extent as applicable law and our Articles thereafter from time to time may permit. However, no change in Maryland law or our Articles will have the effect of reducing the benefits available to the Indemnitee under the agreement.

Except in connection with proceedings brought by us or on our behalf, if, by reason of being a director, officer, employee or agent of our company, the Indemnitee is, or is threatened to be made, a party to any threatened, pending or completed proceeding, the Indemnitee is entitled to be indemnified against expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by the Indemnitee in connection with such proceeding or any other issue or matter related to the proceeding. However, we are not required to provide this indemnification if it is established by a preponderance of the evidence, as reflected in a final determination of a court of competent jurisdiction that is not subject to further appeal, that:

- the act or omission of the Indemnitee was material to the matters giving rise to the proceeding and (A) was committed in bad faith or (B) was the result of active and deliberate dishonesty;

- the Indemnitee actually received an improper benefit in money, property or services; or

- in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful (these three sets of circumstances being collectively referred to as **Bad Conduct**).

In addition, if, by reason of being a director, officer, employee or agent of our company, the Indemnitee is, or is threatened to be made, a party to any threatened, pending or completed proceeding brought by us or on our behalf to procure a judgment in our favor, the Indemnitee is entitled to be indemnified against expenses actually and reasonably incurred by the Indemnitee in connection with such Proceeding if the Indemnitee did not engage in Bad Conduct in connection with the matters giving rise to such Proceeding. Notwithstanding the foregoing, no indemnification against such expenses will be made in respect of any claim, issue or matter in such proceeding as to which the Indemnitee has been adjudged to be liable to us if applicable law prohibits such indemnification.

We are obligated to advance all expenses reasonably incurred by or on behalf of each Indemnitee in connection with any threatened, pending or completed proceeding from time to time and as incurred, within 30 days after our receipt of a request for advancement, whether prior to or after final disposition of such proceeding. In order to be advanced expenses, the Indemnitee must affirm in writing his good-faith belief that he has not engaged in Bad Conduct in connection with the matters giving rise to, and is entitled to indemnification in connection with, such proceeding, and provide an undertaking to repay any expenses advanced if it is ultimately determined that the Indemnitee has engaged in Bad Conduct in connection with the matters giving rise to such proceeding and is therefore not entitled to be indemnified against such expenses.

We expect to enter into similar indemnification agreements with certain of our officers upon consummation of the Internalization.

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Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Common Share Ownership of Certain Beneficial Owners and Management

The following table presents certain information regarding beneficial ownership of our common shares by our directors (and nominees), each of our executive officers, and all directors and executive officers as a group, on a historical and *pro forma* basis, in each case as of June 30, 2006, assuming all the Internalization Consideration is paid. On the Record Date there were common shares outstanding.

As of June 30, 2006, no stockholder holds 5% or more of our common shares. Unless otherwise listed, the address of each of the stockholders is c/o Dividend Capital Trust Inc., 518 17th Street, Suite 1700, Denver, Colorado 80202.

Name and Address of Beneficial Owner	Historical Number of Shares Beneficially Owned(1)	Percent of Class(2)	*Pro forma* Number of Shares Beneficially Owned	Percent of Class
Thomas G. Wattles (Chairman and Director)	44,108(3)	*	1,262,929(4)	0.749%
Evan H. Zucker (Chief Executive Officer, President, Secretary and Director)	16,269(5)	*	1,867,063(6)	1.107%
James R. Mulvihill (Treasurer, Chief Financial Officer and Director)	15,987(7)	*	1,866,781(8)	1.107%
Tripp H. Hardin (Director)	16,357(9)	*	16,357(9)	*
Bruce L. Warwick (Director)	14,352(10)	*	14,352(10)	*
John C. O Keeffe (Director)	14,118(11)	*	14,118(11)	*
Phillip R. Altinger (Director)	8,058(12)	*	8,058(12)	*
James D. Cochran (Chief Investment Officer)	5,591	*	644,224(13)	0.382%
Daryl H. Mechem (Managing Director)	2,795	*	396,332(14)	0.235%
Matthew T. Murphy (Senior Vice President)	1,035	*	175,757(15)	0.104%
Michael J. Ruen (Senior Vice President)	559	*	302,781(16)	0.180%
All directors and officers as a group (11 persons)	139,229	*	6,568,752	3.894%

* Less than 0.1% of the outstanding securities of Dividend Capital Trust and its subsidiaries.

(1) For purposes of this table, a person is deemed to have beneficial ownership of the number of common shares that such person has the right to acquire pursuant to the exercise of stock options exercisable within 60 days or pursuant to the redemption of OP Units in our Operating Partnership (assuming we elect to issue common shares rather than pay cash upon such redemption). Pursuant to the terms of the Limited Partnership Agreement of our Operating Partnership, upon a notice of redemption from a unit holder, our Operating Partnership is obligated to redeem units for cash or, at our option, on a one-for-one basis for common shares, subject to certain limitations.

(2) As of June 30, 2006, 149,598,403 common shares were outstanding. For purposes of computing the percentage of outstanding common shares held by each person, any common share which such person has the right to acquire pursuant to the exercise of stock options exercisable within 60 days or pursuant to the redemption of OP Units (assuming we elect to issue common shares rather than pay cash upon redemption) is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(3) Comprised of 41,408 shares held by Thomas and Joan Wattles Revocable Trust and 2,700 OP Units attributed to Mr. Wattles based upon his Cash Flow Interest in the Advisor s Parent.

(4) Comprised of 41,408 shares held by Thomas and Joan Wattles Revocable Trust and 1,221,521 OP Units attributed to Mr. Wattles based upon his Cash Flow Interest in the Advisor s Parent.

(5) Comprised of 243 shares held through a company which is majority owned and controlled by Mr. Zucker s spouse, as to which Mr. Zucker disclaims beneficial ownership, 11,181 shares held through a trust for the benefit of Mr. Zucker and his spouse and 4,845 OP Units attributed to Mr. Zucker based upon his Cash Flow Interest in the Advisor s Parent.

(6) Comprised of 243 shares held through a company which is majority owned and controlled by Mr. Zucker s spouse, as to which Mr. Zucker disclaims beneficial ownership, 11,181 shares held through a trust for the benefit of Mr. Zucker and his spouse and 1,855,639 OP Units attributed to Mr. Zucker based upon his Cash Flow Interest in the Advisor s Parent.

(7) Comprised of 11,142 shares held through a trust for the benefit of Mr. Mulvihill and his spouse and 4,845 OP Units attributed to Mr. Mulvihill based upon his Cash Flow Interest in the Advisor s Parent.

(8) Comprised of 11,142 shares held through a trust for the benefit of Mr. Mulvihill and his spouse and 1,855,639 OP Units attributed to Mr. Mulvihill based upon his Cash Flow Interest in the Advisor s Parent.

(9) Includes 2,277 shares held through a trust for the benefit of Mr. Hardin and an additional 1,080 shares held through his profit sharing plan (self-directed), in each case as of June 30, 2006. Also includes 13,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after June 30, 2006.

(10) Includes 4,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after June 30, 2006.

(11) Includes 13,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after June 30, 2006.

(12) Includes 2,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after June 30, 2006.

(13) Comprised of 638,633 OP Units attributed to Mr. Cochran based upon his Cash Flow Interest in the Advisor s Parent.

(14) Comprised of 393,537 OP Units attributed to Mr. Mechem based upon his Cash Flow Interest in the Advisor s Parent.

(15) Comprised of 174,722 OP Units attributed to Mr. Murphy based upon his Cash Flow Interest in the Advisor s Parent.

(16) Comprised of 302,222 OP Units attributed to Mr. Ruen based upon his Cash Flow Interest in the Advisor s Parent.

In addition, the Advisor s Parent holds 10,000 Special Units in our Operating Partnership. Such Special Units will be modified into a portion of the 15,111,111 OP Units being issued in connection with the Internalization, pursuant to an amendment to our Operating Partnership s partnership agreement. The Advisor s Parent is indirectly majority owned and/or controlled by Messrs. Mulvihill, Wattles, and Zucker and their affiliates. The Dealer Manager owns 2,060,514 warrants, each of which entitles the Dealer Manager to purchase one common share for $12.00. The Dealer Manager is owned by Dividend Capital Securities Group LLLP, in which Messrs. Mulvihill, Wattles and Zucker and their affiliates indirectly own limited partnership interest.

Consequences of Failure to Approve the Internalization or if the Internalization Otherwise Does Not Occur

If the Internalization Proposal is not approved, or the Internalization otherwise does not occur, we would not attempt to list our securities on any national securities exchange or over-the-counter market in the near term, although we are required to either effect a Listing by February 2013 or begin a liquidation of our assets in an orderly fashion. If the Internalization Proposal is not approved, or the Internalization otherwise does not occur, we intend to continue to conduct our business generally in a manner consistent with past practices. We are unable to predict the other consequences that any rejection of the Internalization Proposal would have. The Advisor currently provides certain advisory services to us pursuant to the Advisory Agreement. Although there can be no assurance, if the Internalization Proposal is not approved, we expect that we will continue to be able to obtain such services from the Advisor in the future under the terms of the Advisory Agreement. Even if the

Internalization Proposal is approved, there is no assurance that the Internalization will be consummated because there may be a failure to satisfy one or more of the conditions to closing. See Proposal III The Internalization Proposal Description of the Internalization Conditions to Closing.

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PROPOSAL IV:

THE PRE-LISTING CHARTER AMENDMENT PROPOSAL

Introduction

Our Board has unanimously declared advisable and directed that there be submitted to the stockholders for their approval the amendment and restatement of our existing Articles in order to reflect that we will become self-advised if the Internalization is consummated, to change the name of our company to DCT Industrial Trust Inc. and to make certain other changes that we believe are advisable. Accordingly, we are proposing that our existing Articles be amended as discussed below. The full text of these amendments is set forth in our proposed Second Articles of Amendment and Restatement, which we refer to as our **Pre-Listing Restated Articles** and which are attached hereto as **Appendix C-1**. The changes being proposed to our Articles as part of the Pre-Listing Charter Amendment Proposal are coded in the manner set forth on the marked version of our existing Articles attached hereto as **Appendix C-2**.

The discussion below is a summary of certain changes effected by the Pre-Listing Restated Articles and does not identify or provide information on every provision of our Articles proposed to be changed or such proposed change. Please see the marked version of our existing Articles attached hereto as Appendix C-2, which reflects all of the proposed changes to our Articles.

Amendments to Our Existing Articles Reflect that We Will Become Self-Advised if the Internalization Proposal is Approved

As discussed in detail in the Internalization Proposal, if the Internalization Proposal is approved by our stockholders at the Annual Meeting and is consummated, we will become self-advised. Presently, under the terms of the Advisory Agreement the Advisor is entitled to various fees for providing services to us, including fees that are determined, in part, based on the cost basis of our assets. Upon consummation of the Internalization, the Advisor will become a wholly-owned subsidiary of our Operating Partnership and we no longer will bear the cost of the advisory fees and other amounts payable under the Advisory Agreement

Provisions Regarding Affiliates. Our existing Articles contain a number of provisions that impose guidelines on transactions between us and the Advisor or its Affiliates. As stated above, if the Internalization is consummated, the Advisor will become a wholly-owned subsidiary of our Operating Partnership and we will become self-advised. Accordingly, the references to the Advisor and provisions in our existing Articles relating to the Advisor and to transactions and relations between us and the Advisor will no longer be applicable to our situation. One of the principal purposes of the Pre-Listing Charter Amendment Proposal is to remove these inapplicable provisions effective upon the completion of the Internalization.

In addition, our existing Articles contain a number of provisions that impose guidelines on transactions between us and our Sponsor or its Affiliates. As defined in our existing Articles, the Sponsor means any person directly or indirectly instrumental in organizing, wholly or in part, our company or any person who will control, manage or participate in the management of our company, and any Affiliate of such person. Since our Sponsor is also the Advisor, the references to the Sponsor and provisions in our existing Articles relating to the Sponsor and to transactions and relations between us and the Sponsor will similarly no longer be applicable and would also therefore be eliminated in our Pre-Listing Restated Articles.

Independent Director Requirements. Section 1.6 of our existing Articles defines Independent Director under the NASAA REIT Guidelines (see Proposal V The Post-Listing Charter Amendment Proposal Introduction References to NASAA REIT Guidelines). The definition is primarily directed to the relationship of a director with the Advisor. Because we will be self-advised immediately following the consummation of the Internalization, we have proposed the elimination of the following clauses from the definition that derive solely from there being an Advisor:

- ownership of an interest in the Advisor or its Affiliates,

- employment by the Advisor or its Affiliates,
- service as an officer or director of the Advisor or its Affiliates,
- performance of a service (other than as a director) for our company,
- service as a director or trustee of more than three real estate investment trusts advised by the Advisor, and
- maintenance of a material business or professional relationship with the Advisor or any of its Affiliates.

However, we have retained the provisions specifying that a director will not be considered an Independent Director if the director is performing or has performed within the past two years, services for us, other than as a director of our company.

Provisions Relating to Advisor Services and Fees. Article 4 of our existing Articles consists of provisions that govern the relationship between us and the Advisor. These provisions include guidelines for supervision of the Advisor by our Board, provisions relating to the termination of the Advisor, restrictions on the types and amount of fees payable by us to the Advisor for services provided and limitations on reimbursement of expenses incurred by the Advisor in performing those services. Because we will acquire the Advisor and become self-advised upon consummation of the Internalization, Article 4 of our existing Articles will no longer be applicable to our operations and therefore is proposed to be eliminated in its entirety.

Certain Conflict-of-Interest Provisions. Article 6 of our existing Articles contains a number of restrictions intended to mitigate certain potential conflicts of interest with the Advisor, the Sponsor or the Affiliates. For the reasons discussed below, these provisions are eliminated in the Pre-Listing Restated Articles.

Sections 6.3(a) and 6.4 are eliminated in the Pre-Listing Restated Articles because they will be inapplicable once we have acquired the Advisor. Similarly, the references to the Advisor and the Sponsor in Section 6.3(b) have also been eliminated. The provisions that are being so eliminated include: (i) guidelines on how to resolve conflicts when an investment opportunity becomes available which is suitable for us and a public or private entity with which the Advisor or its Affiliates are affiliated (Section 6.4), (ii) restrictions on the provision of goods or services to us by the Advisor or its Affiliates (Section 6.3(a)) and (iii) restrictions on loans to us made by the Sponsor, the Advisor or any Affiliate thereof (Section 6.3(b)). Section 6.3(b) also restricts our company from making any loans to the foregoing persons. Because in connection with the Internalization, the Advisor will become a wholly-owned subsidiary of our Operating Partnership and we will become self-advised, our Pre-Listing Restated Articles will no longer contain restrictions on transactions with the Advisor (or the Sponsor).

Restrictions on Affiliated Transactions. Various provisions of our existing Articles limit our ability to engage in transactions with, among other persons, the Advisor, the Sponsor or their respective Affiliates. In general, these provisions require that such transactions, which are referred to herein as affiliated transactions, be approved by a majority of disinterested directors (including a majority of the Independent Directors). They also contain limitations on the substantive aspects of the affiliated transactions themselves, such as restrictions on the consideration to be paid for services provided or assets acquired from or sold to such persons. These provisions address a number of transactions including joint ventures, sales and leases to and from us and loans to and from us, as well as general restrictions on affiliated transactions with the Advisor and its Affiliates. References to the Advisor and the Sponsor and their respective Affiliates in the provisions of our existing Articles that restrict affiliated transactions are being eliminated in the Pre-Listing Restated Articles because, upon consummation of the Internalization, we will have acquired the Advisor and become self-advised.

Voting Restrictions. Section 8.3 of our existing Articles prohibits the Advisor from voting or consenting on matters submitted to our stockholders regarding any transaction between us and the Advisor. The reference to the Advisor in this provision is no longer necessary because we will have acquired the Advisor upon consummation of the Internalization.

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Indemnification. Under Section 9.2 of our existing Articles, we are required to indemnify the Advisor under certain circumstances. The reference to the Advisor in this provision is no longer necessary because we will become self-advised in connection with the Internalization. We have also expanded the coverage of the indemnification provisions of Section 9.2 to also cover our officers.

Amendments to Our Existing Articles Relating to the Dealer Manager s Fees and Commissions

Section 4.10 of our existing Articles governs the payment of fees and commissions by us to the Dealer Manager in connection with our public offerings. We believe these provisions are not necessary since the terms of our relationship with the Dealer Manager is governed sufficiently by the Dealer Manager Agreement with the Dealer Manager. Moreover, we would expect to terminate the Dealer Manager Agreement upon a possible Listing.

Amendments to our Existing Articles Relating to Amendments

Section 10.1 of our existing Articles is amended in the Pre-Listing Restated Articles to clarify that we reserve the right from time to time to make any amendment to our Articles authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in our Articles, of any shares of outstanding stock, and that all rights and powers conferred by our Articles on stockholders, directors and officers are granted subject to this reservation. This amendment will confirm that no appraisal rights will be available to our stockholders in respect of any future amendments to our Articles, including the Post-Listing Restated Articles.

Change of Corporate Name

The Pre-Listing Restated Articles provide for a change of our corporate name to DCT Industrial Trust Inc.

Conforming Changes and Other Ministerial Modifications

The Pre-Listing Restated Articles reflect a number of conforming and updating changes and other modifications of a ministerial nature that are consistent with the other modifications being proposed. These changes and modifications include, among other things, deletion and revision of definitions, references and cross-references and other provisions which are no longer applicable to our company or which need to be updated, and the necessary re-numbering and lettering of remaining provisions. All of these changes are indicated in the marked version of our existing Articles attached hereto as **Appendix C-2**.

Assuming approval of these amendments by our stockholders at the Annual Meeting, these amendments will be effected by our filing of the Pre-Listing Restated Articles with the State Department of Assessment and Taxation of the State of Mayland (the **SDAT**), and will become effective upon filing and acceptance for record by the SDAT. We plan to have the Pre-Listing Restated Articles filed and accepted for record by the SDAT immediately following the stockholder vote on the Pre-Listing Restated Articles and to recess the stockholder meeting before action is taken on any further proposals to allow this to occur. The text of the proposed Pre-Listing Restated Articles is attached hereto as **Appendix C-1** and a marked version thereof against our existing Articles, which shows the modifications proposed to be made, is attached hereto as **Appendix C-2**.

No Appraisal Rights

We do not believe that any portion of the Pre-Listing Charter Amendment Proposal either alters the contract rights as expressly set forth in the Articles or substantially adversely affects stockholder rights. Accordingly and after consultation with Maryland counsel, we believe that the Pre-Listing Charter Amendment Proposal does not give rise to appraisal rights under Maryland law or our Articles. Indeed, we believe that this Proposal and the Internalization Transaction as a whole convey substantial benefits to stockholders.

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Because the question of the existence of appraisal rights in connection with the Pre-Listing Charter Amendment Proposal is not entirely free from doubt, to the extent you wish to make your own determination as to whether you have appraisal rights with respect to the Pre-Listing Charter Amendment Proposal, we encourage you to consider applicable Maryland law and to consider engaging Maryland counsel. If you believe that the Pre-Listing Charter Amendment Proposal substantially adversely affects your stockholder rights, in order to exercise appraisal rights, if such rights are available, you must comply with the conditions established under applicable Maryland law as described below, including any applicable deadlines within which you must exercise any such rights (if they exist). We are not under any obligation to, and will not, notify you of any such deadlines.

Under Maryland law, in order to perfect any appraisal rights that may be available, you must file with the corporation a written objection at or before the stockholders meeting, you must not vote in favor of that proposal, and you must demand payment for your shares within 20 days after the amended articles are accepted for record by the SDAT. Even if you vote against a proposal, that vote will not be deemed to satisfy any notice or other requirements described in the preceding sentence. Your failure to vote against that proposal will also not constitute a waiver of any such appraisal rights with respect to that proposal, but you must comply with each of these steps. If you fail to comply with the requirements summarized in this paragraph, you will be bound by the terms of the applicable restated Articles. We expect to challenge any stockholder petition for an appraisal of the fair value of our stock held by such stockholder.

Vote Required

It is intended that even if approved by our stockholders at the Annual Meeting, this proposal will not be effected until immediately prior to the Internalization.

Approval of this proposal to amend our existing Articles requires the affirmative vote of the holders of at least a majority of our outstanding common shares entitled to vote thereon. Proxies received will be voted for approval of this proposal unless stockholders designate otherwise.

Our Board has deemed it advisable and in the best interests of us and our stockholders to approve the Pre-Listing Charter Amendment Proposal and has recommended it to our stockholders for their approval. Our Board unanimously recommends that you vote FOR the Pre-Listing Charter Amendment Proposal.

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PROPOSAL V:

THE POST-LISTING CHARTER AMENDMENT PROPOSAL

Introduction

In addition to amending and restating our existing Articles in order to reflect that we will become self-advised if the Internalization is consummated as contained in the Pre-Listing Charter Amendment Proposal, we are proposing to further amend and restate these Articles in order to conform more closely to the charters of most other Listed REITs. The Post-Listing Charter Amendment Proposal would remove many restrictions that are mandated by state securities administrators and, provided Listing occurs, will no longer be required, and to make various other changes that our Board believes are appropriate for a Listed REIT (such proposed amendments, collectively, the **Post-Listing Charter Amendment Proposal**). Accordingly, we are proposing that our existing Articles be amended as discussed below. The full text of these amendments is set forth in our proposed Third Articles of Amendment and Restatement, which we refer to as our **Post-Listing Restated Articles** and which are attached hereto as **Appendix D-1**. The changes being proposed to our Articles as part of the Post-Listing Charter Amendment Proposal are coded in the manner set forth on the marked version of our existing Articles attached hereto as **Appendix D-2**.

The discussion below is a summary of certain changes proposed to be effected by the Post-Listing Restated Articles and does not identify or provide information on every provision of our Articles proposed to be changed or such proposed change. Please see the marked version of our existing Articles attached hereto as Appendix D-2, which reflects all of the proposed changes to our Articles.

Our Board has unanimously approved and directed that there be submitted to our stockholders for their approval:

- an amendment to Section 2.1 of our existing Articles which will eliminate the ability of our stockholders to change the number of directors on our Board and remove members of our Board without cause;

- an amendment to Section 3.2 of our existing Articles to provide that in the future our Board will have the exclusive power to amend our Bylaws;

- an amendment to Section 7.1 of our existing Articles which will permit our Board to avail itself of the provision of the MGCL that the Board may, without the approval of our stockholders, amend our Articles in the future to increase or decrease the aggregate number of our common shares or the number of shares of any class or series that we have the authority to issue;

- an amendment to the definition of Common Share Ownership Limit in Section 7.7 of our existing Articles, which will clarify that the restriction on ownership by one person of more than 9.8% of our common shares is calculated with respect to either the value or number of our common shares that such person holds, whichever is more restrictive;

- the deletion of Section 8.1 of our existing Articles which will, among other things, increase from 10% (as required by the NASAA REIT Guidelines) to 50% the percentage of stockholders entitle to call a special meeting of stockholders;

- the deletion of Sections 8.5 and 8.6 of our existing Articles in order to conform stockholder inspection rights to those rights set forth in the MGCL;

- an amendment to delete Sections 10.2 and 10.3 of our existing Articles to remove certain restrictions or transactions involving an Affiliate of us or the Advisor as required by the NASAA REIT Guidelines and to permit the rules under the MGCL and the NYSE (assuming we list on the NYSE) to govern interested party transactions; and other amendments to delete certain sections from, modify other section of, and add new sections to our existing Articles, to conform more closely with the charters of Listed REITs.

In addition, certain of the provisions of our existing Articles were required under state securities offering regulations in connection with the initial and subsequent public offerings of our common shares because our shares were not listed on a national securities exchange but are not required or typically used by Listed REITs. Following our Listing, these types of provisions will no longer be required to be included in our governing documents and instead we will be subject to the rules of the national securities exchange or over-the-counter market on which our common shares are listed or quoted. We believe that many of the limitations and restrictions that were included in our existing Articles are restrictive and could prevent us from pursuing favorable investment opportunities which could enhance stockholder value. In addition, these provisions could impair our ability to compete effectively for investments and management talent with REITs that are not subject to these provisions. We believe such limitations and restrictions should be modified so that we will be able to fully implement our business strategy and be fully competitive with other Listed REITs. The proposed Post-Listing Restated Articles reflect the modifications that we believe should be made to our existing Articles.

References to NASAA REIT Guidelines. Several provisions of our existing Articles reference the NASAA REIT Guidelines. The NASAA REIT Guidelines consist of substantive restrictions on the operations of a REIT, and are applicable when a REIT is making a public offering of securities which are not listed for trading on a national securities exchange or designated for quotation on an over-the-counter market. Our existing Articles also contain provisions that, while they do not specifically reference the NASAA REIT Guidelines, were included to comply with those Guidelines or were included to be consistent with provisions contained in the charters of REITs that are subject to those Guidelines. The Post-Listing Charter Amendment Proposal will only take effect if and when our common shares are listed on a national securities exchange or quoted on an over-the-counter market and thus the NASAA REIT Guidelines references and the provisions that were included to comply with the NASAA REIT Guidelines have been modified or eliminated in the Post-Listing Restated Articles. Because the NASAA REIT Guidelines are inapplicable to a Listed REIT, these changes will conform our Articles more closely to the charters of Listed REITs. We anticipate that the elimination in our existing Articles of the restrictions contained in the NASAA REIT Guidelines will better enable us to take advantage of favorable investment opportunities and to operate in a more comparable fashion to Listed REITs.

Independent Director Requirements. Section 1.6 of our existing Articles defines Independent Director under the NASAA REIT Guidelines and the definition is primarily directed to the relationship of a director with the Advisor. Because we will be self-advised immediately following the consummation of the Internalization, and the NASAA REIT Guidelines will not apply after our securities are Listed, the definition is deleted. Instead, our Board will apply the definition of Independent Director under the rules of the NYSE or any other exchange or over-the-counter market on which our common shares are listed or quoted. Accordingly, it is possible that a person who would be considered an Independent Director under such rules might not have been considered independent under our existing Articles and vice versa.

The Post-Listing Restated Articles also eliminate any provisions of our existing Articles that relate to the requirements or duties of our Independent Directors. This includes, among other things, the definition of Independent Director in Section 1.6 of our existing Articles, Section 2.2 of our existing Articles concerning director experience, Section 2.3 of our existing Articles requiring that a majority of the members of Board committees be Independent Directors, Section 2.6 requiring that the Independent Directors approve certain enumerated matters and Section 5.2 requiring the Independent Directors to conduct an annual review of our investment policies. These provisions will no longer be relevant because the Post-Listing Restated Articles will not contain a definition of independent directors under the NASAA REIT Guidelines to which all of these provisions related. Instead, governance matters such as these will be governed by NYSE rules and interpretations.

It is possible that the elimination of these provisions would allow individuals to serve as directors or certain actions to be taken that could not be taken under our existing Articles. Instead, if we effect a Listing, we will operate under the rules of the NYSE or any other exchange or over-the-counter market on which our common shares are listed or quoted, under Maryland law and in accordance with our Post-Listing Restated Articles and

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Bylaws. **For your information, if a Listing occurs on the NYSE, we would still be required to have a majority of independent directors on our Board under the rules of the NYSE.**

Although some of the amendments to our Articles contained in this Proposal IV reduce or otherwise eliminate certain voting rights that you currently have, we are of the view that these proposed amendments will provide greater flexibility with respect to the implementation of our business plan and will make us more competitive with Listed REITs.

Experience of Directors. Our existing Articles contain provisions requiring that each of our directors must have had, prior to his or her election to our Board, at least three (3) years of relevant experience demonstrating the knowledge and experience required to successfully acquire and manage the type of assets being acquired by the Company. The Articles then describe in considerable detail how these director experience requirements would be applied. Given our growth and the fact that the NYSE rules, the SEC proxy rules, and good governance principles for public companies typically provide that a nominating committee comprised exclusively of independent directors operate under detailed written charters and with detailed public disclosures about nominating procedures, the Board does not believe that maintaining these director experience requirements following a Listing will aid the good governance of our company. Indeed, the current experience requirements may inadvertently exclude certain potential director candidates who could be beneficial to us and our stockholders. Accordingly, the effect of this proposed change is that our Board will be comprised of directors from a broader range of qualified individuals to serve as our directors, but that it is possible that no Independent Director will have three years of industrial real estate experience.

Board Vacancies. Section 2.1 of our existing Articles provides that any vacancies on our Board will be filled by a majority of the remaining directors, even if less than a quorum. However, under Maryland law, stockholders would still have the power to elect a successor to fill a vacancy on our Board resulting from the removal of a director. In the Post-Listing Restated Articles, we elect to adopt the provisions of Title 3, Subtitle 8 of the MGCL regarding Board vacancies. Consequently, under the Post-Listing Restated Articles, except as may be provided otherwise by our Board in setting the terms of any class or series of stock, any and all vacancies on our Board may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred.

Appraisal Rights. Although upon a Listing a provision of Maryland law would become applicable eliminating all future stockholder appraisal rights, the Post-Listing Restated Articles expressly provide that holders of our common shares will not be entitled to exercise any rights of an objecting stockholder provided for unless our Board determines that such rights apply, with respect to any classes or series of stock classified or reclassified in the future.

Investment Limitations. Our existing Articles contain a number of limitations and restrictions on our ability to make certain types of investments in real estate, real estate-related instruments, and equity securities, as well as ability to make borrowings and incur indebtedness. These investment limitations and restrictions were established, as described above, under the NASAA REIT Guidelines and when initially adopted by us, applied at a time that we had not commenced operations or acquired any industrial properties. They are contained in Sections 5.3 and 5.4 of our current Articles. Consistent with the governance practices of many other Listed REITs, the Post-Listing Charter Amendment Proposal provides for the elimination of all of these limitations and restrictions. Instead, our Board will adopt investment policies and monitor management compliance with these policies. These investment policies will take into account the complex rules and interpretations required to maintain REIT status under the Code. However, the elimination of certain of these restrictions may expose us to greater risks, for example by allowing us to borrow a greater amount of money, relative to our asset base, than we are permitted to borrow under our existing Articles or to lend money in situations in which we would not have been able to lend money under our existing Articles. Our Board and our management would be responsible for evaluating and determining whether to make these types of investments. Our Board believes that the elimination of these restrictions is desirable and will allow us to expand our investment and capital market opportunities. For

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the foregoing reasons, our Board is proposing the elimination of the investment limitations and restrictions summarized below.

Limitations on Investments, Borrowing and Indebtedness. The investment limitations in Section 5.4 of our existing Articles that are eliminated in the Post-Listing Restated Articles, for the reasons outlined above, include provisions that prohibit us from: (1) investing more than 10% of our total assets in unimproved real property (Section 5.4(a)); (2) investing in commodities or commodity future contracts (Section 5.4(b)); (3) investing in or making mortgage loans unless an appraisal is obtained concerning the property and certain other conditions are met (Sections 5.4(c), (d), (e) and (g)); (4) investing in indebtedness secured by a mortgage on real property which is subordinate to the lien of other indebtedness (Section 5.4(f)); (5) engaging in underwriting securities of other issuers, or investing in equity securities of those issuers other than under certain limited circumstances (Section 5.4(h)); (6) except under specified circumstances, issuing (A) equity securities redeemable solely at the option of the holder, (B) debt securities, (C) common or preferred shares on a deferred payment basis or under similar arrangements, (D) assessable securities and (E) options, warrants, or similar evidences of right to buy our securities (Section 5.4(i)); (7) acquiring a property unless the consideration to be paid for each such property is authorized by our Board based upon fair-market value (Section 5.4(k)); (8) making investments that we believe will be inconsistent with our objective of continuing to qualify as a REIT (Section 5.4(p)); and (9) investing in contracts for the sale of real estate unless they are in recordable form and appropriately recorded in the chain of title (Section 5.4(q)).

In connection with acquiring and developing properties, we have borrowed funds both on a short-term basis and on a longer-term basis, as appropriate. Because of the NASAA REIT Guidelines requirements, Section 5.4(*l*) of our existing Articles restricts our total indebtedness to no more than 50% of our gross assets. Although it is unlikely that we would ever exceed that level of indebtedness, an absolute limit on our borrowings could impair our ability to engage in potentially advantageous transactions and investment opportunities and we believe that such decisions should be left to our experienced management and Board. The Post-Listing Restated Articles therefore do not contain any limitation on the amount or percentage of indebtedness that we may incur in the future and therefore, we could become more highly leveraged, resulting in an increase in the amount of debt repayment. This, in turn, could increase our risk of default on our obligations and adversely affect our results of operations and our ability to make distributions to our stockholders.

Limitations on Investment in Equity Securities. The restrictions in Sections 5.3(c) and 5.4(h) of our existing Articles on investments by us in equity securities also are eliminated in the Post-Listing Restated Articles. Under Section 5.3(c) and 5.4(h) of our existing Articles, we may invest in equity securities so long as a majority of disinterested directors (including a majority of the Independent Directors) approve the investment as being fair, competitive and commercially reasonable. In the Post-Listing Restated Articles, decisions concerning investment in equity securities will be made by the entire Board, using the standards applicable to all director decisions.

Certain Conflict-of-Interest Provisions. Article 6 of our existing Articles contains a number of restrictions with respect to transactions between us and the Advisor, a director of us or any of our Affiliates and on certain activities of the Advisor and its Affiliates, certain of which would be eliminated in connection with the Pre-Listing Restated Articles. Our Board proposes to eliminate the remaining provisions contained in Section 6.3(b) of our current Articles.

Section 6.3(b) includes restrictions on loans to us made by the Sponsor, the Advisor, any manager of our assets, any of our directors or any Affiliate thereof. Section 6.3(b) also restricts us from making any loans to the foregoing persons. This provision is eliminated in the Post-Listing Restated Articles for the reasons described below under Restrictions on Affiliated Transactions. Upon the effectiveness of the Post-Listing Restated Articles, transactions with Affiliates will be addressed under Maryland law, NYSE rules and requirements, and board governance and conflict of interest policies adopted by our Board consistent with NYSE requirements and good governance principles.

Restrictions on Affiliated Transactions. Various provisions of our existing Articles limit our ability to engage in transactions with, among other persons, the Advisor, a director of us or any of their respective Affiliates. These restrictions are found in Sections 5.3, 5.4, 6.1, 6.3 and 9.5 of our current Articles. Rather, under Maryland corporate law, transactions with us in which our directors or various related persons have a material financial interest are not void or voidable on account of such interest if the transaction is disclosed and the transaction is approved or ratified by a majority of disinterested directors or a majority of the stockholders or the transaction is fair and reasonable to us. Such transactions, if they occur, frequently require prompt public disclosure under SEC rules and in some circumstances may require stockholder ratification under NYSE Rules. The Board believes that by relying on established Maryland law processes and appropriate governance mechanisms, combined with the transparency of public company disclosure requirements, the Board will be able to effectively regulate related party transactions without the detailed, substantive restrictions contained in the current Articles.

The affiliated transaction provisions that are proposed to be eliminated in the Post-Listing Restated Articles

include:

- formation of certain joint ventures (Section 5.3(b));
- sales and leases of assets to and from our company (Section 6.2);
- loans to and from our company (Sections 5.4(m) and 6.3(b));
- a general requirement under Section 9.5 that all transactions with affiliates are made on the basis of an appraisal;
- broad restrictions on compensation for any services rendered by affiliates (Section 9.5); and
- restrictions on our affiliates voting on certain matters in which they may have an interest (Section 8.3).

Voting Restrictions. The Post-Listing Restated Articles also eliminate Section 8.3 of our existing Articles which prohibits the Advisor, the directors and any of their Affiliates from voting or consenting on matters submitted to our stockholders regarding the removal of the Advisor, our directors or any of their Affiliates or any transaction between us and them. This provision was included in our existing Articles in accordance with the NASAA REIT Guidelines. We believe that voting on affiliated transactions should be governed by state law, as it customarily is for Listed REITs. We believe this change presently is unlikely to change the outcome of any vote because the directors are expected to own, in the aggregate, less than 0.1% of the outstanding common shares at the time the Post-Listing Restated Articles become effective.

Indemnification. Under Section 9.2 of our existing Articles, we are required to indemnify and hold harmless our directors, the Advisor and any Affiliate for losses or liabilities incurred by any of them, each referred to herein as an indemnitee, in connection with our business. Section 9.2 contains a number of limitations on indemnification, required by NASAA regulations, that result in more restrictive indemnification permitted by Maryand law or customary for directors of many Listed REITS formed in Maryland.

The Post-Listing Restated Articles modify the indemnification provisions consistent with Maryland law to provide that we will have the power to indemnify our current and former directors and officers and may indemnify our current and former employees and agents to the maximum extent permitted by Maryland law. Accordingly, the indemnification for both unaffiliated and affiliated persons and entities will be broader than the provisions under our existing Articles and could cost us additional monies. The Post-Listing Restated Articles also add a provision limiting the liability of the our directors and officers to us for money damages to the maximum extent permitted by Maryland law. Our Board believes that these provisions will facilitate our ability to attract and retain attractive director and officer candidates and may aid in our obtaining director and officer liability insurance and controlling insurance costs. We believe that provisions of this nature are similar to the provisions customarily provided by other publicly traded companies and thus will allow us to compete with those companies for the most qualified candidates.

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Miscellaneous Modifications

Under Maryland law, a Maryland corporation generally may not amend its charter, merge, sell all or substantially all of its assets, or engage in similar transactions outside the ordinary course of business (each, an **Extraordinary Matter**), unless approved by the affirmative vote of stockholders holding at least two-thirds of the equity shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our existing Articles provide for approval of these matters by a majority of all the votes entitled to be cast. Our Post-Listing Restated Articles provide that we may continue to, in all instances, consummate an Extraordinary Matter upon the affirmative vote of stockholders holding not less than a majority of our equity shares then outstanding and entitled to vote.

Currently, our Articles provide that an affirmative vote of holders of a majority of our common shares who are entitled to vote and are present in person or by proxy at a meeting where a quorum is present is required in order to elect directors. Our Post-Listing Restated Articles delete this voting threshold, in which case Maryland law will provide that directors may be elected simply by a plurality of the votes cast on the matter at a meeting where a quorum is present, which is the customary standard for Maryland corporations.

Certain provisions of our existing Articles exempt us from the application of Maryland s Business Combination Act and Control Share Acquisition Act. Our exemption from the application of these statutes may have the effect of facilitating: (i) business combinations (which is broadly defined) between us and beneficial owners of 10% or more of the voting power of our outstanding voting stock; and (ii) the acquisition by any person of shares entitled to exercise or direct the exercise of specified percentages of our total voting power. Further, our exemption from these provisions of the Business Combination Act and the Control Share Acquisition Act may make it more difficult for our Board or our stockholders to prevent or delay coercive proposals of large stockholders to affect ownership or control of our company and may remove any disincentive these provisions have on future acquisition offers.

Under our Post-Listing Restated Articles, we have proposed to delete these exemptions from the Post-Listing Restated Articles and, alternatively to effect an exemption from the Business Combination Statute exemption by Board resolution and to include the exemption from the Control Share Acquisition Statute in our Bylaws. If this proposal is approved and these provisions are deleted from our existing Articles, although we will continue to be subject to these exemptions, the net effect of this change will be that our Board will, without stockholder approval, be able to opt in and out of these exemptions by way of Board resolution or an amendment to our Bylaws.

Conforming Changes and Other Ministerial Modifications

The Post-Listing Restated Articles reflect a number of conforming and updating changes and other modifications of a ministerial nature that are necessary in view of the other modifications being proposed. These changes and modifications include, among other things, deletion and revision of definitions, references and cross-references and other provisions which are no longer applicable to us or which need to be updated, and the necessary re-numbering and lettering of remaining provisions. A number of the provisions in our existing Articles are being amended to adequately reflect our operations as a self-advised and Listed REIT. All of these changes are indicated in the marked version of our existing Articles attached hereto as **Appendix D-2**. In addition, we will also amend and restate our Bylaws, in order to make certain conforming changes, but these changes to the Bylaws will not require action by our stockholders.

It is intended that even if approved by our stockholders at the Annual Meeting, this proposal will not be effected until immediately prior to a Listing and unless the Pre-Listing Charter Amendment is approved.

Assuming approval of these amendments (and the Pre-Listing Restated Articles) by our stockholders at the Annual Meeting, these amendments will be effected by our filing of the Post-Listing Restated Articles with the

SDAT, and will become effective on the date of such filing and upon acceptance for record by the SDAT. The text of the Post-Listing Restated Articles is attached hereto as **Appendix D-1** and a marked version thereof against our existing Articles, which shows the modifications proposed to be made, is attached hereto as **Appendix D-2**. The adoption of the Post-Listing Restated Articles is split into two separate, independent proposals to amend our existing Articles. Because the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal will be voted upon separately, one of these proposals may be approved by our stockholders at the Annual Meeting while the other proposal may not. To the extent the Pre-Listing Charter Amendment Proposal is not approved by our stockholders at the Annual Meeting, we will not file the Post-Listing Restated Articles with the SDAT. If neither the Pre-Listing Charter Amendment Proposal nor the Post-Listing Charter Amendment Proposal is adopted by our stockholders at the Annual Meeting, we will not file the Post-Listing Restated Articles with the SDAT, and our existing Articles will remain unchanged until such time as they may be amended in the future in accordance with Maryland law and the provisions of our existing Articles and Bylaws.

No Appraisal Rights

Assuming approval of the Pre-Listing Charter Amendment Proposal by stockholders and filing and acceptance for record of the Pre-Listing Restated Articles by the SDAT, stockholders will not have appraisal rights under Maryland law with respect to the Post-Listing Charter Amendment Proposal. See also **Appendix E** attached hereto, which sets forth the relevant statutory provisions.

Conforming Amendments to Our Bylaws

In connection with the amendment and restatement of our Articles contemplated by the Post-Listing Charter Amendment Proposal, we also will be amending and restating our Bylaws in order to make certain conforming changes, but the changes to the Bylaws will not require action by our stockholders. Accordingly, we are proposing that our existing Bylaws be amended as discussed below.

Our Board has unanimously approved the following amendments to our Bylaws:

- an amendment to our existing Bylaws which will increase the threshold necessary for our stockholders to call a special meeting from 10% of the shares then outstanding and entitled to vote to a majority of the shares then outstanding and entitled to a vote and set forth certain procedures with respect to the calling of stockholder-requested special meetings;

- an amendment to our existing Bylaws which will specify the powers of the chairman of a meeting of stockholders;

- an amendment to our existing Bylaws which will set forth certain notice and informational requirements with respect to nominations of directors and other stockholder proposals;

- an amendment to our existing Bylaws which will decrease the threshold necessary to establish, decrease or increase the number of our directors, from 80% of our directors to a majority of our directors;

- an amendment to our existing Bylaws to eliminate the requirement that the affirmative vote of a majority of our Independent Directors is required to approve certain transactions with us in which one of our directors, officers, advisors or other persons or their respective affiliates has a direct or indirect interest (other than as a result of their status as director, officer or stockholder); and

- an amendment to our existing Bylaws which will require us to indemnify, to the maximum extent permitted by Maryland law, our present and former directors and officers and any individual who, while a director or officer and at our request, serves or has served as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and, in each case, who is made or threatened to be made a party to a proceeding by reason of his or her service in that capacity.

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Vote Required

Approval of this proposal to amend our existing Articles requires the affirmative vote of the holders of at least a majority of our outstanding common shares entitled to vote thereon. Proxies received will be voted for approval of each of these proposals unless stockholders designate otherwise. If and when the Post-Listing Charter Amendment Proposal is approved and filed with the SDAT, we will amend our Bylaws.

It is intended that even if approved by our stockholders at the Annual Meeting, this proposal will not be effected until immediately prior to a Listing and unless the Pre-Listing Charter Amendment is approved.

Approval of this proposal to amend our existing Articles requires the affirmative vote of the holders of at least a majority of our outstanding common shares entitled to vote thereon. Proxies received will be voted for approval of this proposal unless stockholders designate otherwise.

Our Board has deemed it advisable and in the best interests of us and our stockholders to approve the Post-Listing Charter Amendment Proposal and has recommended it to our stockholders for their approval. Our Board unanimously recommends that you vote FOR the Post-Listing Charter Amendment Proposal.

The Reverse Stock Split

Pursuant to the MGCL, unless otherwise provided in the charter, the board of directors of a corporation with a class of equity securities registered under the Exchange Act may amend the corporation s charter, with the approval of a majority of the board and without stockholder action, to effect a reverse stock split in certain circumstances. The Post-Listing Restated Articles, if approved and implemented, will not contain any provisions that will restrict the Board s ability to amend the Articles to effect a reverse stock split without stockholder action. In connection with a possible Listing, it is currently contemplated that our Board would authorize an amendment to the Post-Listing Restated Articles pursuant to which two whole outstanding common shares would be combined into one common share (a **Reverse Stock Split**) and would file such amendment, as determined by our Board.

Our Board believes that implementation of the Reverse Stock Split, if a possible Listing occurs, would increase the per-share price of our common shares, reduce the number of outstanding shares to a level more consistent with other public companies with a similar market capitalization and provide us with the flexibility necessary to issue additional shares to facilitate future acquisitions and financing transactions. Our Board believes that the Reverse Stock Split provides our Board with appropriate flexibility to implement our business plan, and to act in the best interests of us and our stockholders.

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PROPOSAL VI:

THE LONG-TERM INCENTIVE PLAN PROPOSAL

Summary of the Plan

We propose the adoption of a 2006 Long-Term Incentive Plan. This summary of the provisions of the 2006 Long-Term Incentive Plan is qualified in its entirety by reference to the full text of the 2006 Long-Term Incentive Plan. To the extent that there is a conflict between this summary and the 2006 Long-Term Incentive Plan, the 2006 Long-Term Incentive Plan will govern. Capitalized terms used but not defined herein will have their meanings as defined in the 2006 Long-Term Incentive Plan. Stockholders are being asked to approve the 2006 Long-Term Incentive Plan with the intent of avoiding the possibility that the deductibility of certain awards granted under the 2006 Long-Term Incentive Plan, for U.S. federal income tax purposes, may be limited by Section 162(m) of the Code (which, under certain circumstances, causes compensation in excess of $1,000,000 to an employee in a year not to be deductible to the employer), as well as to take advantage of favorable tax treatment for stock options intended to qualify as incentive stock options under the Code. The adoption of the 2006 Long-Term Incentive Plan is subject to stockholder approval. A copy of the 2006 Long-Term Incentive Plan is attached hereto as **Appendix F**.

Background and Purpose

The 2006 Long-Term Incentive Plan was established by the Board, which worked with its legal advisors and employment compensation consultants to survey and study the market compensation ranges of our competitors. The purpose of the 2006 Long-Term Incentive Plan is to provide us with the flexibility to use stock options and other awards as part of an overall compensation package to provide a means of performance-based compensation to attract and retain qualified personnel. Key employees, directors, officers, consultants, advisors or other personnel of ours and our subsidiaries as well as joint venture affiliates of us or our subsidiaries and employees of the foregoing would be eligible to be granted stock options (including stock appreciation rights), restricted stock, phantom stock, dividend equivalent rights and other equity-based awards under the 2006 Long-Term Incentive Plan.

In addition, we have entered into the Employment Agreements with various individuals associated with the Advisor or its affiliates, which will generally become effective as of the closing of the Internalization. The Employment Agreements are with the persons who will consitute our senior management following the Internalization. These agreements provide, among other things, for long-term incentive compensation awards and target bonuses that will be paid pursuant to the 2006 Long-Term Incentive Plan and the Incentive Compensation Plan. If the 2006 Long-Term Incentive Plan is not approved by our stockholders, pursuant to the terms of the Employment Agreements, the members of our senior management will be entitled to terminate their respective agreements for good reason. Further, if the 2006 Long-Term Incentive Plan is not approved by our stockholders, it could materially adversely affect us because we could be deprived of the services of our senior management and the ability to provide the incentives necessary to attract qualified replacements and other personnel.

Administration

The 2006 Long-Term Incentive Plan is administered by our compensation committee. Our compensation committee, appointed by our Board, has the full authority to administer and interpret the 2006 Long-Term Incentive Plan, to authorize the granting of awards, to determine the eligibility of key employees, directors, officers, consultants, advisors or other personnel of ours and our subsidiaries to receive an award, to determine the number of common shares to be covered by each award (subject to the individual participant limitations provided in the 2006 Long-Term Incentive Plan), to determine the terms, provisions and conditions of each award (which may not be inconsistent with the terms of the 2006 Long-Term Incentive Plan), to prescribe the form of instruments evidencing awards and to take any other actions and make all other determinations that it deems necessary or appropriate in connection with the 2006 Long-Term Incentive Plan or the administration or

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interpretation thereof. In connection with this authority, our compensation committee may, among other things, establish performance goals that must be met in order for awards to be granted or to vest, or for the restrictions on any such awards to lapse. The 2006 Long-Term Incentive Plan will be administered by a compensation committee consisting of two or more non-employee directors, each of whom is intended to be, to the extent required by Rule 16b-3 under the Exchange Act, a nonemployee director and will, at such times as we are subject to Section 162(m) of the Code, qualify as an outside director for purposes of Section 162(m) of the Code, or, if no committee exists, our Board. References below to our compensation committee include a reference to the board for those periods in which the board is acting. In addition, our compensation committee may, in its discretion, delegate to our Chief Executive Officer, or his or her delegate, all or part of the Committee s authority and duties with respect to awards (where relief from the limitations of Section 162(m) of the Code is not sought).

Eligibility and Types of Awards

Key employees, officers, directors, consultants and advisors as well as joint venture affiliates of us or our subsidiaries or employees of the foregoing are eligible to be granted stock options (including stock appreciation rights), restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the 2006 Long-Term Incentive Plan. Eligibility for awards under the 2006 Long-Term Incentive Plan is determined by our compensation committee. No new award may be granted under the 2006 Long-Term Incentive Plan after the 10th anniversary of the date that such plan was initially approved by our Board. As of the date hereof, no grants have been made under the 2006 Long-Term Incentive Plan. Under the Employment Agreements, the aggregate annual target value of the long-term incentive compensation awards ranges between $25,000 and $1,150,000, with a total annual value of $2,175,000 for all executives, and such awards will vest in equal installments over four to five years, subject to the achievement of pre-established, performance-related goals. In addition, as a signing bonus, Mr. Hawkins, under the 2006 Long-Term Incentive Plan, will receive, subject to the approval of the plan by our stockholders at the Annual Meeting, 450,795 common shares (or equivalent full value awards and including either dividend rights or dividend equivalent rights) vesting over five years (0%, 0%, 25%, 25% and 50%) commencing on August 1, 2007, and in addition, upon the Closing, will purchase 88,889 common shares at $11.25 per share.

Available Shares

Subject to adjustment upon certain corporate transactions or events, the total number of our common shares subject to awards of stock options, shares of restricted stock, phantom shares and dividend equivalent rights under the 2006 Long-Term Incentive Plan may not exceed 8,000,000. Subject to adjustment upon certain corporate transactions or events, in no event may any optionee receive options for more than 2,000,000 shares on an annual basis. If an option or other award granted under the 2006 Long-Term Incentive Plan expires or terminates, the shares subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. During the term of the 2006 Long-Term Incentive Plan, each director will receive his or her regular directors fees in the form of quarterly payments in arrears, in the form of our common shares (or, as provided and permitted by our Board, restricted shares or phantom shares), unless the director elects in writing to receive such payment in cash.

Awards Under the 2006 Long-Term Incentive Plan

Stock Options (including Stock Appreciation Rights)

The terms of specific options, including whether options will constitute incentive stock options for purposes of Section 422(b) of the Code, will be determined by our compensation committee. The exercise price of an option will be determined by our compensation committee and reflected in the applicable award agreement. The exercise price with respect to incentive stock options may not be lower than 100%, or 110% in the case of an incentive stock option granted to a 10% stockholder, if permitted under the plan, of the fair market value of our common shares on the date of grant. Each option will be exercisable after the period or periods specified in the award agreement, which will generally not exceed 10 years from the date of grant. Options will be exercisable at

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such times and subject to such terms as determined by our compensation committee. The committee may grant a stock appreciation right by permitting an optionee to elect to receive upon the exercise of an option shares or cash, or a combination thereof, with an aggregate value equal to the excess of the value of the applicable shares over the aggregate option price.

Restricted Stock

A restricted stock award is an award of common shares that is subject to restrictions on transferability and such other restrictions, if any, as our Board or compensation committee may impose at the date of grant. Grants of restricted stock will be subject to vesting schedules as determined by our compensation committee. The restrictions may lapse separately or in combination at such times, under such circumstances, including, without limitation, a specified period of employment or the satisfaction of pre-established criteria, in such installments or otherwise, as our compensation committee may determine. Except to the extent restricted under the award agreement relating to the restricted stock, a participant granted restricted stock has all of the rights of a stockholder, including, without limitation, the right to vote and the right to receive dividends on the restricted stock. Although dividends are paid on all restricted stock, whether or not vested, at the same rate and on the same date as our common shares, holders of restricted stock are prohibited from selling such shares until they vest.

Phantom Shares

Phantom shares will vest as provided in the applicable award agreement. A phantom share represents a right to receive the fair market value of a share of our common shares, or, if provided by our compensation committee, the right to receive the fair market value of a share of our common shares in excess of a base value established by our compensation committee at the time of grant. Unless otherwise determined by our compensation committee at the time of the grant, phantom shares will be settled by a transfer of common shares. Phantom shares will be settled with a single-sum distribution; however, our compensation committee may, in its discretion and under certain circumstances, permit a participant to receive as settlement of the phantom shares, installments over a period not to exceed 10 years. Unless otherwise provided in the applicable award agreement, or pursuant to a permissible election, the settlement date with respect to a phantom share generally is the first day of the month to follow the date on which the phantom share vests.

Dividend Equivalents

A dividend equivalent is a right to receive (or have credited) the equivalent value of dividends declared on common shares otherwise subject to an award. Our compensation committee may provide that amounts payable with respect to dividend equivalents will be converted into cash or additional common shares. Our compensation committee will establish all other limitations and conditions of awards of dividend equivalents as it deems appropriate.

Other Equity-Based Awards

Our 2006 Long-Term Incentive Plan authorizes the granting of (i) other awards based upon the common shares (including the grant of securities convertible into common shares and stock appreciation rights), and subject to terms and conditions established at the time of grant, (ii) limited-partnership or any other membership or ownership interest in a subsidiary or other partnership, and (iii) awards valued by reference to book value, fair value or performance parameters relative to us or any subsidiary or group of subsidiaries.

Performance Goals

Our compensation committee may, in its discretion, in the case of awards intended to qualify for an exception from the limitation imposed by Section 162(m) of the Code, establish one or more performance goals as a precondition to the issuance or vesting of awards, and provide, in connection with the establishment of the performance goals, for predetermined awards to those participants with respect to whom the applicable performance goals are satisfied. The performance goals will be based upon one or more of the following criteria: pre-tax income; after-tax income; net income; operating income; cash flow; earnings per share; return on equity; return on invested capital or assets; cash or funds available for distribution; appreciation in the fair market value of our common shares; return on investment; total return to stockholders; net earnings growth; stock appreciation; related return ratios; increase in revenues; net earnings; changes (or the absence of changes) in the per share or aggregate market price of our common shares; number of securities sold; earnings before any one or more of the following items: interest, taxes, depreciation or amortization for the applicable period, as reflected in our financial reports for the applicable period; total revenue growth; our published ranking against our peer group of real estate investment trusts based on total stockholder return; FFO; same store sales from period to period; objectively determinable capital deployment; realized gains on assets; and objectively determinable expense management.

Adjustments in General; Certain Change-in-Control Provisions

In the event of certain corporate reorganizations or other events, our compensation committee generally will make certain adjustments in its discretion to the manner in which the 2006 Long-Term Incentive Plan operates (including, for example, to the number of shares available under the plan), and may otherwise take actions which, in its judgment, are necessary to preserve the rights of plan participants. Upon a change in control (as defined in the plan), our compensation committee generally may make such adjustments as it, in its discretion, determines are necessary or appropriate in light of the change in control, if our compensation committee determines that the adjustments do not have an adverse economic impact on the participants, and certain other special provisions may apply.

Amendment and Termination

Our Board may generally amend the 2006 Long-Term Incentive Plan as it deems advisable, except that no amendment may adversely affect a participant with respect to an award previously granted without such participant s written consent unless such amendments are required in order to comply with applicable laws. In addition, the 2006 Long-Term Incentive Plan may not be amended without stockholder approval if the absence of such approval would cause the 2006 Long-Term Incentive Plan to fail to comply with any applicable legal requirement or applicable exchange or similar rule.

Certain U.S. Federal Income Tax Consequences

The following discussion is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal income tax penalties, and was written to support the promotion or marketing (within the meaning of the Internal Revenue Service Circular 230) of the Plan. Nothing in this document (including the preceding sentence) constitutes, or should be construed as indicating that we are engaging in, the promotion or marketing of our common shares or any other equity-based security of (or other equity interest in) us.

Non-Qualified Stock Options

No income will be recognized by an option holder at the time a non-qualified stock option is granted. Ordinary income will generally be recognized by an option holder, however, at the time a non-qualified stock option is exercised in an amount equal to the excess of the fair market value of the underlying common shares on the exercise date over the exercise price. We will generally be entitled to a deduction for U.S. federal income tax purposes in the same amount as the amount included in ordinary income by the option holder with respect to his or her non-qualified stock option. Gain or loss on a subsequent sale or other disposition of the shares acquired upon the exercise of a non-qualified stock option will be measured by the difference between the amount realized on the disposition and the tax basis of such shares, and will generally be long-term or short-term capital gain depending on the holding period involved. The tax basis of the shares acquired upon the exercise of any non-qualified stock option will be equal to the sum of the exercise price of the non-qualified stock option and the

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amount included in income with respect to the option. Notwithstanding the foregoing, in the event that exercise of the option is permitted other than by cash payment of the exercise price, various special tax rules may apply.

Incentive Stock Options

In general, neither the grant nor the exercise of an incentive stock option will result in taxable income to an option holder or a deduction for us. To receive special tax treatment as an incentive stock option under the Code as to shares acquired upon exercise of an incentive stock option, an option holder must neither dispose of the shares within two years after the incentive stock option is granted nor within one year after the transfer of the shares to the option holder pursuant to exercise of the option. In addition, the option holder must be an employee of us or a qualified subsidiary at all times between the date of grant and the date three months (one year in the case of disability) before exercise of the option. (Special rules apply in the case of the death of the option holder.) Incentive stock option treatment under the Code generally allows the sale of shares of our common shares received upon the exercise of an incentive stock option to result in any gain being treated as a capital gain to the option holder, but we will not be entitled to a tax deduction. The exercise of an incentive stock option (if the holding period rules described in this paragraph are satisfied), however, will give rise to income includable by the option holder in his or her alternative minimum taxable income for purposes of the alternative minimum tax in an amount equal to the excess of the fair market value of the stock acquired on the date of the exercise of the option over the exercise price.

If the holding period rules noted above are not satisfied, gain recognized on the disposition of the shares acquired upon the exercise of an incentive stock option will be characterized as ordinary income. This gain will be equal to the difference between the exercise price and the fair market value of the shares at the time of exercise. (Special rules may apply to disqualifying dispositions where the amount realized is less than the value at exercise.) We will generally be entitled to a deduction equal to the amount of such gain included by an option holder as ordinary income. Any excess of the amount realized upon such disposition over the fair market value at exercise will generally be long-term or short-term capital gain depending on the holding period involved. Notwithstanding the foregoing, if exercise of the option is permitted other than by cash payment of the exercise price, various special tax rules may apply.

Restricted Stock

Unless a holder of restricted stock makes an 83(b) election (as discussed below), there generally will be no tax consequences as a result of the grant of restricted stock until the restricted stock is no longer subject to a substantial risk of forfeiture or is transferable (free of the risk). Dividends paid on unvested shares, if retained by the grantee, will generally be treated as compensation income for U.S. federal income tax purposes (unless an 83(b) election has been made, as discussed below). Generally, when the restrictions are lifted, the holder will recognize ordinary income, and we will be entitled to a deduction, equal to the difference between the fair market value of the stock at that time and the amount, if any, paid by the holder for the restricted stock. Subsequently realized changes in the value of the stock generally will be treated as long-term or short-term capital gain or loss, depending on the length of time the shares are held prior to disposition of the shares. In general terms, if a holder makes an 83(b) election (under Section 83(b) of the Code) upon the award of restricted stock, the holder will recognize ordinary income on the date of the award of restricted stock, and we will be entitled to a deduction, equal to (i) the fair market value of the restricted stock as though the stock were (A) not subject to a substantial risk of forfeiture or (B) transferable, minus (ii) the amount, if any, paid for the restricted stock. If an 83(b) election is made, there will generally be no tax consequences to the holder upon the lifting of restrictions, and all subsequent appreciation in the restricted stock generally would be eligible for capital gains treatment. In the event of a forfeiture after an 83(b) election is made, no deduction or loss will be available, other than with respect to amounts actually paid for the stock.

Phantom Shares

It is generally expected that any phantom shares would be designed with the intention that there will be no tax consequences as a result of the granting of a phantom share until payment is made with respect to the phantom share. When payment is made, the participant generally would recognize ordinary income, and we would generally be entitled to a deduction, equal to the fair market value of the common shares and cash, as applicable, received upon payment.

Dividend Equivalents

There generally will be no tax consequences as a result of the award of a dividend equivalent. When payment is made, the holder of the dividend equivalent generally will recognize ordinary income, and we will be entitled to a deduction, equal to the amount received in respect of the dividend equivalent.

Vote Required

Approval of the Long-Term Incentive Plan Proposal requires the affirmative vote of a majority of the votes cast at a meeting and the presence of a quorum, *provided*, that the total votes cast represent over 50% of the shares entitled to vote.

Our Board has determined it to be advisable and in the best interests of us and our stockholders to approve the Long-Term Incentive Plan Proposal. Our Board unanimously recommends that you vote FOR the Long-Term Incentive Plan Proposal.

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PROPOSAL VII:

THE INCENTIVE COMPENSATION PLAN PROPOSAL

Summary of the Incentive Compensation Plan

Our Board has adopted the Incentive Compensation Plan, under which the compensation committee may award various forms of incentive compensation to officers and other key employees of us and our subsidiaries, as well as to the officers and key employees of our joint venture and other affiliates designated in the discretion of the compensation committee, and employees of the foregoing. The Incentive Compensation Plan was established by the Board, which worked with its legal advisors and employment compensation consultants to survey and study the market compensation ranges of our competitors. We are asking the stockholders to consider and vote upon a proposal to approve the Incentive Compensation Plan to take advantage of deductions available to us for performance-based compensation under Section 162(m) of the Code. Section 162(m) generally limits the U.S. federal income tax business expense deduction taken by a publicly-traded company for annual compensation paid to its chief executive officer and its four other most highly compensated officers to $1.0 million. However, there is no limit on the deductibility of qualified performance-based compensation.

To satisfy the requirements of Section 162(m), compensation must be payable solely on account of the attainment of one or more objective performance goals established in writing by our compensation committee at a time when the attainment of those goals is substantially uncertain. Performance goals may be based on one or more business criteria that apply to an individual, a business unit or our company as a whole, but need not be based on an increase or positive result under the business criteria selected. The compensation committee cannot increase the amount of compensation payable if a performance goal is attained, but may reduce or eliminate compensation even if the performance goal is attained. Stockholders must approve the types of performance goals and the maximum amount that may be paid to covered executive officers or the formula used to calculate such amount.

Forms of incentive compensation under the Incentive Compensation Plan may include compensation based upon one or more of the following business criteria: pre-tax income; after-tax income; net income; operating income; cash flow; earnings per share; return on equity; return on invested capital or assets; cash or funds available for distribution; appreciation in the fair market value of our common shares; return on investment; total return to stockholders; net earnings growth; stock appreciation; related return ratios; increase in revenues; net earnings; changes (or the absence of changes) in the per share or aggregate market price of our common shares; number of securities sold; earnings before any one or more of the following items: interest, taxes, depreciation or amortization for the applicable period, as reflected in our financial reports for the applicable period; total revenue growth; our published ranking against our peer group of real estate investment trusts based on total stockholder return; FFO; same store sales from period to period; objectively determinable capital deployment; realized gains on assets; and objectively determinable expense management. Targets may be in absolute amounts or relative to the performance of other companies or of an index, and may be on an aggregate per-share or other similar basis. Performance targets may relate to particular fiscal years or to periods which are longer or shorter than a single fiscal year. Notwithstanding the foregoing, bonuses can be granted on bases other than those set forth above in the case of any bonus for which an exception from the limitations of Section 162(m) of the Code is not being sought. No officer or employee may be awarded a bonus of more than $2,000,000 for any year (or portion thereof) of a performance period, and in no event will any particular bonus be more than a total of $10,000,000 in the aggregate over a performance period. If multiple bonuses are granted to any particular individual, then the amount of such bonuses together will not total more than $12,000,000. Moreover, the compensation committee has no current intention of awarding bonuses to any executive that would approach the aforementioned limitations under the Incentive Compensation Plan. Under the Employment Agreements, the initial target annual bonuses range between $75,000 and $575,000, with a total of $1,065,000 initial target annual bonuses for all executives. Certain numerical adjustments to the standards and limitations referred to above may be permitted in the case of corporate and other transactions and events, as set forth in the plan. Bonuses may be payable in single lump sums, or may be payable over periods of years, and may (but will not be required to) be made forfeitable to

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the extent recipients do not continue to be employed by the company or its subsidiaries throughout the period during which they are payable. Bonuses otherwise payable under the Incentive Compensation Plan are subject to reduction or elimination by our compensation committee. Our compensation committee may determine that bonuses will be paid in cash or stock (or other equity-based grants), or a combination of cash and stock and that any such awards be made under our 2006 Long-Term Incentive Compensation Plan or any other equity-based plan or program of us and that in the case of any such grant, the grant will be governed in all respects by the 2006 Long-Term Incentive Compensation Plan or other equity-based plan or program. In addition, our compensation committee may, in its discretion, delegate to our Chief Executive Officer, or his or her delegate, all or part of the compensation committee s authority and duties with respect to awards (where relief from the limitations of Section 162(m) of the Code is not sought). We may adopt other incentive award programs for fiscal 2006 and thereafter for one or more of our executive officers. We expect that payment of such other incentive compensation will be based on one or more of the business criteria described above. However, our compensation committee may determine from time to time that it is necessary or appropriate to approve discretionary annual incentive compensation based on other business criteria, or based solely on service, in order to meet our overall objectives in attracting, motivating and retaining our executives. This discretionary compensation would not qualify for the exclusion from the $1 million limitation of deductible compensation under Section 162(m). The Incentive Compensation Plan will not be implemented if the stockholder approval being sought is not obtained. A copy of the Incentive Compensation Plan is attached hereto as **Appendix G**.

Vote Required

Approval of the Incentive Compensation Plan requires the affirmative vote of a majority of the votes cast and the presence of a quorum.

Our Board has determined it to be advisable and in the best interests of us and our stockholders to approve the Incentive Compensation Plan Proposal. Our Board unanimously recommends that you vote FOR the Incentive Compensation Plan Proposal.

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DIVIDEND CAPITAL TRUST INC.

BUSINESS

Overview

We were formed as a Maryland corporation in April 2002 in order to invest in commercial real estate properties, consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. We have qualified, and intend to continue to qualify, as a REIT for U.S. federal income tax purposes. We are structured as an UPREIT under which substantially all of our current and future business is, and will be, conducted through our Operating Partnership for which we are the sole general partner.

Since our inception, our day-to-day operations have been managed by the Advisor under the supervision of our Board, pursuant to the terms and conditions of an advisory agreement with the Advisor. The Advisor is currently majority-owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. In addition, under the terms of certain dealer manager agreements, the Dealer Manager serves as the dealer manager of our public and private offerings. The Dealer Manager is also majority-owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. The Advisor and its affiliates, including the Dealer Manager, receive various forms of compensation, reimbursements and fees for services relating to our public and private offerings and for the investment and management of our real estate assets.

Currently, there are no employees of Dividend Capital Trust and its subsidiaries. All management and administrative personnel responsible for conducting our business are currently employed by the Advisor and the Dealer Manager. As of March 31, 2006, the Advisor and its affiliates had over 90 full-time employees or consultants engaged in business activities on our behalf.

Corporate Objectives

We invest in commercial real estate properties consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. These facilities are generally located in what we believe to be the top 26 industrial markets throughout the United States. Such properties include properties which are under development or construction, newly constructed or have been constructed and have operating histories. In addition, we have acquired, and may continue to acquire, properties with some level of vacancy at the time of closing.

Our corporate objectives are:

- to pay consistent quarterly cash distributions to our investors and to increase the amount of such distributions over time;
- to manage risk in order to preserve, protect and return our stockholders capital contributions; and
- to ultimately list our common shares on a national securities exchange or an over-the-counter market, or complete a sale or merger of Dividend Capital Trust in a transaction which provides our stockholders with securities of a publicly traded company or sell substantially all of our properties for cash or other consideration and to realize capital appreciation for our stockholders in connection with any such transaction or such listing; if we do not complete such a transaction or obtain such listing of our common shares by February 2013, our Articles require us to begin selling our properties and other assets and distribute the net proceeds to our stockholders.

We intend to achieve these objectives by continuing to build an industrial real estate operating company that owns, develops and operates a high-quality, diversified portfolio of bulk distribution and light industrial properties in the leading distribution and logistics markets. We will continue to build our portfolio through our acquisition program and selective investment in development activities and joint ventures.

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Investment Strategy

We have developed and implemented a comprehensive investment strategy which includes the following four principal components:

I. Selection of target markets and submarkets;

II. Focus primarily on generic bulk distribution and light industrial facilities;

III. Achievement of portfolio diversification in terms of markets, customers, industry exposure and lease rollovers; and

IV. Emphasis on creditworthy national, regional and local customers.

I. Target Market and Submarket Selection We have identified target markets which we believe will continue to have growing demand for distribution space because of one or more of the following characteristics:

- major ports of entry: air, truck or seaport related. Target markets with these characteristics presently include Los Angeles, Northern New Jersey, Miami, Houston and Memphis;

- strategically located, regional distribution markets with excellent interstate highway connections. Target markets with these characteristics presently include Atlanta, Indianapolis, Columbus, Dallas and San Antonio; and

- markets with a large population base within a one thousand mile radius. Target markets with these characteristics presently include Chicago, Cincinnati, and Nashville.

We presently intend to focus primarily on the top 26 industrial markets throughout the United States exhibiting these characteristics. These markets have significant warehouse, transportation and distribution capabilities. Within these markets, certain submarkets will be targeted based on a number of factors including submarket size and depth, interstate highway access and potential for rental rate growth.

II. Generic Bulk Distribution and Light Industrial Facilities Within the industrial real estate sector, generic bulk distribution warehouses and light industrial properties have been selected for their cash flow characteristics including stability, low turnover costs, re-leasability due to their generic design and their liquidity given institutional demand for these types of industrial properties. We may also, to a limited extent, invest in service center or flex properties. Although the characteristics of individual investments may vary, typical physical characteristics are summarized below.

	Bulk Distribution	Light Industrial
Building size (square feet)	75,000 to 1 million	50,000 to 150,000
Clear height (feet)	24 to 36	18 to 26
Loading	Dock high	Dock high
Truck court depth (feet)	90 - 200	90 - 120
Building depth (feet)	200 - 600	90 - 200
Percentage office space	2% - 10%	10% - 30%
Primary use	Distribution	Distribution/Light Assembly

III. Portfolio Diversification Our investment strategy includes building a high-quality portfolio that is greatly diversified by geography, customers, industry and lease rollover as more fully described below:

Geographic Diversity: Establish and maintain a significant presence in what we believe to be the top 26 industrial markets throughout the United States while avoiding significant concentration in any one market.

Customer Diversity: Maintain our portfolio so that no single customer accounts for more than 5% of our total rental income.

Industry Exposure: Maintain broad-based exposure to multiple industries within our customer base.

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Lease Rollovers: Have no more than approximately 20% of customer leases terminating or expiring in any year.

IV. Creditworthy National, Regional and Local Customers We are in a customer service oriented business and we believe our success is strongly correlated with the level of customer service that we are able to provide to our tenants and as such we view our tenants as our customers. Furthermore, our objective is to invest in high-quality real estate which is leased to creditworthy corporate customers which operate nationally, regionally, or locally.

As of June 15, 2006, our consolidated portfolio represented approximately 54.3 million square feet of rentable distribution space and there were no customers that occupied more than 5% of our total rentable square feet.

2005 Acquisition Activity

During the year ended December 31, 2005, we acquired 158 properties (104 of which were acquired in the Cabot merger, which is discussed in more detail below in Dividend Capital Trust Inc. Management s Discussion and Analysis of Financial Condition and Results of Operations) located in 18 different markets, including 17 of our target markets, for a total estimated cost of approximately $1.2 billion, including acquisition fees paid to the Advisor. These properties were acquired using net proceeds from our public and private equity offerings, proceeds from our revolving credit facility and short-term, unsecured debt (which, as of December 31, 2005, had been substantially repaid with net proceeds from our offerings), and the assumption of approximately $434.1 million in mortgage debt. See Note 18 Segment Information to our audited consolidated financial statements for detailed market segment information including rental revenues, property net operating income and total assets by market segment.

2006 Acquisition Activity Through March 31, 2006

During the three months ended March 31, 2006, we acquired 13 properties located in eight different markets, all of which were in our target markets, aggregating approximately 3.4 million square feet, for a total estimated cost of approximately $128.1 million, including acquisition fees paid to the Advisor. These properties were acquired using net proceeds from our public and private equity offerings, and debt issuances.

Competition

We believe the current market for industrial real estate acquisitions to be extremely competitive. We compete for real property investments with pension funds and their advisors, bank and insurance company investment accounts, other real estate investment trusts, real estate limited partnerships, individuals and other entities engaged in real estate investment activities, some of which have greater financial resources than we do.

In addition, we believe the leasing of real estate to be highly competitive. We experience competition for customers from owners and managers of competing properties. As a result, we may have to provide free rent, incur charges for tenant improvements or offer other inducements, all of which may have an adverse impact on our results of operations.

PROPERTIES

Consistent with our investment strategy previously outlined (See Dividend Capital Trust Inc. Business Investment Strategy), as of December 31, 2005, we have assembled a portfolio of industrial real estate consisting of 264 operating properties and we have entered into joint ventures to develop an additional three properties. As of June 15, 2006, we owned or controlled operating properties located in 24 distribution markets throughout the United States and have a combined total gross leasable space of 54.3 million square feet. As of December 31, 2005, our properties were subject to mortgage debt which has an aggregate carrying value of approximately $642.2 million (see Note 5 Debt to our audited consolidated financial statements). The following series of tables illustrates the makeup of our properties in terms of: 1) target market presence and geographic diversification; 2) property types; 3) lease expirations; and 4) customer diversification.

Target Market Presence and Geographic Diversification

The following table describes the geographic diversity of the operating properties that we majority owned and/or controlled (*i.e.* our consolidated properties) as of December 31, 2005 and 2004, respectively, by market (dollar amounts are in thousands).

	As of December 31,							
	2005				2004			
	Number of Buildings	Historical Cost (1)	Gross Leasable Area (Sq. Ft.)	Occupancy (2)	Number of Buildings	Historical Cost (1)	Gross Leasable Area (Sq. Ft.)	Occupancy (2)
Target Markets:								
Atlanta	48	$ 263,604	5,981,602	88.5%	18	$ 147,660	3,946,931	82.8%
Baltimore	10	97,422	1,306,568	91.2%				
Charlotte	4	22,290	426,404	96.4%				
Chicago	14	169,839	3,117,467	94.5%	1	11,370	222,122	100.0%
Cincinnati	18	132,591	3,294,142	83.3%	7	78,925	1,797,369	97.6%
Columbus	3	49,246	1,213,486	100.0%				
Dallas	49	250,564	5,241,264	96.1%	18	93,033	2,330,906	91.1%
Denver	1	9,027	160,232	100.0%	1	8,949	160,232	82.8%
Harrisburg/Lehigh Valley	5	45,852	895,157	100.0%				
Houston	33	129,280	2,349,671	91.3%	21	83,957	1,622,270	90.5%
Indianapolis	3	57,239	1,626,873	100.0%	1	15,139	442,127	100.0%
Los Angeles Basin	11	85,602	1,169,498	76.5%	4	32,744	444,066	100.0%
Louisville	2	18,350	521,000	100.0%	2	18,351	521,000	100.0%
Memphis	11	184,259	5,042,018	95.4%	3	39,559	1,101,006	97.9%
Miami	3	26,025	316,452	96.3%				
Nashville	4	80,048	2,256,373	100.0%	3	59,340	1,699,530	100.0%
New Jersey	8	77,871	970,946	100.0%				
Orlando	2	15,718	367,137	100.0%	2	15,687	367,137	100.0%
Phoenix	14	89,226	1,635,109	97.9%	13	79,195	1,474,963	85.7%
San Antonio	2	7,699	172,050	65.4%	2	7,725	172,050	100.0%
San Francisco Bay Area	5	36,337	474,636	92.4%	5	35,371	474,636	100.0%
Seattle	8	88,214	1,198,617	100.0%				
Non-Target Market:								
Boston	6	42,172	570,641	67.4%	5	27,059	405,741	78.2%
Total operating properties	264	1,978,475	40,307,343	93.1%	106	754,064	17,182,086	91.6%
Properties under development	1	8,401	519,391	n/a				n/a
Land held for development	n/a	8,049	n/a	n/a	n/a		n/a	n/a
Grand Total	265	$ 1,994,925	40,826,734	93.1%	106	$ 754,064	17,182,086	91.6%

(1) Represents historical undepreciated costs pursuant to U.S. generally accepted accounting principles (**GAAP**) as of the period indicated including acquisition fees paid to the Advisor. Acquisition fees paid to the Advisor totaled $11.1 million and $6.4 million in 2005 and 2004, respectively.

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(2) The total vacant square footage as of December 31, 2005 and 2004 was 2,783,475 and 1,435,041, respectively. Of the vacant space, we had 69,061 and 947,356 square feet, respectively, under master lease agreements with various sellers whereby the sellers are obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new customer. The total percentage of square feet leased, including space covered by master leases was 93% and 97% as of December 31, 2005 and 2004, respectively. For financial reporting purposes under GAAP, rental and expense recovery payments under master lease agreements are reflected as a reduction of the basis of the underlying property rather than revenues.

See Note 18 Segment Information to the audited consolidated financial statements for detailed market segment information including rental revenues, property net operating income and total assets by market segment.

Property Types

The following table reflects our portfolio by property type, in terms of cost and square footage, as of December 31, 2005 and 2004, respectively (dollar amounts are in thousands).

	As of December 31,							
	2005				2004			
	Historical Cost (1)		Gross Leasable Area (Sq. Ft.)		Historical Cost (1)		Gross Leasable Area (Sq. Ft.)	
Bulk Distribution	$ 1,522,694	77.0%	34,389,095	85.3%	$ 600,166	79.6%	15,094,935	87.8%
Light Industrial	296,843	15.0%	4,285,699	10.6%	132,241	17.5%	1,768,507	10.3%
Service Center	158,938	8.0%	1,632,549	4.1%	21,657	2.9%	318,644	1.9%
Total	$ 1,978,475	100.0%	40,307,343	100.0%	$ 754,064	100.0%	17,182,086	100.0%

(1) Represents historical undepreciated costs pursuant to U.S. GAAP as of the period indicated including acquisition fees paid to the Advisor. Acquisition fees paid to the Advisor totaled $11.1 million and $6.4 million in 2005 and 2004, respectively.

Lease Expirations

Our industrial properties are typically net leased to corporate customers for terms typically ranging from three to ten years with a weighted average remaining term of 4.3 years as of December 31, 2005. A net lease is a lease whereby the customer is responsible for all operating expenses of, and to a limited extent certain capital expenditures for, the leased property. However, we do have certain leases that have specified limitations on the amount of such reimbursements. The following table sets forth a schedule of expiring leases by square feet and by annual minimum rents (dollar amounts are in thousands):

Year	Square Feet Expiring	Percent of Portfolio	Annual Minimum Rents of Expiring Leases(2)	Percent of Portfolio
2006(1)	5,446,726	13.5%	$ 21,435	13.8%
2007	4,322,013	10.7%	19,002	12.2%
2008	6,898,922	17.1%	26,550	17.1%
2009	3,716,845	9.2%	16,302	10.5%
2010	5,555,061	13.8%	20,883	13.4%
Thereafter	11,584,301	28.8%	51,285	33.0%
Total	37,523,868	93.1%	$ 155,457	100.0%

(1) Excludes 69,061 square feet and $120,228 of rental payments associated with a master lease with a seller whereby the seller is obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new customer. Under GAAP, rental payments under a master lease agreement are reflected as a reduction of the basis of the underlying property rather than

revenues.

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(2) These amounts represent the minimum rents due under non-cancelable leases for the last month of the lease multiplied by 12 months but excluding amounts paid by customers for the reimbursement of operating expenses.

Customer Diversification

As of December 31, 2005, there were no customers that occupied more than 5% of our total portfolio based on gross leasable square feet. The following table describes our ten largest customers based on square footage occupied (dollars are in thousands).

Customer	No. of Leases	Market	2006 Scheduled Rents	Square Feet Occupied	% of Portfolio	Lease Expiration
Technicolor Videocassette, Inc.	2	Memphis	$ 2,345	806,000	2.15%	09/30/2014
			770	648,750	1.73%	05/31/2006
Bridgestone/Firestone	1	Nashville	2,425	987,873	2.63%	05/31/2013
Whirlpool Corporation	1	Indianapolis	2,253	804,586	2.14%	12/31/2008
Exel, Inc.	5	Cincinnati, Columbus, Orlando, Atlanta	83	26,250	0.07%	03/31/2007
			451	200,352	0.53%	09/20/2008
			13	33,600	0.09%	02/28/2006
			1,425	500,000	1.33%	12/31/2008
			389	108,394	0.29%	01/31/2008
International Truck and Engine	2	Dallas, Atlanta	996	352,170	0.94%	02/28/2013
			1,112	360,000	0.96%	12/31/2015
United Parcel Service (UPS)	2	Cincinnati, Memphis	2,138	710,400	1.89%	12/01/2013
			74	52,500	0.14%	04/30/2006
United Stationers Supply Co.	1	Memphis	2,077	654,080	1.74%	06/30/2010
APL Logistics	2	Nashville	1,294	325,000	0.87%	12/31/2008
			63	225,500	0.60%	01/14/2006
Binney & Smith, Inc.	1	Harrisburg	1,934	550,000	1.47%	04/20/2013
The Clorox Sales Company	1	Dallas	1,639	540,000	1.44%	02/28/2015
Total ten largest customers leases	18		21,481	7,885,455	21.01%	
All other customers leases	614		122,279	29,638,413	78.99%	
Total portfolio	632		$ 143,760	37,523,868	100.0%	

Insurance Coverage on Properties

We carry comprehensive general liability coverage and umbrella liability coverage on all of our properties with limits of liability which we deem adequate. Similarly, we are insured against the risk of direct physical damage in amounts we believe to be adequate to reimburse us on a replacement basis for costs incurred to repair or rebuild each property, including loss of rental income during the reconstruction period. The cost of such insurance is passed through to customers whenever possible.

LEGAL PROCEEDINGS

From time to time, we may be party to a variety of legal proceedings arising in the ordinary course of our business. We are not a party to any material litigation or legal proceedings, or to the best of our knowledge, any threatened litigation or legal proceedings which, in the opinion of management, individually or in the aggregate, would have a material adverse effect on our results of operations or financial condition.

MARKET FOR REGISTRANT S COMMON EQUITY AND

RELATED STOCKHOLDER MATTERS

Market Information

There is no established public trading market for our common shares. Our fourth and most recent public offering provided for the sale of our common shares at a price per share of $10.50. On January 23, 2006, we closed the primary offering component of this offering of common shares. While we anticipate that the primary offering will be closed for the foreseeable future, we have retained the right to recommence the primary offering at any time prior to June 9, 2007. In addition, we will continue to offer common shares through our DRP. As of March 31, 2006, there were approximately 35,800 stockholders of record.

In order for NASD members and their associated persons to have participated in the offering and sale of common shares pursuant to our public offering or to participate in any future offering of our common shares, we are required pursuant to NASD Rule 2710(c)(6) to disclose in each annual report distributed to stockholders a per share estimated value of the shares, the method by which it was developed and the date of the data used to develop the estimated value. In addition, the Advisor must prepare annual statements of estimated share values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our common shares. For these purposes, the estimated value of the shares was deemed to be $10.50 per share as of December 31, 2005. The basis for this valuation is the fact that, as of December 31, 2005, we were conducting our fourth public offering of our common shares at the price of $10.50 per share to third-party investors through arm s-length transactions and we continued to offer shares in this offering at that price through January 23, 2006, the date on which we closed the primary component of the offering. However, there is no significant public trading market for the shares at this time, and there can be no assurance that stockholders could receive $10.50 per share if such a market did exist and they sold their shares or that they will be able to receive such amount for their shares in the future. Moreover, we have not performed an appraisal of our properties; as such, this valuation is not necessarily based upon the appraised value of our properties, nor does it necessarily represent the amount stockholders would receive if our properties were sold and the proceeds distributed to our stockholders in a liquidation, which amount may be less than $10.50 per share, because at the time we were purchasing our properties, the amount of funds available for investment in properties was reduced by selling commissions and dealer manager fees, organization and offering costs and acquisition and advisory fees and expenses, as described in more detail in the notes to our consolidated financial statements included in this report. As a result, it would be expected that, in the absence of other factors affecting property values, our aggregate net asset value may be less than the proceeds of our offerings and may not be the best indicator of the value of shares purchased as a long term income producing investment. In addition, we may conduct additional public offerings of our common shares. Prior to providing a liquidity event for our stockholders, our Board will determine the public offering price of our common shares for future public offerings, which may or may not be the same as the public offering price of our past and current public offerings.

Distribution Reinvestment Plan

We maintain a DRP for our investors to help facilitate investments in our common shares. Our DRP, subject to certain share ownership restrictions, allows investors to automatically reinvest regular distributions by purchasing additional shares from us at a discount purchase price equal to the current or most recent offering price of our common shares less a 5% discount. Until there is more than a *de minimus* amount of trading in our common shares, the fair market value of our common shares purchased from us under our DRP will be the same as the price of a share in the current or most recent offering. As of the date of this filing, the purchase price, as determined using the most recent offering price, was $10.50, and therefore participants of the DRP are able to purchase shares at $9.975 per share.

Our Board may by majority vote (including a majority of our Independent Directors) amend or terminate the DRP for any reason upon 10 days written notice to plan participants.

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Share Redemption Program

We have also established a share redemption program that provides investors with limited interim liquidity. As long as our common shares are not listed on a national securities exchange or traded on an over-the-counter market, stockholders of Dividend Capital Trust Inc. (**Dividend Capital Trust**) or OP Unit holders of our Operating Partnership who have held their shares or units for at least one year may be able to redeem all or any portion of their shares or units in accordance with the procedures outlined in the prospectus relating to the shares or units they purchased. At that time, we may, subject to certain conditions and limitations, redeem the shares or units presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption. The amount received by investors from the redemption of shares or units will be equal to the lesser of the price actually paid for the shares or units or the redemption price, which is dependent on the number of years the shares or units are held. For shares purchased in our fourth public offering and for units obtained through our Operating Partnership s private placement, the redemption price is as described in the following table.

Share Purchase Anniversary	Redemption Price as a Percentage of Purchase Price (1)
Less than 1	No Redemption Allowed
1	92.5%
2	95.0%
3	97.5%
4	100.0%

(1) This plan is subject to change at the discretion of our Board and in no event will the redemption price exceed the then current offering price of our common shares (excluding sales from our DRP).

We expect to continue to fund the redemption of our common shares or units pursuant to our share redemption program with proceeds received from the sale of shares pursuant to our DRP. The table below sets forth information regarding our redemption of common shares from our stockholders for the quarter ended March 31, 2006.

Period	Total Number of Shares Repurchased(1)	Average Price per Share
January 2006		$
February 2006		
March 2006	248,237	9.56
Total	248,237	$ 9.56

(1) These shares were redeemed pursuant to our share redemption program.

During any calendar year we presently intend to limit the number of shares redeemed pursuant to our share redemption program to the lesser of: (1) three percent (3.0%) of the weighted average number of shares outstanding during the prior calendar year and (2) that number of shares we can redeem with the proceeds we receive from the sale of shares under our DRP. In either case, the aggregate amount of redemptions under our share redemption program is not expected to exceed aggregate proceeds received from the sale of shares pursuant to our DRP. The Board, in its sole discretion, may choose to use other sources of funds to redeem shares.

Distributions

We qualified as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2003. In order to qualify and remain qualified as a REIT, among other things, we are required to distribute at least 90% of our annual net taxable income to our stockholders.

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Our Board declares the following quarter s annualized distribution before the first day of the quarter. We will calculate our distributions based upon daily record and distribution declaration dates so investors will be eligible to earn distributions immediately upon purchasing their investment. We intend to declare and pay distributions on a quarterly basis. The following table sets forth the distributions that have been paid and/or declared to date by our Board.

Quarter	Amount Declared per Share/Unit(1)	Annualized Amount Per Share/Unit(1)	Date Paid
2nd Quarter 2003	$ 0.1558	$ 0.625	July 15, 2003
3rd Quarter 2003	$ 0.1575	$ 0.625	October 15, 2003
4th Quarter 2003	$ 0.1575	$ 0.625	January 15, 2004
1st Quarter 2004	$ 0.1591	$ 0.640	April 15, 2004
2nd Quarter 2004	$ 0.1591	$ 0.640	July 15, 2004
3rd Quarter 2004	$ 0.1609	$ 0.640	October 15, 2004
4th Quarter 2004	$ 0.1609	$ 0.640	January 18, 2005
1st Quarter 2005	$ 0.1578	$ 0.640	April 15, 2005
2nd Quarter 2005	$ 0.1596	$ 0.640	July 15, 2005
3rd Quarter 2005	$ 0.1613	$ 0.640	October 17, 2005
4th Quarter 2005	$ 0.1613	$ 0.640	January 17, 2006
1st Quarter 2006	$ 0.1578	$ 0.640	April 17, 2006
2nd Quarter 2006	$ 0.1596	$ 0.640	July 17, 2006

(1) Assumes share/unit was owned for the entire quarter.

Our distributions to stockholders are characterized for U.S. federal income tax purposes as ordinary income or non-taxable return of capital. Distributions that exceed our current and accumulated earning and profits after depreciation (as calculated for tax purposes) constitute a return of capital for tax purposes rather than a dividend and reduce the stockholders basis in the common shares. We notify stockholders of the taxability of distributions paid during the preceding year on an annual basis. The following summarizes the taxability of distributions on common shares for the years ended December 31, 2005, 2004 and 2003:

	For the Year Ended December 31,					
	2005		2004		2003	
Distribution Taxability	Per Share Amount	Percentage	Per Share Amount	Percentage	Per Share Amount	Percentage
Ordinary Income	$ 0.408	63.8%	$ 0.378	59.1%	$ 0.249	39.8%
Return of Capital	$ 0.232	36.2%	$ 0.262	40.9%	$ 0.376	60.2%
Total	$ 0.640	100.0%	$ 0.640	100.0%	$ 0.625	100.0%

Partnership Units

Dividend Capital Trust serves as the general partner of our Operating Partnership and currently owns 200 general partnership units for which we contributed $2,000. As of March 31, 2006, we held 149,154,163 OP Units and owned approximately 98% of our Operating Partnership.

Pursuant to our Operating Partnership s private placement (as more fully described in Management s Discussion and Analysis of Financial Condition and Results of Operations), as of March 31, 2006, we had issued 3.1 million OP Units to third-party investors. No such OP Units had been issued to third-party investors prior to 2005. Pursuant to our Operating Partnership s private placement, these OP Units were issued in exchange for tenancy-in-common interests in our properties, at a price equal to the price per common share at the time of the exchange. Such OP Units are economically equivalent to our common shares including their participation in distributions and in the share redemption program.

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The Advisor currently owns 20,000 OP Units of our Operating Partnership, for which it contributed $200,000. The Advisor may not sell any of these units during the period it serves as the Advisor. The Advisor s Parent owns 10,000 Special Units, for which it contributed $1,000.

Amounts distributable to the holder of the Special Units will depend on operations and the amount of net sales proceeds received from property dispositions. In general, after holders of regular partnership interests have in the aggregate, received cumulative distributions equal to their capital contributions plus a 7% pre-tax cumulative non-compounded annual return on their net contributions, the holder of the Special Units and the holders of regular partnership interests will receive 15% and 85%, respectively, of the net sales proceeds received by our Operating Partnership upon the disposition of our Operating Partnership s assets.

The Special Units may be redeemed by our Operating Partnership for cash upon the occurrence of specified events that result in a termination or non-renewal of the Advisory Agreement. If the Advisory Agreement is terminated by us for cause, the redemption price will be $1. If our common shares are listed for public trading or if the Advisory Agreement is terminated upon the occurrence of certain other events, the redemption price of the Special Units will be the amount which would have been distributed to the holder of the Special Units in accordance with the partnership agreement of our Operating Partnership out of the net sales proceeds. Net sales proceeds will be determined by the public market prices in the event of a listing of our common shares or by the net sales proceeds received in the event of the disposition of our properties. In the case of certain other events, net sales proceeds will be determined by the then fair market value of our Operating Partnership s assets, as determined by an appraisal, less all of its liabilities.

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SELECTED FINANCIAL DATA

The following table sets forth selected financial data relating to our historical results of operations for the periods ended 2005, 2004, 2003 and 2002, as well as for the three months ended March 31, 2006 and 2005. The table also sets forth selected financial data relating to the balance sheets as of December 31, 2005, 2004 and 2003 and as of March 31, 2006 and 2005. Certain amounts presented for the 2004, 2003 and 2002 fiscal years and for the 2005 three-month period have been reclassified to conform to the presentation for the 2005 fiscal year and the 2006 three-month period. The financial data in the table is qualified in its entirety by, and should be read in conjunction with, Dividend Capital Trust Inc. Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes. The amounts in the table are in thousands except for per-share information.

	Year ended December 31, 2005	2004	2003	For the Period From Inception (April 12, 2002) to December 31, 2002	For the Three Months Ended March 31, 2006 (unaudited)	2005 (unaudited)
Operating Data:						
Rental revenue	$ 122,446	$ 34,690	$ 2,645	$	$ 46,680	$ 19,602
Institutional capital management fees					52	
Total revenue	122,446	34,690	2,645		46,732	19,602
Real estate taxes	15,315	3,830	231		6,481	2,435
Operating expenses	13,455	3,375	135		4,462	2,384
Depreciation and amortization	71,023	19,273	1,195		24,492	12,350
General and administrative expenses	3,004	2,372	412	213	730	728
Asset management fees, related party	8,901	1,525			3,518	1,179
Total expenses	111,697	30,375	1,974	213	39,683	19,076
Equity in earning (loss) of unconsolidated joint ventures					(53)	
Gain from disposition of real estate interests	2,285				3,988	
Interest expense, including amortization	(28,712)	(5,978)	(385)		(11,681)	(3,718)
Interest and other income	3,193	1,407	61		2,462	610
Total Other Income (Expense)	(23,234)	(4,570)	(324)		(5,284)	(3,108)
Net income (loss) before minority interest	(12,486)	(255)	347	(213)	1,765	(2,582)
Minority interest	(526)			(200)	(190)	
Net income (loss)	$ (11,960)	$ (255)	$ 347	$ (13)	$ 1,955	$ (2,582)
Common Share Distributions:						
Common share cash distributions declared	$ 62,292	$ 24,263	$ 2,452	$	$ 22,950	$ 11,744
Common share cash distributions declared per share	$ 0.640	$ 0.640	$ 0.625	$	$ 0.16	$ 0.16
Per Share Data:						
Basic earnings (loss) per common share	$ (0.12)	$ (0.01)	$ 0.09	$ (63.56)	$ 0.01	$ (0.03)
Diluted earnings (loss) per common share	$ (0.12)	$ (0.01)	$ 0.09	$ (63.56)	$ 0.01	$ (0.03)
Other Data:						
Reconciliation of net income (loss) to funds from operations (1):						
Net income (loss) attributable to common shares	$ (11,960)	$ (255)	$ 347	$ (13)	$ 1,955	$ (2,582)
Add:						
Real estate related depreciation and amortization	71,023	19,273	1,195		24,492	12,350
Equity in earnings (loss) of unconsolidated joint ventures					53	
Equity in FFO of unconsolidated joint ventures					57	
Subtract:						
Minority interest in net loss	526				(190)	
Minority interest in funds from operations	1,364				(911)	
Gain from disposition of real estate					(3,988)	

Funds from operations attributable to common shares	$ 57,173	$ 19,018	$ 1,542	$ (13)	$ 21,468	$ 9,768
Basic funds from operations per common share	$ 0.59	$ 0.50	$ 0.39	$ (63.56)	$ 0.15	$ 0.13
Diluted funds from operations per common share	$ 0.59	$ 0.50	$ 0.38	$ (63.56)	$ 0.15	$ 0.13
Weighted average common shares outstanding:						
Basic	97,333	37,908	3,987		145,402	74,421
Diluted	97,774	37,928	4,007		147,315	74,441
Net cash provided by (used in) operating activities	$ 66,295	$ 21,452	$ 1,700	$ (139)	$ 19,590	$ 10,753
Net cash used in investing activities	(750,877)	(560,036)	(149,948)		(33,978)	(78,014)
Net cash provided by financing activities	755,980	558,027	152,314	150	217,019	190,036

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	As of December 31,				As of March 31	
	2005	2004	2003	2002	2006	2005
					(unaudited)	
Balance Sheet Data:						
Net investment in real estate	$ 1,904,411	$ 732,202	$ 150,633	$	$ 1,913,052	$ 820,290
Total assets	2,057,695	784,808	156,608	751	2,275,718	1,002,935
Line of credit	16	4	1,000		18	8
Mortgage notes	642,242	142,755	40,500		640,040	223,122
Total liabilities	869,307	203,593	49,782	761	951,716	305,300
Total shareholders equity (deficit)	1,132,811	581,214	106,824	(11)	1,257,204	697,634
Minority interest	55,577	1	1	1	66,798	1
Number of common shares outstanding	133,207	67,720	12,470	2	149,154	81,320

(1) We believe that FFO, as defined by the National Association of Real Estate Investment Trusts (**NAREIT**), is a meaningful supplemental measure of our operating performance because historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time, as reflected through depreciation and amortization expenses. However, since real estate values have historically risen or fallen with market and other conditions, many industry investors and analysts have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient. Thus, NAREIT created FFO as a supplemental measure of operating performance for real estate investment trusts that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. We believe that the use of FFO, combined with the required GAAP presentations, has been beneficial in improving the understanding of operating results of real estate investment trusts among the investing public and making comparisons of operating results among such companies more meaningful. We consider FFO to be a useful measure for reviewing our comparative operating and financial performance because, by excluding gains or losses related to sales of previously depreciated operating real estate assets and real estate depreciation and amortization, FFO can help the investing public compare the operating performance of a company s real estate between periods or as compared to other companies.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and notes thereto as of December 31, 2005 and 2004, and for the years ended December 31, 2005, 2004 and 2003, as well as the unaudited consolidated financial statements and notes thereto as of March 31, 2006, and for the three months ended March 31, 2006 and 2005.

Overview

We were formed as a Maryland corporation in April 2002 in order to invest in commercial real estate properties consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. In order to provide capital for these investments, we have sold our common shares through four distinct public offerings, raised capital through our Operating Partnership s private placement (as more fully described below) and issued and assumed debt. As of January 23, 2006, we closed the primary component of our fourth public offering and, as a result, we have stopped raising capital through the sale of our common shares. However, we will continue to raise significant amounts of capital collectively through our Operating Partnership s private placement, through our DRP and through the issuance of debt.

Our primary focus is to continue to build an industrial real estate operating company that owns, develops, and operates a high-quality diversified portfolio of bulk distribution and light industrial properties in the leading logistics and distribution markets in North America.

The following discussion describes certain significant transactions that occurred during the year ended December 31, 2005 and certain recent developments, and compares and contrasts our financial condition as of March 31, 2006 and December 31, 2005, 2004 and 2003 as well as our results of operations for the quarters ended March 31, 2006 and March 31, 2005 and years ended December 31, 2005, 2004 and 2003. We acquired our first property in June of 2003 and have built a portfolio of 269 operating properties through March 31, 2006. As a result of these acquisitions, we have experienced significant changes in our operating and financing activities during the past three years.

Significant Transactions During 2005 and Recent Developments

We have experienced a substantial increase in acquisition activity since we acquired our first property in June 2003. As a result of our investment strategy, as of June 15, 2006, we owned or controlled 372 operating properties comprising 54.3 million square feet located in 24 markets, including 22 of our target markets. We acquired 158 of these properties for a total estimated cost of approximately $1.2 billion during 2005 using net proceeds from our public offerings, our Operating Partnership s private placement and debt financings including the assumption of 19 secured, non-recourse notes totaling $434.1 million. We acquired 13 properties for a total cost of approximately $128.1 million during the three months ended March 31, 2006 using net proceeds from our public and private offerings and debt issuances.

Beginning on February 2, 2005, and ending on May 13, 2005, we acquired seven bulk distribution properties comprising approximately 3.6 million square feet for a total estimated cost of approximately $132.8 million in connection with our purchase agreement with Panattoni Development Company LLC, an unrelated third-party. We assumed four secured, non-recourse mortgage notes totaling approximately $30.6 million associated with the acquisition of these properties.

On April 8, 2005, in connection with our Operating Partnership s private placement, we issued 424,352 OP Units valued at approximately $4.5 million in exchange for certain fractional tenancy-in-common interests we had previously sold in a property located in Memphis, Tennessee.

On May 19, 2005, we entered into a joint venture agreement with SV Atlanta SouthCreek IV, L.P. (**SouthCreek**), an unrelated third-party, to acquire 37 acres of land and to develop a 556,800 square foot distribution facility located in Atlanta, Georgia. Pursuant to the joint venture agreement, SouthCreek and we will provide approximately 3% and 97%, respectively, of the required equity capital, which is estimated to be approximately $5.6 million, to fund the development project. Both parties will receive a preferred return on their respective capital contributions. We have the right to purchase SouthCreek s interest in the venture at anytime after the later to occur of (i) stabilization of the project, and (ii) the date 18 months after completion of the project. We currently estimate that the facility will be completed in August 2006 for a total estimated cost of approximately $17.5 million.

On July 21, 2005, we completed a merger with Cabot Industrial Value Fund, Inc. (**Cabot**), an unrelated third-party, whereby we acquired all of the outstanding shares of Cabot s common stock for approximately $312.6 million. However, after certain equity contributions and distributions, as of December 31, 2005, our investment was approximately $302.4 million. Through our ownership of Cabot, we initially acquired an approximate 87% interest in Cabot Industrial Value Fund, LP, which, as of December 31, 2005, owned a portfolio of 104 properties with a total historical cost of approximately $654.5 million which is located in 12 markets throughout the United States and had approximately $308.8 million of mortgage debt outstanding. As of December 31, 2005, this portfolio was 89.6% leased (see Note 3 Real Estate to our audited consolidated financial statements). On April 1, 2006, we purchased the remaining interests in the Cabot Industrial Value Fund, LP, for approximately $40.4 million.

On October 27, 2005, in connection with our Operating Partnership s private placement, we issued 570,950 OP Units valued at approximately $6.0 million in exchange for certain fractional tenancy-in-common interests we had previously sold in a property located in Memphis, Tennessee.

On December 9, 2005, we amended our existing $225.0 million senior secured revolving credit facility such that it is now a $250.0 million unsecured facility that matures in December 2008.

On December 29, 2005, in connection with our Operating Partnership s private placement, we issued 751,751 OP Units valued at approximately $7.9 million in exchange for certain fractional tenancy-in-common interests we had previously sold in a property located in Atlanta, Georgia.

On January 4, 2006, we issued $50.0 million of unsecured, non-recourse debt with a fixed interest rate of 5.68% maturing in January 2014. In addition, we finalized the terms of $100.0 million of additional unsecured debt to be issued by April 27, 2006. All the notes require quarterly payments of interest only.

On January 23, 2006, we closed the primary offering component of our fourth public offering of common shares. While we anticipate that the primary offering will be closed for the foreseeable future, we have retained the right to recommence the primary offering at any time prior to June 9, 2007. In addition, we will continue to offer common shares through our DRP.

On February 21, 2006, we entered into a joint venture with affiliates of Boubyan Bank of Kuwait (our **Partner**) to create an institutional fund, DCT Fund I LLC (the **Fund**), that owns and operates industrial properties located in the United States. We contributed six industrial properties to the Fund, aggregating approximately 2.6 million square feet after completion of a 330,000 square foot expansion project. The approximate contribution value of the six buildings upon completion of the expansion is $122.8 million. Contemporaneously with our contribution, the Fund issued approximately $84.4 million of secured non-recourse debt and our Partner contributed $19.7 million of equity to the Fund. Upon receipt of these proceeds, the Fund made a special distribution to us of approximately $102.7 million. Upon completion of the expansion, the Fund will make another special distribution to us and at such time we will recognize the sale of such expansion. The expansion project was completed in June 2006. After giving effect to these transactions, our ownership of the Fund is 20% and our Partner s ownership is 80%.

Pursuant to our joint venture agreement, we act as asset manager for the Fund and earn certain fees including asset management fees and leasing commissions, as well as other fees related to the properties we

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manage. Such fees totaled approximately $52,000 for the three months ended March 31, 2006. In addition to these fees, after the partners are repaid their respective capital contributions plus a preferred return, we have the right to receive a promoted interest in the Fund based on performance. Although the Fund s day-to-day business affairs are managed by us, all major decisions are determined by both us and our Partner.

On March 22, 2006, in connection with our Operating Partnership s private placement, we issued approximately 1.3 million OP Units valued at approximately $13.8 million in exchange for certain fractional tenancy-in-common interests we had previously sold in a property located in Plainfield, Indiana.

On May 10, 2006, we entered into a purchase agreement to acquire a portfolio of 79 bulk distribution, light industrial and service center buildings comprising approximately 7.9 million square feet located in the following eight markets: Atlanta, Baltimore, Charlotte, Cincinnati, Dallas, Miami, Orlando and San Francisco (collectively, **Cal-TIA**). Pursuant to the purchase agreement, on June 9, 2006, we acquired a fee interest in 78 of the 79 buildings in Cal-TIA, as well as a land parcel comprising 9.2 acres located in the Orlando market, for a total estimated cost of approximately $500.7 million (which includes an acquisition fee of $4.9 million that is payable to the Advisor), which was funded using our existing cash balances, net proceeds from our Operating Partnership s private placement and debt proceeds of approximately $387.0 million. Such debt proceeds consisted of borrowings from our existing senior unsecured revolving credit facility in the amount of $112.0 million and the issuance of $275.0 million of unsecured debt.

Our acquisition of the remaining building in Cal-TIA, which comprises 19,100 square feet and is located in the San Francisco market, is contingent upon the election of the building s current tenant not to exercise a purchase option to acquire the building. Pursuant to this purchase option, the tenant has until September 7, 2006 to acquire the building. If the tenant elects not to exercise its purchase option, we anticipate that we will acquire this remaining building within thirty days of receiving notice from the sellers that such option has not been exercised for a purchase price of approximately $2.4 million.

The table below provides the number of buildings, total square feet and other occupancy information by market with respect to the acquired portfolio of buildings as of June 9, 2006.

Market	Buildings	Total Square Feet	Occupancy	Occupied Square Feet
Atlanta	9	1,146,169	97.9%	1,121,782
Baltimore	3	278,519	96.2%	268,038
Charlotte	7	1,051,144	72.0%	756,942
Cincinnati	18	796,413	93.0%	741,175
Dallas	5	1,828,183	97.5%	1,782,775
Miami	3	411,009	89.9%	369,661
Orlando	10	859,094	89.6%	769,707
San Francisco	23	1,499,524	96.2%	1,442,868
Total Portfolio	78	7,870,055	92.2%	7,252,948

Liquidity and Capital Resources

Overview

We are not aware of any material trends or uncertainties, favorable or unfavorable, other than national economic conditions affecting real estate generally, which we anticipate may have a material impact on either capital resources or the revenues or income to be derived from the operation of real estate properties. We believe that capital will continue to flow into the real estate industry and industrial real estate in particular, which will continue to foster a competitive environment for the assets we are seeking to acquire. Consequently, we, through the activities of the Advisor, have assembled a team of 45 professionals with over 500 years of aggregate experience who are dedicated to the acquisition and operation of properties that meet our investment criteria. The

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ability of the Advisor to find and acquire these properties at a pace that is consistent with the capital that has been raised through our public offerings, and that has and will continue to be raised through our Operating Partnership s private placement, our DRP and other financing activities, will directly impact our financial performance and the metrics that management uses to evaluate our performance, including funds from operations available to pay distributions.

Management expects that our principal sources of working capital and funding for acquisitions and potential capital requirements for expansion and renovation of properties, developments, distributions to investors, redemption of common shares and debt service will include:

- Current cash balances;
- Borrowings under our senior unsecured credit facility;
- Other forms of secured or unsecured financings;
- Capital from co-investment partners;
- Proceeds from our Operating Partnership s private placement;
- Proceeds from future offerings of our common shares;
- Proceeds from our DRP; and
- Cash flow from operations.

Over the short term, we believe that our sources of capital, specifically our cash flow from operations, borrowings under our credit facilities and our ability to raise capital through our Operating Partnership s private placement and our DRP are adequate and will continue to be adequate to meet our liquidity requirements and capital commitments. These liquidity requirements and capital commitments include the payment of debt service, regular quarterly investor distributions, funding redemptions of our common shares, capital expenditures at our properties, including developments, forward purchase commitments (as more fully described below), the acquisition of 104 properties which are currently the subject of an executed letter of intent, under contract or have closed since March 31, 2006 (including Cal-TIA) and future acquisitions of unidentified properties. The properties that had been identified as of June 15, 2006 total 221,840 square feet and have an aggregate purchase price of approximately $14.9 million. We anticipate that the acquisitions that have not yet closed will close over the next several months. However, the contracts related to these acquisitions are subject to a number of contingencies and there can be no assurances that these acquisitions will transpire.

Over the longer term, in addition to the same sources of capital we rely on to meet our short term liquidity requirements, we also expect to utilize additional secured and unsecured financings and capital from co-investment partners. However, we currently intend to stop raising capital pursuant to our operating partnership s private placement in the third quarter of 2006. It is our current intention to pursue a Listing following the consummation of the Internalization, if and when market conditions make it desirable to do so and it is otherwise in our best interest to do so, but there can be no assurance that we in fact complete a Listing or that market conditions will permit us to do so. We may also conduct additional public offerings or recommence our fourth public offering. We expect these resources will be adequate to fund our operating activities, debt service and distributions, which we presently anticipate will grow over time, and will be sufficient to fund our ongoing acquisition activities as well as providing capital for investment in future development and other joint ventures along with additional potential forward purchase commitments. In addition, we intend to seek to enter into additional joint ventures similar to the one we entered into on February 21, 2006 (as described above), and expect that our cash flow from operations over the longer term will be comprised of both rents from our properties and fees earned for asset management and other services performed on behalf of such joint ventures.

For the three months ended March 31, 2006 and 2005, our financing activities generated approximately $217.0 million and $190.0 million, respectively. During these periods, we generated gross proceeds of approximately $204.8 million and $156.6 million, respectively, through our public offerings and our Operating

Partnership s private placement. In addition, we issued debt of approximately $50.0 million and $57.0 million, respectively (see Note 3 Debt to our unaudited consolidated financial statements). During the three months ended March 31, 2006 and 2005, our cash provided by operating activities were approximately $19.6 million and $10.8 million, respectively. These sources of capital were utilized to fund approximately $133.8 million and $76.5 million of cash invested in real estate during the three months ended March 31, 2006 and 2005, respectively.

During the years ended December 31, 2005, 2004 and 2003, our cash generated from financing activities increased year to year and we generated approximately $756.0 million, $558.0 million, and $152.3 million, respectively. During these years, we generated net proceeds of approximately $737.2 million, $522.2 million and $112.0 million, respectively, through our public offerings and our Operating Partnership s private placement. In addition, we issued debt of approximately $60.9 million, $55.0 million and $51.9 million, respectively. During the years ended December 31, 2005, 2004 and 2003, our cash provided by operating activities increased from year to year and we generated approximately $66.3 million, $21.5 million and $1.7 million, respectively. These sources of capital were utilized to fund approximately $750.3 million, $548.5 million and $149.6 million of cash invested in real estate during the years ended December 31, 2005, 2004 and 2003, respectively.

Management anticipates that over time, debt proceeds as well as cash provided by operating activities will represent an increasing percentage of our sources of capital as will capital from co-investment partners.

Public Offerings

On April 15, 2002, we filed an S-11 registration statement with the SEC covering our first public offering of our common shares. The registration statement was declared effective on July 17, 2002 and we received approval of our offering in all 50 states in December 2002. The common shares were offered at a price of $10 per share on a 200,000 share minimum, 25,000,000 share maximum, best-efforts basis. The registration statement also covered up to 4,000,000 shares available pursuant to our DRP and up to 1,000,000 shares issuable upon the exercise of warrants issued to the Dealer Manager for a price of $.001 per share for every 25 shares sold. Until we received subscriptions covering at least 200,000 shares from at least 100 non-affiliated investors, offering proceeds were required to be held in escrow. The escrow conditions were satisfied on February 10, 2003, at which time 226,567 common shares were issued to investors. In April 2004, we completed our first public offering and sold approximately 25.5 million common shares for gross proceeds of approximately $254.4 million, which includes shares issued pursuant to our DRP.

Our second offering began immediately following the completion of the initial offering. The second registration statement was filed on February 27, 2004, and was declared effective on April 16, 2004. The registration statement offered common shares at a price of $10 per share for a maximum of 30,000,000 shares. The registration statement also covered up to 10,000,000 shares available pursuant to our DRP as well as up to 1,200,000 shares issuable upon the exercise of warrants sold to the Dealer Manager for a price of $.001 per share for every 25 shares sold. In October 2004, we completed our second public offering and sold approximately 30.4 million common shares for gross proceeds of approximately $302.8 million, which includes shares issued pursuant to our DRP.

Our third offering began immediately following the second offering. On June 28, 2004, we filed our third registration statement and this registration statement was declared effective by the SEC, and the offering commenced on October 18, 2004. The common shares were offered at a price of $10.50 per share for a maximum of 40,000,000 shares. The registration statement also covered up to 13,000,000 shares available pursuant to our DRP. On June 24, 2005, we concluded our third public offering having sold approximately 40.7 million common shares for gross proceeds of approximately $424.7 million, which includes shares issued pursuant to our DRP.

Our fourth offering began immediately following the third offering. The fourth registration statement was filed on January 24, 2005 and was declared effective by the SEC on June 9, 2005, and we commenced the offering on June 27, 2005. The related prospectus covers a maximum of $1,000,000,000 in common shares comprised of two components: (i) an offering of up to 72,770,273 shares to the public at a price of $10.50 per share, which we refer to as our primary offering, and (ii) an offering of up to 23,650,339 shares to participants in our DRP at $9.975 per share. On January 23, 2006, we closed the primary offering component of our fourth public offering. While we anticipate that the primary offering will be closed for the foreseeable future, we have retained the right to recommence the primary offering at any time prior to June 9, 2007. In addition, we will continue to offer common shares through our DRP. As of March 31, 2006, we had sold approximately 54.0 million shares for gross proceeds of approximately $560.7 million in connection with our fourth public offering.

As of March 31, 2006, 149,154,163 common shares were issued and outstanding. The net proceeds from the sale of these securities were transferred to our Operating Partnership on a one-for-one basis for OP Units. Although we have closed the primary offering component of our fourth public offering, we will continue to offer shares through our DRP. In the future, we anticipate that our principal sources of funding for the purchase of industrial properties will include proceeds from debt financings, capital from co-investment partners, proceeds from our Operating Partnership s private placement, proceeds from our DRP, and cash flow from operations. We may also conduct additional public offerings or recommence our fourth public offering.

Pursuant to the Advisory Agreement, the Advisor is obligated to advance all of our offering costs, subject to its right to be reimbursed for such costs by us in an amount up to 2% of the gross offering proceeds raised. Such offering costs include but are not limited to actual legal, accounting, printing and other expenses attributable to preparing the SEC registration statements, qualification of the shares for sale in the states and filing fees incurred by the Advisor, as well as reimbursements for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares, other than selling commissions and the dealer manager fee (see below).

During the three months ended March 31, 2006 and 2005, the Advisor incurred approximately $893,000 and $2.1 million, respectively, of offering costs. During the three months ended March 31, 2006 and 2005, we reimbursed the Advisor approximately $1.3 million and $2.8 million, respectively, for such costs. As described above, we closed the primary offering component of our fourth public offering on January 23, 2006, and, as of March 31, 2006, we had reimbursed the Advisor for all of the then existing un-reimbursed offering costs. However, the Advisor expects to realize additional costs relating to our offerings in the future and to the extent the Advisor incurs such costs, we will be required to reimburse the Advisor up to 2% of the gross proceeds raised in our public offerings of our common shares.

During the years ended December, 31, 2005, 2004 and 2003 as well as from the period of our inception (April 12, 2002) to December 31, 2002 the Advisor incurred $8.6 million, $8.3 million, $7.7 million and $3.4 million, of offering costs, respectively. During the years ended December 31, 2005, 2004 and 2003, we reimbursed the Advisor approximately $13.3 million, $10.9 million and $3.3 million, respectively. We did not reimburse the Advisor for any such costs during 2002.

Pursuant to the dealer manager agreements, we are obligated to pay the Dealer Manager a dealer manager fee and commissions up to 2.0% and 6.0%, respectively, of gross proceeds raised from our public offerings of common shares. For the three months ended March 31, 2006 and 2005, we incurred approximately $10.9 million and $10.8 million, respectively, payable to the Dealer Manager for dealer manager fees and sales commissions. During the years ended December 31, 2005, 2004 and 2003, we paid the Dealer Manager approximately $49.9 million, $41.9 million and $11.0 million, respectively, of which $36.6 million, $31.0 million and $8.2 million, respectively, had been re-allowed to broker-dealers participating in our public offerings.

Our Operating Partnership s Private Placement

Our Operating Partnership is currently offering undivided tenancy-in-common interests in our properties to accredited investors in a private placement exempt from registration under the Securities Act. We anticipate that these tenancy-in-common interests may serve as replacement properties for accredited investors seeking to

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complete like-kind exchange transactions under Section 1031 of the Code. Additionally, the tenancy-in-common interests sold to investors will be 100% leased by our Operating Partnership, and such leases will contain purchase options whereby our Operating Partnership will have the right, but not the obligation, to acquire the tenancy-in-common interests from the investors at a later point in time in exchange for OP Units in our Operating Partnership under Section 721 of the Code.

Our Operating Partnership pays certain up-front fees and reimburses certain related expenses to the Advisor, the Dealer Manager and the Facilitator for raising capital through our Operating Partnership s private placement. The Advisor is obligated to pay all of the offering and marketing related costs associated with the private placement. However, our Operating Partnership is obligated to pay the Advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised through the private placement. In addition, our Operating Partnership is obligated to pay the Dealer Manager a dealer manager fee of up to 1.5% of the gross equity proceeds raised and a commission of up to 5% of the gross equity proceeds raised through the private placement. The Dealer Manager may re-allow such commissions and a portion of such dealer manager fee to participating broker dealers. Our Operating Partnership is also obligated to pay a transaction facilitation fee to the Facilitator, an affiliate of the Advisor, of up to 1.5% of the gross equity proceeds raised through the private placement.

During the three months ended March 31, 2006 and 2005, we raised approximately $50.0 million and $18.0 million, respectively, from the sale of undivided tenancy-in-common interests in our properties, and, as of March 31, 2006 and 2005, we had raised a total of approximately $228.0 million and $50.6 million, respectively, from the sale of undivided tenancy-in-common interests in our properties pursuant to our Operating Partnership s private placement.

During the years ended December 31, 2005, 2004 and 2003, we raised $145.3 million, $29.9 million and $2.7 million, respectively, from the sale of undivided tenancy-in-common interests in 27 buildings, which is included in financing obligations in the accompanying audited consolidated balance sheets pursuant to Statement of Financial Accounting Standards, or SFAS, No. 98 *Accounting for Leases* (**SFAS No. 98**). We have leased the undivided tenancy-in-common interests sold to unrelated third parties, and in accordance with SFAS No. 98, a portion of the rental payments made to third parties under the lease agreements are recognized as interest expense using the interest method.

During the years ended December 31, 2005, 2004 and 2003, we incurred approximately $3.9 million, $750,000 and $15,000, respectively, of rental expense under various lease agreements with these accredited investors. A portion of such amounts were accounted for as a reduction of the principal outstanding balance of the financing obligations and a portion was accounted for as an increase to interest expense in the accompanying audited consolidated financial statements. The various lease agreements in place as of December 31, 2005, contain expiration dates ranging from November 2013 to December 2025. The following table sets forth the five-year, future minimum rental payments due to third parties under the various lease agreements (amounts are in thousands):

Year ended December 31,	**Future Minimum Rental Payments**
2006	$ 12,148
2007	17,696
2008	19,114
2009	18,336
2010	17,629
Thereafter	113,698
Total	$ 198,621

During the years ended December 31, 2005, 2004 and 2003, our Operating Partnership incurred upfront costs of approximately $11.6 million, $2.6 million and $200,000 payable to the Advisor and other affiliates for effecting these transactions which are accounted for as deferred loan costs. Such deferred loan costs are included on our audited consolidated balance sheets and amortized to interest expense over the life of the financing obligation. If our Operating Partnership elects to exercise any purchase option as described above and issue OP Units, the un-amortized portion of up-front fees and expense reimbursements paid to affiliates will be recorded against minority interest as a selling cost of the OP Units. If our Operating Partnership does not elect to exercise any such purchase option, we will continue to account for these transactions as a financing obligation because we will continue to sub-lease 100% of the properties and will therefore not meet the definition of active use set forth in SFAS No. 98.

During the three months ended March 31, 2006, our Operating Partnership exercised its purchase option to buy certain tenancy-in-common interests it had previously sold in a property located in Plainfield, Indiana. In connection with the exercise of this option, our Operating Partnership issued approximately 1.3 million OP Units worth approximately $13.8 million to acquire such tenancy-in-common interests.

During the year ended December 31, 2005, our Operating Partnership exercised purchase options pursuant to three individual master lease agreements to buy certain tenancy-in-common interests it had previously sold in two properties located in Memphis, Tennessee and one property located in Atlanta, Georgia. In connection with the exercise of these options, our Operating Partnership issued an aggregate of approximately 1.7 million OP Units valued at approximately $18.3 million to acquire such tenancy-in-common interests.

Financing

Lines of Credit In December 2005, we amended our existing $225.0 million senior secured revolving credit facility such that it is now a $250.0 million unsecured facility with a syndicated group of banks led by JP Morgan Securities. The facility matures in December 2008 and has provisions to increase its total capacity to $400.0 million. At our election, the facility bears interest either at LIBOR plus 0.875% to 1.375%, depending upon our consolidated leverage, or at prime (7.25% at December 31, 2005) and is subject to an annual 0.25% facility fee. The facility contains various covenants including financial covenants with respect to consolidated leverage, net worth, unencumbered assets, interest and fixed charge coverage and secured debt to secured asset value. As of March 31, 2006 and December 31, 2005, we were in compliance with all these covenants. As of March 31, 2006 and December 31, 2005, we did not have an outstanding balance on this facility.

Contemporaneously with the amendment of our secured credit facility, we entered into a $40.0 million senior secured revolving credit facility with a separate syndicated bank group led by JP Morgan Securities pursuant to which the bank group has agreed to advance funds to our Operating Partnership and third-party investors in our Operating Partnership s private placement using undivided tenancy-in-common interests in our buildings as collateral. The facility matures in December 2008 and has provisions to increase its total capacity to $80.0 million. At our election, the facility bears interest either at LIBOR plus 1.25% to 1.75%, depending upon our consolidated leverage, or at prime and is subject to an unused facility fee. The facility contains various covenants including financial covenants with respect to consolidated leverage, net worth, interest and fixed charge coverage and secured debt to secured asset value. As of March 31, 2006 and December 31, 2005, we were in compliance with all these financial covenants. According to the terms of the facility, in addition to our borrowings, any loans made to third-party investors in our Operating Partnership s private placement reduce the total capacity available from the facility. In addition, the obligations of the borrowers under the facility are several but not joint. As of March 31, 2006 and December 31, 2005, approximately $30.6 million and $14.1 million, respectively, of loans had been advanced to such third parties and we had an outstanding balance of $18,000 and $16,000, respectively.

Debt Issuances In January 2006, we issued $50.0 million of unsecured, non-recourse debt with a fixed interest rate of 5.68% which matures in January 2014. The underlying notes require quarterly interest-only payments until maturity at which time a lump sum payment is due. In September 2005, we issued $3.9 million of secured, non-recourse debt with a fixed interest rate of 4.97% which matures in October 2013. The underlying note requires interest-only payments until April 1, 2007 at which time monthly payments of principal and interest are required. In January 2005, we issued $57.0 million of secured, non-recourse debt with a stated fixed interest rate of 4.40% which matures in 2010. Prior to January 1, 2006, the underlying notes required monthly payments of interest only and thereafter monthly payments of principal and interest are required. In December 2004, we issued $55.0 million of secured, non-recourse debt. The debt has a stated fixed interest rate of 5.31% and matures in 2015 and, prior to December 31, 2005, the underlying notes required monthly payments of interest only and thereafter monthly payments of principal and interest are required.

Debt Assumptions During the three months ended March 31, 2006, we did not assume any debt in connection our property acquisitions.

During the year ended December 31, 2005, we assumed nineteen secured, non-recourse notes, totaling $434.1 million in conjunction with the acquisition of certain properties (see Note 3-Real Estate to our audited consolidated financial statements). These assumed notes bear interest at fixed and variable rates ranging from 4.72% to 8.50% and require monthly payments of either interest, or principal and interest. The maturity dates of such assumed notes range from February 2008 to November 2022. We assumed six of these notes totaling $308.8 million in connection with our merger with Cabot on July 21, 2005. Pursuant to SFAS No. 141, *Business Combinations* (**SFAS No. 141**), the difference between the fair value and face value of these assumed notes at the date of acquisition resulted in a premium of approximately $8.7 million, which is amortized to interest expense over the remaining life of the underlying notes.

During the year ended December 31, 2004, we assumed five secured, non-recourse notes totaling $45.6 million, in conjunction with the acquisition of five properties with stated interest rates ranging from 6.22% to 7.21%. All of these notes bear interest at a fixed rate and require monthly payments of principal and interest. They have maturity dates ranging from 2007 to 2012. Pursuant to SFAS No. 141, the difference between the fair value and face value of these notes at the date of acquisition resulted in a premium of approximately $2.9 million, which is amortized to interest expense over the remaining life of the underlying notes.

As of March 31, 2006, the historical cost of all our properties was approximately $2.0 billion and the historical cost of all properties securing our fixed rate mortgage debt and senior secured revolving credit facility was approximately $1.2 billion and $126.9 million, respectively. As of December 31, 2005, the total historical cost of our properties was approximately $2.0 billion and the total historical cost of properties securing our fixed rate mortgage debt was approximately $1.2 billion. Our debt has various covenants and management believes it was in compliance with all of these covenants at March 31, 2006 and December 31, 2005.

The following table sets forth the scheduled maturities of our debt, excluding unamortized premiums, as of December 31, 2005 (amounts are in thousands).

Year	Fixed Rate Mortgage Debt	Senior Secured Revolving Credit Facility	Total
2006	$ 6,462	$	$ 6,462
2007	7,112		7,112
2008	69,240	16	69,256
2009	6,711		6,711
2010	57,224		57,224
2011	228,385		228,385
2012	182,658		182,658
2013	21,130		21,130
2014	2,486		2,486
2015	43,860		43,860
Thereafter	7,115		7,115
Total	$ 632,383	$ 16	$ 632,399

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Debt Service Requirements

As of March 31, 2006, we had total outstanding debt, excluding premiums and financing obligations (see Note 6 Our Partnership s Private Placement to the unaudited consolidated financial statements), of approximately $680.7 million consisting primarily of unsecured debt and secured, fixed-rate, non-recourse mortgage notes. All of these notes require monthly payments of interest and many require, or will ultimately require, monthly repayments of principal (see Note 3 Debt to our unaudited consolidated financial statements). Currently, funds from our operations is sufficient to satisfy these monthly debt service requirements and we anticipate that funds from operations will continue to be sufficient to satisfy our regular monthly debt service.

As of December 31, 2005, we had total outstanding debt, excluding premiums of $9.8 million and financing obligations of $154.7 million (see Note 8 Our Partnership s Private Placement to our audited consolidated financial statements), of approximately $632.4 million consisting primarily of secured, fixed-rate, non-recourse mortgage notes. All of these notes require monthly payments of interest and many require, or will ultimately require, monthly repayments of principal (see Note 5 Debt to our audited consolidated financial statements).

Forward Purchase Commitments

Deltapoint On March 28, 2005, a wholly-owned subsidiary of our Operating Partnership entered into a joint venture agreement with Deltapoint Park Associates, LLC, an unaffiliated third-party, to acquire 47 acres of land and to develop an 885,000 square foot distribution facility located in Memphis, Tennessee. Deltapoint Park Partners LLC (**Deltapoint**), a Delaware limited liability company, was created for the purpose of conducting business on behalf of the joint venture. Pursuant to the operating agreement of Deltapoint, we were obligated to make the majority of the initial capital contributions and we received a preferred return on such capital contributions. Subsequent to the closing of a construction loan in May 2005, Deltapoint repaid us our initial capital contributions plus our preferred return and we ceased to be a member of Deltapoint. Contemporaneously with the closing of the construction loan, our Operating Partnership entered into a forward purchase commitment agreement whereby we may become obligated to acquire the distribution facility from Deltapoint upon completion. The purchase obligation can be satisfied under a variety of scenarios, mostly dependent upon leasing, with a minimum purchase price equal to actual development costs. Construction of the facility was completed early in 2006 and the facility is currently in the leasing phase.

Buford Distribution Center In October 2004, we entered into a forward purchase commitment with Wachovia Bank National Association (**Wachovia**) in connection with our commitment to acquire two buildings, referred to as the Buford Distribution Center, totaling 677,667 square feet from an unrelated third-party developer. We entered into a binding agreement with Wachovia, the construction lender, to purchase the buildings at a price of up to $29.0 million and thereby retire the related construction financing. On March 31, 2006, we acquired this development project from the third-party developer and retired the debt with Wachovia for approximately $20.0 million.

Distributions

The payment of distributions is determined by our Board and may be adjusted at its discretion at any time. In December 2005, our Board set the 2006 distribution level at an annualized $0.64 per share or OP Unit. The distribution was set by our Board at a level we believe to be appropriate and sustainable based upon the evaluation of existing assets within our portfolio, anticipated acquisitions, projected levels of additional capital to be raised, debt to be incurred in the future and the anticipated results of operations. For the three months ended March 31, 2006, our Board declared distributions to stockholders totaling approximately $22.9 million. During the three months ended March 31, 2006, we paid $19.6 million on January 16, 2006 for distributions declared for stockholders in the fourth quarter of 2005. During the three months ended March 31, 2005, we paid $9.7 million on January 17, 2005 for distributions declared in the fourth quarter of 2004. To fund total distributions, we utilized both funds from operations and debt proceeds. It is our objective to fund our distributions over time exclusively using funds from our operations.

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Our Board declared the following distributions during the past three years: 2005 $62.3 million; 2004 $24.3 million and 2003 $2.5 million. During the year ended December 31, 2005, we paid the following distributions: (i) $9.7 million on January 17, 2005, for distributions declared in the fourth quarter of 2004, (ii) $11.7 million on April 15, 2005, for distributions declared in the first quarter of 2005, (iii) $14.1 million on July 15, 2005, for distributions declared in the second quarter of 2005 and (iv) $16.9 million on October 17, 2005, for distributions declared in the third quarter of 2005. To fund total distributions in 2005, we utilized both funds from operations and debt proceeds.

Distribution Reinvestment Plan

Pursuant to our DRP, $13.0 million of the distributions declared during the three months ended March 31, 2006, were satisfied through the issuance of approximately 1.3 million common shares at a 5.0% discount from our then current public offering share price for a discounted purchase price of $9.975 per share. For the three months ended March 31, 2005, $6.3 million of distributions declared were satisfied through the issuance of approximately 631,000 common shares pursuant to our DRP at a 5.0% discount from our then current public offering share price for a discounted purchase price of $9.975 per share.

Pursuant to our DRP, $34.4 million, $12.9 million and $1.3 million of the distributions declared during the years ended December 31, 2005, 2004 and 2003, were satisfied through the issuance of approximately 3.5 million, 1.3 million and 132,000 common shares, respectively, at a 5.0% discount from our then current public offering share price. Prior to October 18, 2004, the discounted purchase price for such shares was $9.50 per share and thereafter the purchase price was $9.975 per share.

Share Redemption Program

As long as our common shares are not listed on a national securities exchange or traded on an over-the-counter market, stockholders of Dividend Capital Trust or holders of OP Units in our Operating Partnership who have held their shares or units for at least one year may be able to redeem all or any portion of their shares or units in accordance with the procedures outlined in their applicable prospectus relating to the shares or units they purchased. At that time, we may, subject to the conditions and limitations, redeem the shares or units presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption (see Market for Registrant s Common Equity and Related Stockholder Matters Share Redemption Program for further discussion of our redemption program). During three months ended March 31, 2006 and 2005, we redeemed approximately 248,000 and 120,000 common shares, respectively, for total consideration of approximately $2.4 million and $1.2 million, respectively, pursuant to this program. During years ended December 31, 2005 and 2004, we redeemed approximately 970,000 and 214,000 common shares, respectively, for total consideration of approximately $9.3 million and $2.1 million, respectively, pursuant to this program. No shares were redeemed during the year ended December 31, 2003.

Contractual Obligations

The following table reflects our contractual obligations as December 31, 2005, specifically our obligations under long-term debt agreements, operating lease agreements and purchase obligations (amounts are in thousands):

	Payments due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
Long-Term Debt, Including Interest	$ 823,811	$ 40,703	$ 175,783	$ 330,797	$ 276,528
Operating Leases(1)	198,621	12,148	36,810	35,965	113,698
Purchase Obligations(2)	55,700	55,700			
Total	$ 1,078,132	$ 108,551	$ 212,593	$ 366,762	$ 390,226

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(1) As of December 31, 2005, we had 17 operating lease obligations, all of which were in connection with our Operating Partnership s private placement.

(2) As of December 31, 2005, we had entered into two agreements to acquire certain properties in the future upon completion by third-party developers as more fully described above.

Off-Balance Sheet Arrangements

As of March 31, 2006 and 2005, respectively, and as of December 31, 2005, 2004 and 2003, respectively, we had no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As of March 31, 2006 and December 31, 2005, we held investments in unconsolidated joint ventures totaling approximately $10.5 million and $6.1 million, respectively. As of March 31, 2006 and December 31, 2005, such joint ventures held debt of $89.2 million and $3.2 million, respectively.

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Results of Operations

Summary of the Three Months Ended March 31, 2006 Compared to the Three Months Ended March 31, 2005

As of March 31, 2006, we owned 269 operating properties located in 23 markets throughout the United States. We acquired 163 of these properties after March 31, 2005. In addition, in February 2006, we contributed six of our properties into an institutional fund. The net effect of these acquisitions and dispositions is that we have added 159 properties to our operating portfolio since March 31, 2005. As a result of these additional 159 properties, the revenues and expenses for the three months ended March 31, 2006 reflect a significant increase compared to the revenues and expenses from our operations for the three months ended March 31, 2005. The following table illustrates the changes in our portfolio as of March 31, 2006 and March 31, 2005, respectively (dollar amounts in thousands).

	As of March 31,							
	2006				2005			
	Number of Buildings	Historical Cost	Gross Leasable Area	Occupancy (1)	Number of Buildings	Historical Cost	Gross Leasable Area	Occupancy (1)
Market								
Atlanta	47	$ 242,783	5,404,102	86.9%	18	$ 147,537	3,946,931	88.0%
Baltimore	10	97,679	1,306,568	88.7%				
Boston	6	42,338	567,441	77.8%	5	26,897	405,741	78.2%
Charlotte	4	22,310	426,404	96.4%				
Chicago	14	150,381	2,876,146	94.9%	2	33,096	661,785	100.0%
Cincinnati	21	175,610	4,185,802	83.3%	7	78,930	1,797,369	97.6%
Columbus	4	52,717	1,312,366	100.0%				
Dallas	49	240,689	4,981,292	93.3%	18	93,182	2,330,906	90.6%
Denver	1	9,027	160,232	100.0%	1	9,000	160,232	100.0%
Harrisburg/Lehigh Valley	4	40,755	795,157	100.0%	1	5,163	100,000	100.0%
Houston	34	135,506	2,452,711	94.0%	21	83,808	1,622,270	88.2%
Indianapolis	6	71,742	2,449,961	95.9%	1	15,186	442,127	100.0%
Los Angeles	11	85,998	1,169,694	86.1%	4	32,744	444,066	100.0%
Louisville	2	18,350	521,000	100.0%	2	18,351	521,000	100.0%
Memphis	10	159,491	4,333,018	94.6%	7	114,199	3,115,756	99.3%
Miami	3	26,187	316,452	96.3%				
Nashville	5	98,935	2,706,343	95.1%	3	59,340	1,699,530	100.0%
New Jersey	7	69,036	883,446	98.8%				
Orlando	2	15,718	367,137	100.0%	2	15,779	367,137	100.0%
Phoenix	14	89,277	1,635,109	94.7%	13	78,946	1,474,963	87.5%
San Antonio	2	7,744	172,050	67.6%	2	7,725	172,050	100.0%
San Francisco Bay Area	5	36,339	474,636	92.4%	5	35,387	474,636	100.0%
Seattle	8	88,221	1,198,617	100.0%				
Total operating properties	269	1,976,833	40,695,684	92.2%	112	855,270	19,736,499	93.8%
Properties under development	5	36,960	1,764,001	5.3%				n/a
Land held for development	n/a	8,015	n/a	n/a	n/a		n/a	n/a
Total	274	$ 2,021,808	42,459,685	88.6%	112	$ 855,270	19,736,499	93.8%

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(1) The total vacant square footage as of March 31, 2006, and 2005, was 3,154,551 and 1,223,144, respectively. Of the vacant space as of March 31, 2006 and 2005, we had 51,365 and 651,759 square feet, respectively, under master lease agreements with various sellers whereby the sellers are obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new customer. The total percentage of square feet leased, including space covered by master leases was 92.4% and 97.1% as of March 31, 2006, and 2005, respectively. For financial reporting purposes under GAAP, rental and expense recovery payments under master lease agreements are reflected as a reduction of the basis of the underlying property rather than rental revenues.

In addition to the significant increase in property operating activity for the three months ended March 31, 2006 compared to the three months ended March 31, 2005 resulting from the aforementioned acquisitions, the following describes other significant differences between the periods that are a result of our continued growth:

- We have increased our debt by issuing or assuming an additional $466.9 million of debt since March 31, 2005. This has resulted in higher interest expense of approximately $8.0 million in the three months ended March 31, 2006 compared to the same period in 2005.

- Asset management fees paid to the Advisor of 0.75% per annum of the undepreciated cost of our properties were higher by $2.3 million in the three months ended March 31, 2006 compared to the same period in 2005 as a result of the additional 159 properties being subject to these fees during the 2006 period.

- In February 2006, in connection with the above referenced disposition, we recorded a gain on the disposition of the real estate interests resulting in an increase to net income of approximately $4.0 million.

During the three months ended March 31, 2006, we recognized a net income of approximately $2.0 million compared to a net loss of $2.6 million for the same period in 2005. The components of the increase in operating activities are reflected in the changes in rental revenues, rental expenses, other income and other expenses as more fully described below.

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Comparison of the Three Months Ended March 31, 2006 to the Three Months Ended March 31, 2005

The following table illustrates the changes in rental revenues, rental expenses, net operating income, other income and other expenses for the three months ended March 31, 2006 compared to the three months ended March 31, 2005. Our same store properties include all properties that we owned during both the current and prior year reporting periods, the operations of which have been stabilized and consolidated for all periods presented. The same store assets for the three months ended March 31, 2006 include 105 buildings totaling 16.5 million square feet. A discussion of these changes follows the table (in thousands).

	Three Months Ended March 31,		
	2006	2005	$ Change
Rental Revenues:			
Same store	$ 18,108	$ 17,975	$ 133
2006 acquisitions and dispositions	2,943	582	2,361
2005 acquisitions	25,608	1,045	24,563
Development	21		21
Total rental revenue	46,680	19,602	27,078
Rental Expenses			
Same store	4,473	4,680	(207)
2006 acquisitions and dispositions	521	68	453
2005 acquisitions	5,948	71	5,877
Development	1		1
Total property expenses	10,943	4,819	6,124
Net Operating Income(1)			
Same store	13,635	13,295	340
2006 acquisitions and dispositions	2,422	514	1,908
2005 acquisitions	19,660	974	18,686
Development	20		20
Total property net operating income	35,737	14,783	20,954
Other Income			
Institutional capital management fees	52		52
Gain on disposition of real estate interests	3,988		3,988
Interest income	2,462	610	1,852
Total other income	6,502	610	5,892
Other Expenses			
Depreciation and amortization	24,492	12,350	12,142
General and administrative	730	728	2
Asset management fees, related party	3,518	1,179	2,339
Equity in earnings (loss) of unconsolidated joint ventures, net	53		53
Interest expense, including amortization	11,681	3,718	7,963
Total other expenses	40,474	17,975	22,499
Minority Interest	190		190
Net income (loss)	$ 1,955	$ (2,582)	$ 4,537

(1) See Note 12 Segment Information to our unaudited consolidated financial statements for further discussion of net operating income.

Rental Revenues

Rental revenues increased by approximately $27.1 million for the three months ended March 31, 2006 compared to the same period in 2005, primarily as a result of the rental revenue generated from the additional operating properties acquired subsequent to March 31, 2005.

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Same store rental revenues increased by approximately $133,000 for the three months ended March 31, 2006 compared to the same period in 2005, primarily due to an increase in expense recovery revenues as a result of higher estimated real estate taxes.

Rental Expenses

Rental expenses increased by approximately $6.1 million for the three months ended March 31, 2006 compared to the same period in 2005, primarily as a result of the additional operating properties acquired subsequent to March 31, 2005.

Same store rental expenses decreased by approximately $207,000 for the three months ended March 31, 2006 compared to the same period in 2005, primarily due to the loss on an early lease termination recorded in 2005 of approximately $170,000. This loss was generally a result of lease related assets being included in the gain (loss) calculation related to the terminating lease.

Other Income

Other income increased by approximately $5.9 million for the three months ended March 31, 2006 as compared to the same period in 2005 primarily as a result of a gain recorded on the disposition of real estate interests of approximately $4.0 million and an increase in interest income of $1.9 million due to higher average cash balances held in interest bearing bank accounts and such accounts yielding a higher rate of return during the three months ended March 31, 2006 as compared to the same period in 2005.

Other Expenses

Depreciation and amortization expense increased by approximately $12.1 million for the three months ended March 31, 2006 as compared to the same period in 2005, primarily due to the additional properties acquired subsequent to March 31, 2005. The increase in asset management fees payable to the Advisor of approximately $2.3 million was attributable to the aforementioned additional properties all of which are subject to the 0.75% asset management fee referenced above. The increase in interest expense of approximately $8.0 million is attributable to higher mortgage note balances and higher financing obligation balances that were outstanding during the three months ended March 31, 2006 compared to the same period in 2005.

Summary of the Year Ended December 31, 2005 Compared to the Years Ended December 31, 2004 and December 31, 2003

In June 2003, we acquired our first property and, as of December 31, 2005, we had assembled a portfolio of 264 properties located in 23 markets. Specifically, we acquired 158 properties during the year ended December 31, 2005, 93 properties during the year ended December 31, 2004 and 13 properties during the year ended December 31, 2003. All of these properties were acquired using net proceeds from our public offerings, our Operating Partnership s private placement and debt proceeds. As a result of our significant acquisition activity during the years ended December 31, 2005 and 2004, the revenues and expenses from our operations increased significantly from year to year. During the year ended December 31, 2003, the revenues and expenses from our operations were relatively less when compared to the years ended December 31, 2005 and 2004 as a result of our limited operating history and a lower level of acquisition activity prior to 2004. For more detailed information regarding the geographic diversity of the operating properties that we majority owned and/or controlled on a consolidated basis as of December 31, 2005 and 2004, respectively, see Dividend Capital Trust Inc. Properties.

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Comparison of the Year Ended December 31, 2005 to the Year Ended December 31, 2004

The following table illustrates the changes in rental revenues, rental expenses, net operating income, other income and other expenses for the year ended December 31, 2005 compared to the year ended December 31, 2004. Our same store properties include all properties owned from January 1, 2004 through December 31, 2005. A discussion of these changes follows the table (dollar amounts are in thousands).

	Year Ended December 31, 2005	Year Ended December 31, 2004	Change
Rental Revenue			
Same store	$ 15,219	$ 14,537	$ 682
2005 acquisitions	47,861		47,861
2004 acquisitions	58,718	20,140	38,578
Total rental revenue	121,798	34,677	87,121
Rental Expenses			
Same store	3,125	3,047	78
2005 acquisitions	10,479		10,479
2004 acquisitions	15,166	4,158	11,008
Total rental expenses	28,770	7,205	21,565
Net Operating Income (1)			
Same store	12,094	11,490	604
2005 acquisitions	37,382		37,382
2004 acquisitions	43,552	15,982	27,570
Total net operating income	93,028	27,472	65,556
Other Income			
Gain on the early termination of leases, net	2,285	1	2,284
Interest and other income	3,733	875	2,858
Gain on hedges	108	545	(437)
Total other income	6,126	1,421	4,705
Other Expenses			
Depreciation and amortization	71,023	19,273	51,750
Interest	28,712	5,978	22,734
General and administrative	3,004	2,372	632
Asset management fees, related party	8,901	1,525	7,376
Total other expenses	111,640	29,148	82,492
Minority Interest	526		526
Net loss	$ (11,960)	$ (255)	$ (11,705)

(1) See Note 18 Segment Information to our audited consolidated financial statements for further discussion of net operating income.

Rental Revenue

Rental revenue increased by approximately $87.1 million for the year ended December 31, 2005 compared to the same period in 2004, primarily as a result of (i) the rental revenue generated from the 158 properties that were acquired during the year ended December 31, 2005, and (ii) rental revenue for the 93 properties that were acquired during the year ended December 31, 2004 being higher in 2005 than in 2004 as rental revenue associated with these properties during 2004 did not reflect an entire period of operations as compared to 2005 wherein these properties were operating for a full twelve months.

Same store rental revenue increased by approximately $682,000 for the year ended December 31, 2005 compared to the same period in 2004, due to rental rate increases as well as an increase in occupancy that occurred subsequent to December 31, 2004.

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Rental Expenses

Rental expenses increased by approximately $21.6 million for the year ended December 31, 2005 compared to the same period in 2004, primarily as a result of (i) the acquisition of 158 properties during 2005, and (ii) rental expenses for the 93 properties acquired in 2004 being higher in 2005 than in 2004 as rental expenses associated with these properties during 2004 did not reflect an entire period of operations as compared to 2005 wherein these properties were operating for a full twelve months.

Same store rental expenses increased by approximately $78,000 for the year ended December 31, 2005 compared to the same period in 2004, primarily due to increased real estate taxes and utilities expenses which was partially offset by a decrease in insurance premiums.

Other Income

Other income increased by approximately $4.7 million for the year ended December 31, 2005 as compared to the same period in 2004 generally as a result of a net gain recognized in the amount of approximately $2.3 million on the early termination of leases in 2005 and the increase in interest income of $2.9 million due to higher average cash balances held in interest bearing bank accounts during the year ended December 31, 2005 as compared to the year ended December 31, 2004. As of December 31, 2005 and 2004, we had approximately $94.9 million and $23.5 million in cash and cash equivalents, respectively. In addition, we had $9.7 million in notes receivable outstanding as of December 31, 2005, $5.4 million of which were issued subsequent to December 31, 2004. For the years ended December 31, 2005 and 2004, we earned interest income of approximately $779,000 and $267,000 associated with these notes receivable, which reflects an increase in interest income of approximately $512,000 from year to year. The decrease in gain on hedges is a result of hedge ineffectiveness recorded in the years ended December 31, 2005 and 2004.

Other Expenses

Other expenses increased $82.5 million for the year ended December 31, 2005 compared to the same period in 2004 primarily because depreciation and amortization expense was higher by approximately $51.8 million for the year ended December 31, 2005, as compared to the same period in 2004. This was primarily due to the acquisition of 158 additional properties during 2005, which had a gross book value of approximately $1.2 billion as of December 31, 2005. The increase in interest expense of approximately $22.7 million is attributable to higher mortgage note balances (approximately $499.5 million) and higher financing obligation balances (approximately $122.3 million) that were outstanding during the year ended December 31, 2005 compared to the year ended December 31, 2004. General and administrative expenses were higher during the year ended December 31, 2005 than in the year ended December 31, 2004 by approximately $632,000 as a result of an increase in general business activities offset by a decrease in compliance costs associated with Sarbanes-Oxley. We pay the Advisor an asset management fee equal to 0.75% per annum of the total undepreciated cost of properties we own in excess of $170.0 million (see Note 13 Related Party Transactions to our audited consolidated financial statements). The increase in asset management fees during 2005 of approximately $7.4 million was attributable to the aforementioned acquisition of 158 additional properties, all of which were subject to this 0.75% asset management fee.

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Comparison of the Year Ended December 31, 2004 to the Year Ended December 31, 2003

The following table illustrates the changes in rental revenues, rental expenses, net operating income, other income and other expenses for the year ended December 31, 2004 compared to the year ended December 31, 2003. A discussion of these changes follows the table (dollar amounts are in thousands).

	Year Ended December 31, 2004	Year Ended December 31, 2003	Change
Rental Revenue			
2004 acquisitions	$ 20,140	$	$ 20,140
2003 acquisitions	14,537	2,645	11,892
Total rental revenue	34,677	2,645	32,032
Rental Expenses			
2004 acquisitions	4,158		4,158
2003 acquisitions	3,047	367	2,680
Total rental expenses	7,205	367	6,838
Net Operating Income(1)			
2004 acquisitions	15,982		15,982
2003 acquisitions	11,490	2,278	9,212
Total net operating income	27,472	2,278	25,194
Other Income			
Interest and other income	876	61	815
Gain on hedges	545		545
Total other income	1,421	61	1,360
Other Expenses			
Depreciation and amortization	19,273	1,195	18,078
Interest	5,978	385	5,593
General and administrative	2,372	412	1,960
Asset management fees, related party	1,525		1,525
Total other expenses	29,148	1,992	27,156
Net income (loss)	$ (255)	$ 347	$ (602)

(1) See Note 18 Segment Information to our audited consolidated financial statements for further discussion of net operating income.

Rental Revenue

Rental revenue increased by approximately $32.0 million for the year ended December 31, 2004 compared to the same period in 2003, primarily as a result of (i) the rental revenue generated from the 93 properties that were acquired during the year ended December 31, 2004, and (ii) rental revenue for the 13 properties that were acquired during the year ended December 31, 2003 being higher in 2004 than in 2003 as rental revenue associated with these properties during 2003 did not reflect an entire period of operations as compared to 2004 wherein these properties were operating for a full twelve months.

Rental Expenses

Rental expenses increased by approximately $6.8 million for the year ended December 31, 2004 compared to the same period in 2003, primarily as a result of (i) the acquisition of 93 properties during 2004, and (ii) rental expenses for the 13 properties acquired in 2003 being higher in 2004 than in 2003 as rental expenses associated with these properties during 2003 did not reflect an entire period of operations as compared to 2004 wherein these properties were operating for a full twelve months.

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Other Income

Other income increased by approximately $1.4 million for the year ended December 31, 2004 as compared to the same period in 2003. The increase in interest income of approximately $800,000 is due to higher average cash balances held in interest bearing bank accounts during the year ended December 31, 2004 as compared to the year ended December 31, 2003. As of December 31, 2004 and 2003, we had approximately $23.5 million and $4.1 million in cash and cash equivalents, respectively. In addition, we had notes receivable outstanding of $4.2 million as of December 31, 2004. For the year ended December 31, 2004, we earned interest income of approximately $267,000 associated with these notes receivable. The increase in gain on hedges is primarily a result of the settlement of hedges with a resulting gain of approximately $545,000 due to hedge ineffectiveness recorded in the year ended December 31, 2004.

Other Expenses

Other expenses increased $27.2 million for the year ended December 31, 2004 compared to the same period in 2003 primarily because depreciation and amortization expense was higher by approximately $18.1 million for the year ended December 31, 2004, as compared to the same period in 2003. This was primarily due to the acquisition of 93 additional properties during 2004, which had a gross book value of approximately $603.4 million as of December 31, 2004. The increase in interest expense of approximately $5.6 million is attributable to higher mortgage note balances (approximately $102.3 million) and higher financing obligation balances (approximately $29.7 million) that were outstanding during the year ended December 31, 2004, compared to the year ended December 31, 2003. General and administrative expenses were higher during the year ended December 31, 2004 than in the year ended December 31, 2003 by approximately $2.0 million as a result of an increase in general business activities as well as an increase in compliance costs associated with Sarbanes-Oxley. We became obligated to pay the Advisor the aforementioned 0.75% asset management fee in March 2004 (see Note 13 Related Party Transactions to our audited consolidated financial statements). The increase in asset management fees during 2004 was attributable to all 93 properties that were acquired during 2004 being subject to this fee.

Critical Accounting Policies

General

Our discussion and analysis of financial condition and results of operations is based on our audited and unaudited consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discussion pertains to accounting policies management believes are most critical to the portrayal of our financial condition and results of operations which require management s most difficult, subjective or complex judgments.

Impairment of Long-Lived Assets

Long-lived assets held and used are carried at cost and evaluated for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (**SFAS No. 144**). SFAS No. 144 provides that such an evaluation should be performed when events or changes in circumstances indicate such an evaluation is warranted. Examples include the point at which we deem the long-lived asset to be held for sale, downturns in the economy, etc. Impairment of long-lived assets is considered a critical accounting estimate because the evaluation of impairment and the determination of fair values involve a number of management assumptions relating to future economic events that could materially affect the determination of the ultimate value, and therefore, the carrying amounts of our real estate. Such assumptions include, but are not limited to, projecting vacancy rates, rental rates, property operating expenses, capital expenditures and debt financing rates, among other things. The capitalization rate is also a significant driving factor in determining the property valuation which requires management s judgment of factors such as market knowledge, historical experience, lease terms, customer financial strength, economy, demographics, environment, property location, visibility, age, physical condition and investor return requirements, among other things. All of the aforementioned factors are taken as a whole by management in determining the valuation of investment property. The valuation is sensitive to the actual results of any of these uncertain factors, either individually or taken as a whole. Should the actual results differ from management s judgment, the valuation could be negatively affected and may result in a negative impact to our consolidated financial statements.

Valuation and Allocation of Real Estate Acquisitions

Upon acquisition, the purchase price of a property and other costs associated with the acquisition such as the acquisition fee paid to the Advisor are capitalized and allocated to land, building, land improvements, tenant improvements and other intangible assets and associated liabilities as required by SFAS No. 141. The allocation to land, building, land improvements and tenant improvements will be based on management s estimate of its fair value based on all available information. The allocation to intangible lease assets, as required by SFAS No. 141, represents the value associated with the in-place leases, including leasing commissions, legal and other related costs. Also, SFAS No. 141 requires the creation of an intangible asset or liability resulting from in-place leases being above or below the current market rental rates on the date of the acquisition. This asset or liability will be amortized over the life of the remaining in-place leases as an adjustment to revenue. Pursuant to SFAS No. 141, the difference between the fair value and the face value of debt assumed in an acquisition should be recorded as a premium or discount and amortized to interest expense over the life of the debt assumed. Valuation and allocation of real estate acquisitions is considered a critical accounting policy because the determination of the value and allocation of the cost of a real estate acquisition involves a number of management s assumptions relating to the ability to lease vacant space, market rental rates, term of new leases, property operating expenses and leasing commissions, among other things. All of the aforementioned factors will be taken as a whole by management in determining the valuation and allocation of the costs of real estate acquisitions. The valuation and allocation is sensitive to the actual results of any of these uncertain factors, either individually or taken as a whole. Should the actual results differ from management s judgment, the valuation and allocation could be negatively affected and may result in a negative impact to the consolidated financial statements.

Consolidation

Our consolidated financial statements include the accounts of Dividend Capital Trust and its consolidated subsidiaries and partnerships which we control either through ownership of a majority voting interest, as the primary beneficiary, or otherwise. Investments in entities in which we do not own a majority voting interest but over which we have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities in which we do not own a majority voting interest and over which we do not have the ability to exercise significant influence are carried at the lower of cost or fair value, as appropriate. Our management s judgments with respect to our level of influence or control of an entity and whether we are the primary beneficiary of a variable interest entity as defined by FIN 46(R) (discussed below) involve consideration of various factors including the form of our ownership interest, our representation on the entity s board of directors, the size of our investment (including loans) and our ability to participate in policy making decisions. Our management s ability to correctly assess its influence or control over an entity affects the presentation of these investments in our consolidated financial statements and, consequently, our financial position and specific items in our results of operations that are used by our stockholders, lenders and others in their evaluation of us.

Depreciation and Useful Lives of Real Estate Assets

We estimate the depreciable portion of our real estate assets and their related useful lives in order to record depreciation expense. Our management s ability to accurately estimate the depreciable portions of our real estate assets and their useful lives is critical to the determination of the appropriate amount of depreciation expense recorded and the carrying values of the underlying assets. Any change to the estimated depreciable lives of these assets would have an impact on the depreciation expense we recognize.

New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 46(R), *Consolidation of Variable Interest Entities* (**FIN 46(R)**). FIN 46(R) requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. FIN 46(R) requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements apply to existing public entities as of March 31, 2004. We do not believe that any of our consolidated or unconsolidated joint ventures are variable interest entities under the provisions of FIN 46(R).

In December 2004, FASB issued SFAS No. 123(R), *Share-Based Payment* (**SFAS No. 123(R)**). This statement is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for public companies for the annual period beginning after December 15, 2005. The adoption of SFAS No. 123(R) requires the unamortized portion of any options issued prior to 2002 to be amortized over the remaining life of those options. We do not anticipate that the adoption of SFAS No. 123(R) will have a material impact on our financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (**FIN 47**). FIN 47 requires the recognition of a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. Currently, we are under no legal obligation to retire any of our assets. We adopted FIN 47 during the fourth quarter of 2005 and there was no material impact on our financial position, results of operations or cash flows.

In May, 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* (**SFAS No. 154**), which supersedes Accounting Principles Board, or APB, Opinion No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements.* This statement amends the requirements for the accounting for and reporting of changes in accounting principle. It requires the retroactive application to prior periods financial statements of changes in accounting principles, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. SFAS No. 154 does not change the guidance for reporting the correction of an error in previously issued financial statements or the change in an accounting estimate. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted the requirements of SFAS No. 154 in the fourth quarter of 2005 and there was no material impact on our financial position, results of operations or cash flows.

In June 2005, the Emerging Issues Task Force, or EITF, issued EITF Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights. Under this consensus, a sole general partner is presumed to control a limited partnership (or similar entity) and should consolidate that entity unless the limited partners possess

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kick-out rights or other substantive participating rights as described in EITF Issue No. 96-16, Investor s Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights. As of June 29, 2005, this consensus was effective immediately for all new or modified agreements, and effective beginning in the first reporting period that ends after December 15, 2005 for all existing agreements. We adopted the consolidation requirements of this consensus in the third quarter of 2005 and such adoption did not have a material impact on our financial position, results of operations or cash flows.

In June 2005, the EITF issued EITF Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements.* This consensus requires that leasehold improvements acquired in a business combination, or purchased subsequent to the inception of a lease, be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. This consensus was effective for all reporting periods beginning after June 29, 2005. We adopted EITF Issue No. 05-6 during the second quarter of 2005 and such adoption did not have a material impact on our financial position, results of operations or cash flows.

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QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk is the risk of loss from adverse changes in market prices such as rental rates and interest rates. Our future earnings and cash flows are dependent upon prevailing market rates. Accordingly, we manage our market risk by matching projected cash inflows from operating, investing and financing activities with projected cash outflows for debt service, acquisitions, capital expenditures, distributions to stockholders and unitholders, and other cash requirements. The majority of our outstanding debt has fixed interest rates, which minimizes the risk of fluctuating interest rates.

Our exposure to market risk includes interest rate fluctuations in connection with our credit facilities and other variable rate borrowings and forecasted fixed rate debt issuances, including refinancing of existing fixed rate debt. Interest rate risk may result from many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control. To manage interest rate risk for forecasted issuances of fixed rate debt, we primarily use treasury locks and forward-starting swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate fluctuations by providing a future fixed interest rate for a limited pre-determined period of time. During the three months ended March 31, 2006 and 2005, such derivatives were used to hedge the variable cash flows associated with forecasted issuances of debt and, during 2005, such derivatives were used to hedge the variable cash flows associated with $150.0 million of forecasted issuances of debt. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based on their credit rating and other factors.

As of March 31, 2006, derivatives with a fair value of $1.5 million were included in other assets. There was no ineffectiveness to be recorded during the three months ended March 31, 2006. The assets associated with these derivatives would decrease approximately $6.2 million if the market interest rate of the referenced swap index were to decrease 10% (or 0.55% based upon the prevailing market rate at March 31, 2006).

Similarly, our variable rate debt is subject to risk based upon prevailing market interest rates. If the prevailing market interest rates relevant to our variable rate debt as of March 31, 2006, were to increase 10%, our interest expense for the three months ended March 31, 2006 and 2005 would have increased by $36,093 and $881, respectively. If the prevailing market interest rates relevant to our variable rate debt were 10% higher during the period, our interest expense for the years ended December 31, 2005 and 2004 would have increased by $111,000 and $92,000, respectively.

As of March 31, 2006, the estimated fair value of our debt was estimated to be approximately $669.5 million based on our estimate of the then current market interest rates. As of December 31, 2005, our debt had a carrying value of approximately $642.2 million and the estimated fair value of such debt was approximately $627.3 million based on our estimate of current market interest rates.

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INVESTMENT OBJECTIVES AND CRITERIA

General

For a description of our corporate objectives and investment strategy, see Business Corporate Objectives and Investment Strategy above.

Acquisition and Investment Policies

We will generally seek to invest substantially all of the net offering proceeds in high-quality commercial real estate, the majority of which is anticipated to include industrial buildings located primarily in the top 26 industrial markets throughout the United States. We may also consider investment in certain industrial properties located in Mexico and Canada. We may acquire properties which are newly constructed, under construction, or which have been previously constructed and have operating histories. We may also develop new properties directly or in joint ventures with third party developers. These properties are generally anticipated to provide generic storage and work space suitable for and adaptable to a broad range of customers and uses. We will primarily attempt to acquire existing properties, the space in which has been leased or pre-leased to national, regional and local users who satisfy our standards of creditworthiness. However, we may acquire properties with some level of vacancy at the time of closing. See Terms of Leases and Customer Creditworthiness below.

We will seek to invest in properties that will satisfy one of our primary objectives of providing cash distributions to our stockholders. However, because a significant factor in the valuation of income-producing properties is their potential for future income, we anticipate that the majority of properties we acquire will have both the potential to grow in both income and value. To the extent feasible, we will attempt to invest in a diversified portfolio of properties, in terms of geography and industry group of our customers, that will satisfy our investment objectives of maximizing cash available for payment of cash distributions, preserving our capital and realizing growth in value upon the ultimate sale of our properties. However, there may nevertheless be concentrations in our portfolio based on the geographic location, type of property and industry group of customers which may expose us to greater risks than would exist in a more diversified portfolio.

We anticipate that approximately 91.2% of the gross offering proceeds, assuming we sell 72,770,273 shares to the public and 23,650,339 shares pursuant to our DRP, will be used to acquire properties and the balance will be used to pay various fees and expenses.

We will not invest more than 10% of our total assets available for investment in unimproved or non-income producing properties. A property which is expected to produce income within two years of its acquisition will not be considered a non-income producing property. Our investment in real estate generally will take the form of holding fee title or a long-term leasehold estate. We intend to acquire such interests either directly in our operating partnership, 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, such as DCTRT and a related fund comprised generally of high net worth investors with similar investment objectives, 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 recharacterization were successful, deductions for depreciation and cost recovery relating to such property would be disallowed and it is possible that under some circumstances we could fail to qualify as a REIT as a result. Although we are not limited as to the geographic area where we may conduct our operations, we presently intend to invest in properties located primarily in the United States.

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

In recommending investments to our Board and/or our investment committee, the Advisor will consider relevant real estate property and financial factors, including the local industrial market conditions, location of the property, its design and functionality, the strength of the tenancy, its income-producing capacity, its prospects for long-range appreciation and its liquidity relative to other real estate assets. With respect to land and development opportunities, additional factors such as total development costs, construction and leasing risk, if any, will also be considered. In this regard, the Advisor 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 our stockholders; and
- title and liability insurance policies.

We will not close the acquisition of any property unless and until we obtain an environmental assessment (generally a minimum of a Phase I review) for each property to be acquired and are generally satisfied with the environmental status of the property.

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

- changes in general or local economic conditions;
- changes in supply of or demand for similar or competing properties in an area;
- bankruptcies, financial difficulties or lease defaults by our customers;

changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive or otherwise reduce the returns to stockholders;

changes in operating expenses;

changes in governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws;

changes in the cost or availability of insurance, including coverage for mold or asbestos;

periods of high interest rates and tight money supply;

customer turnover; and

general overbuilding or excess supply in the market area.

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Development and Construction of Properties

We may invest a portion of the net offering proceeds in properties on which improvements are to be constructed or completed. We may also commit to purchase, at a future date, properties under development. However, we will not invest in excess of 10% of our total assets in properties which are not expected to produce income within two years of their acquisition. To help ensure performance by the general contractors or developers of properties which are under construction, we expect that completion of properties under construction shall be guaranteed at the price contracted either by an adequate completion bond or performance bond. The Advisor 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. The Advisor may elect to employ one or more project managers (who under some circumstances may be affiliated with the Advisor) to plan, supervise and implement the development of any unimproved properties which we may acquire. Such persons would be compensated by us.

Acquisition of Properties from the Advisor

We may acquire properties, directly or through joint ventures, from the Advisor or its affiliates. Any such acquisitions will be approved consistent with the conflict of interest procedures in our existing Articles. See Proposal IV The Pre-Listing Charter Amendment Proposal Amendments to Our Existing Articles Reflect that We Will Become Self-Advised if the Internalization Proposal is Approved Certain Conflict-of-Interest Provisions.

Terms of Leases and Customer Creditworthiness

The terms and conditions of any lease we enter into with our customers 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 net leases. A net lease provides that the customer will be required to pay or reimburse us for repairs, maintenance, property taxes, utilities, insurance, management and other operating costs. As landlord, we will generally have responsibility for certain capital repairs or replacement of specific structural components of a property such as the roof of the building, the truck court and parking areas, as well as the interior floor or slab of the building.

The Advisor has developed specific standards for determining the creditworthiness of potential customers of our properties. While authorized to enter into leases with any type of customer, we anticipate that a majority of our customers will be corporations or other entities which have significant net worth, or whose lease obligations are guaranteed by another corporation or entity with a substantial net worth or who otherwise meet creditworthiness standards that will be applied by the Advisor.

We anticipate that a portion of any tenant improvements required to be funded by us in connection with newly acquired properties will be funded from our net offering proceeds. We may acquire properties with vacancy and at such time as a customer 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 customers, 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 customers to lease vacated space.

Joint Venture Investments

We may enter into joint ventures in the future, including with affiliated entities, for the acquisition, development or improvement of properties for the purpose of diversifying our portfolio of assets. We may also 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 leasing real properties. We may enter into certain joint ventures with developers to (i) acquire existing properties, (ii) obtain acquisition rights on future properties to be built or leased, or both. Depending upon the circumstances, the joint ventures may include a debt and/or an equity component. See Risk Factors We May Invest With Our Affiliates.

In addition, we may enter into joint ventures in which our venture partner may have the right to exchange its interest in the joint venture for shares of our common shares or other equity interests in us. Moreover, the price at which our venture partner may acquire our common shares may not be commensurate with the current offering price of our common shares.

In determining whether to recommend a particular joint venture, the Advisor will evaluate the real property which such joint venture owns or is being formed to own or develop under the same criteria described elsewhere in this proxy statement for the selection of our real estate property investments. See Business Investment Strategy.

We may enter into joint ventures with affiliates of the Advisor for the acquisition of properties, but only *provided,* that:

- a majority of our directors, including a majority of the Independent Directors, approve the transaction as being fair and reasonable to us; and

- the investment by us and such affiliate are on substantially the same terms and conditions.

In particular, we intend to enter into joint ventures with DCTRT and a related fund comprised generally of high net worth investors with similar investment objectives with respect to certain industrial properties.

To the extent possible we will attempt to obtain a right of first refusal or right of first offer to buy such property if such venture partner elects to sell its interest in the property held by the joint venture. In the event that the venture partner were to elect to sell property held in any such joint venture, we may not have sufficient funds to exercise our right of first refusal or right of first offer to buy the venture partner 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 partner in each such property. Entering into joint ventures with affiliates of the Advisor will result in certain conflicts of interest.

Borrowing Policies and Related Indebtedness

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. Additionally, all financing arrangements must be approved by a majority of our Board including a majority of our Independent Directors.

There is no limitation on the amount we may invest in any single improved property. However, under our articles of incorporation, we have a limitation on borrowing which precludes us from borrowing in the aggregate in excess of 50% of the value of the cost of our properties before non-cash reserves and depreciation.

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. Our use of leverage increases the risk of default on the mortgage payments and a resulting foreclosure of a particular property. To the extent that we do not obtain mortgage loans on our properties, our ability to acquire additional properties will be restricted. The Advisor 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. The Advisor 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 distributions from proceeds of the refinancing, if any, and 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 the Advisor or 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 not otherwise interested in the transaction (including a majority of the Independent Directors) as fair, competitive and commercially reasonable and no less favorable to us than comparable loans between unaffiliated parties.

For additional information regarding our lines of credit and fixed rate, non-recourse mortgage loans, as well as our related hedging activities, see Management s Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosure About Market Risk.

Disposition Policies

We have acquired and intend to continue to acquire properties for investment with an expectation of holding each property 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:

- in the judgment of the Advisor, the value of a property might decline;
- we can increase cash flow through the disposition of the property and reinvestment of the net sales proceeds;
- an opportunity has arisen to improve other properties; or
- in the judgment of the Advisor, 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 customer 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 a significant portion of the purchase price. In these instances, our taxable income may exceed the cash received in the sale.

The terms of payment will be affected by custom in the area in which the property being sold is located and the then-prevailing interest rates and real estate market conditions. If we do not list our common shares for trading on a national securities exchange or an over-the-counter market, complete a sale or merger of us in a transaction which provides our stockholders with a combination of cash and/or securities of a publicly traded company or sell substantially all of our properties for cash or other consideration by February 2013, our Articles require us to begin selling our properties and other assets and to distribute the net proceeds to our stockholders. We continue to evaluate and consider various transactions designed to effect a liquidity event for our stockholders, including internalizing our advisor to facilitate the future quotation or listing of our common shares, and the optimal timing of such transactions. In making the decision whether to apply for listing of our common shares, the directors will try to determine whether listing our common shares or liquidating our assets will result in greater value for the stockholders. Although we continue to evaluate and consider liquidity transactions, it cannot be determined at this time the circumstances, if any, under which the directors will agree to list our common shares or to pursue a stock for stock merger with a listed company. We will continue in existence until all properties are sold and our other assets are liquidated.

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Investment Limitations

Our Articles 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 are amended, which requires the approval of the stockholders. Unless the articles are amended, we will not:

Invest in commodities or commodity futures contracts, except for futures contracts the income or gain with respect to which is qualifying income under the 95% income test applicable to us in order to maintain our qualification as a REIT 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 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 a majority of our Independent Directors determines, and in all cases in which the transaction is with any of our directors or the Advisor and its affiliates, such appraisal shall be obtained from an independent appraiser. We will maintain such appraisal in our records for at least eight years after the end of the year in which the loan is repaid, refinanced or otherwise disposed of by us 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, the Advisor 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 of other senior debt except where the amount of such junior debt plus any senior debt does not exceed 90% of the appraised value of such property, if after giving effect thereto, the value of all such mortgage loans of us 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 total undepreciated cost of our properties owned by us;

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 assessable;

Issue redeemable securities as defined in Section 2(a)(32) of the Investment Company Act of 1940, as amended (the **Investment Company Act**);

Grant warrants or options to purchase shares to officers or affiliated directors or to the Advisor 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;

Make any investment which is inconsistent with qualifying as a REIT, including but not limited to investments in common or preferred REIT securities; or

Lend money to the Advisor or its affiliates.

The Advisor will continually review our investment activity to attempt to ensure that we do not come within the application of the Investment Company Act. Among other things, the Advisor will attempt to monitor the proportion of our assets that are 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, we will take the necessary action to attempt to ensure that we are not deemed to be an investment company.

Change in Investment

Objectives and Limitations

Our Articles 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 our stockholders. Each determination and the basis therefore 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 stockholders.

OTHER MATTERS

Our management does not intend to bring any other matters before the Annual Meeting and knows of no other matters that are likely to come before the Annual Meeting. In the event any other matters properly come before the Annual Meeting, the persons named in the accompanying proxy will vote the shares represented by such proxy in accordance with their discretion on such matters.

PROPOSALS FOR NEXT ANNUAL MEETING

A stockholder s proposal intended to be presented at our annual meeting of stockholders in 2007 must be received by us on or before in order to be included in our proxy statement and proxy card relating to that meeting. Any stockholder who desires to bring a proposal at our annual meeting of stockholders in 2007, without including such proposal in our proxy statement, must deliver written notice thereof to our Secretary not before and not later than , in the manner and form required by our Bylaws. We will furnish, without charge, a copy of our Bylaws to any stockholder of Dividend Capital Trust requesting such Bylaws. Requests for our Bylaws should be made in writing to Dividend Capital Trust Inc., 518 17th Street, Suite 1700, Denver, Colorado 80202.

AVAILABLE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information about the public reference facilities. These documents also may be accessed through the SEC s electronic data gathering, analysis and retrieval system (**EDGAR**) via electronic means, including the SEC s home page on the Internet (http://www.sec.gov). We also make available free of charge on or through our Internet web site (http://65.38.191.77/dividendcapital/trust) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

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We encourage all stockholders to promptly authorize their proxies via internet, telephone, or by signing and returning your enclosed proxy card to avoid costly solicitation. By exercising your right to authorize your proxy via internet or telephone, you greatly increase the efficiency of the vote tabulation process.

By Order of the Board of Directors,

Evan H. Zucker

Chief Executive Officer and Secretary

August , 2006

Denver, Colorado

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INDEX TO FINANCIAL STATEMENTS

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Introductory Note

Pro Forma Condensed Consolidated Financial Information

(Unaudited)

The following pro forma financial statements have been prepared to provide information with regards to the proposed merger transaction with Dividend Capital Advisors LLC (the **Advisor**), our advisor, and a wholly- owned subsidiary of Dividend Capital Operating Partnership LP (the **Operating Partnership**) whereby the Operating Partnership would issue 15,111,111 limited partnership units (**OP Units**) to the owner of the Advisor in exchange for all the outstanding interests in the Advisor, including the modification of the special series of units of limited partnership in our Operating Partnership held by the owner of the Adviser into OP Units (this transaction is referred to as the **Internalization**).

The accompanying unaudited pro forma condensed consolidated balance sheet presents our historical financial information as of March 31, 2006, as adjusted for (i) the proposed Internalization, including the issuance of 15,111,111 OP Units and (ii) the acquisition of certain properties made subsequent to March 31, 2006 and the related financing of such transactions as if these transactions had occurred on March 31, 2006.

The accompanying unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2006, combine our historical operations with (i) the Advisor s historical operations, (ii) the issuance of 15,111,111 OP Units and (iii) the acquisition of certain properties made subsequent to December 31, 2005 and the related financing of such transactions as if these transactions had occurred on January 1, 2005.

The accompanying unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2005, combine our historical operations with (i) the Advisor s historical operations, (ii) the issuance of 15,111,111 OP Units and (iii) the acquisition of certain properties made subsequent to December 31, 2004 and the related financing of such transactions as if these transactions had occurred on January 1, 2005.

The unaudited pro forma condensed consolidated financial statements have been prepared by Dividend Capital Trust Inc. s (the **Company**) management based upon our historical financial statements to give effect to the Internalization and certain property acquisitions. These pro forma statements may not be indicative of the results that actually would have occurred if the Internalization had been in effect on the dates indicated or which may be obtained in the future. The accompanying pro forma financial statements exclude pro forma adjustments for events or items that are probable of occurring but for which the amounts of such pro forma adjustments are not factually supportable at the time these pro forma financial statement were prepared such as additional general and administrative expenses, expenses associated with our proposed long-term incentive compensation plan, non-compete agreements and capitalized leasing and development costs. The pro forma financial statements should be read in conjunction with the historical financial statements included in our previous filings with the Securities and Exchange Commission, including our 2005 Annual Report on Form 10-K filed on March 16, 2006 as amended by our 2005 Annual Report on Form 10-K/A filed on April 28, 2006 and our Quarterly Report on Form 10-Q filed on May 10, 2006.

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Pro Forma Condensed Consolidated Balance Sheet

As of March 31, 2006

(In thousands)

(Unaudited)

	Company (a)	Property Acquisitions (b)	Advisor (a)	Pro Forma Adjustments	Pro Forma Total
ASSETS					
Investment in real estate, net	$ 1,913,052	$ 781,342	$	$	$ 2,694,394
Cash and cash equivalents	297,549	(225,132)	4,081	(4,081)(c)	72,417
Restricted cash	6,432		167	(167)(c)	6,432
Notes receivable	10,147		782	(782)(c)	10,147
Deferred loan costs, net	6,158				6,158
Deferred loan costs financing obligation, net	15,680				15,680
Deferred acquisition costs and deposits	5,221				5,221
Straight line rent and other receivables	16,758		2,045	(2,045)(c)	16,758
Furniture, fixture and equipment			883	(713)(c)	170
Other assets, net	4,721	4,462	116	(116)(c)	9,183
Total Assets	$ 2,275,718	$ 560,672	$ 8,074	$ (7,904)	$ 2,836,560
LIABILITIES & SHAREHOLDERS EQUITY					
Liabilities:					
Accounts payable and accrued expenses	$ 24,653	$	$ 3,781	$ (3,781)(c)	$ 24,653
Distributions payable	23,259				23,259
Tenant prepaids and security deposits	9,508				9,508
Other liabilities	3,694	3,785			7,479
Intangible lease liability, net	9,794				9,794
Lines of credit	18	112,000			112,018
Unsecured notes	50,000	375,000			425,000
Mortgage notes	640,040	12,369			652,409
Financing obligations	190,750	44,624			235,374
Total Liabilities	951,716	547,778	3,781	(3,781)	1,499,494
Minority Interest	66,798			154,333(d)(e)	221,131
Shareholders Equity:					
Common stock	1,492	13			1,505
Additional paid-in capital	1,378,697	12,881			1,391,578
Distributions in excess of earnings	(121,883)		4,293	(158,456)(d)(f)	(276,046)
Accumulated other comprehensive loss	(1,102)				(1,102)
Total Shareholders Equity	1,257,204	12,894	4,293	(158,456)	1,115,935
Total Liabilities and Shareholders Equity	$ 2,275,718	$ 560,672	$ 8,074	$ (7,904)	$ 2,836,560

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

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Notes to Unaudited Pro Forma Condensed

Consolidated Balance Sheet as of

March 31, 2006

(a) Reflects the historical condensed consolidated balance sheets of the Company and the Advisor as of March 31, 2006. Please refer to Dividend Capital Trust Inc. s historical condensed consolidated financials statements and notes thereto included in the Company s Quarterly Report on Form 10-Q for the three months ended March 31, 2006 and please see the section of this proxy statement entitled Selected Financial Data of the Advisor for more information about the Advisor s historical financial information.

(b) Reflects the acquisition of properties acquired subsequent to March 31, 2006, which includes estimated intangible assets of approximately $59.3 million and estimated intangible liabilities of approximately $3.8 million. These properties were acquired with the net proceeds raised from our public and private offerings, the assumption of debt and the issuance of new debt. The total estimated cost of these properties, including acquisition costs and acquisition fees payable to an affiliate, is approximately $781.3 million.

(c) Reflects the elimination of the Advisor s assets and liabilities as these amounts will be settled by the Advisor prior to the closing of the Acquisition with the exception of our estimate of approximately $170,000 of property and equipment that we expect to acquire in connection with the Acquisition.

(d) The total cost for the Advisor has been allocated to assets, including intangible assets, liabilities and, due to the preexisting relationship between us and the Advisor, to contract termination fee based on our estimate of such assets, liabilities and expenses. Upon consummation of this transaction, we will complete our final allocation of the purchase price and will likely attribute value to certain intangible assets for items such as non-compete agreements and licensing agreements. Any value attributed to such assets in conjunction with our final analysis will reduce the amount we write off as part of the contract termination fee. In connection with our initial analysis, we have written off $173.0 million of the excess of the total cost over the net assets acquired as a contract termination payment. This amount will be recorded as an expense by the Company on the date the Acquisition is consummated. These allocations are preliminary and may not be indicative of the final allocations by the Company. A change in the final allocation from what is presented in these unaudited pro forma financial statements may result in an increase or decrease to the contract termination fee or the identified assets.

The estimated consideration for the proposed acquisition of the Advisor, as well as preliminary adjustments to the historical financial data as a result of the Acquisition, are as follows as of March 31, 2006:

The total cost of the Advisor has been calculated as follows (in millions):

OP Unit consideration (15,111,111 OP Units valued at $11.25 per share)	$ 170.0
Acquisition costs and fees	3.5
Purchase of property and equipment	0.2
Assumption of liabilities	
Total cost	$ 173.7

The allocation of the total cost to the assets and to contract termination fee as a result of the Acquisition of the Advisor is as follows (in millions):

Total cost	$ 173.7

Property and equipment	0.2
Contract termination fee	173.5
Total cost allocation	$ 173.7

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Notes to Unaudited Pro Forma Condensed

Consolidated Balance Sheet as of

March 31, 2006 (Continued)

(e) The issuance of OP Units to the Advisor s parent will be accounted for as minority interest on our balance sheet. This amount ($154.3 million) reflects the initial value of the OP Units to be issued ($170.0 million) less the estimated amount of the contract termination fee attributable to minority interests ($15.7 million).

(f) This amount reflects the contract termination fee less minority interest s portion of such fee ($157.8 million) plus an estimated distribution made from the Advisor to its parent to satisfy all the outstanding assets and liabilities with the exception of $170,000 of property and equipment that is expected to be acquired pursuant to the proposed Acquisition.

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Pro Forma Condensed Consolidated Statement of Operations

For the Three Months Ended March 31, 2006

(In thousands)

(Unaudited)

	Company (1)	Property Operations Pro Forma (2)	Pro Forma Total Before Internalization	Advisor (1)	Pro Forma Adjustments	Pro Forma Total
REVENUE:						
Rental revenue	$ 46,680	$ 16,261	$ 62,941	$	$	$ 62,941
Institutional capital management fees	52		52			52
Acquisition fees				1,207	(1,207)(3)	
Asset management fees				3,518	(3,518)(3)	
Private placement fees				1,478	(1,478)(3)	
Total Revenue	46,732	16,261	62,993	6,203	(6,203)	62,993
EXPENSES:						
Rental expenses and real estate taxes	10,943	4,517	15,460			15,460
Depreciation and amortization	24,492	10,249	34,741			34,741
Payroll and payroll-related, related party				1,732		1,732
Payroll and payroll-related				235		235
General and administrative, related party				208		208
General and administrative	730		730	932		1,662
Asset management fees, related party	3,518	1,282	4,800		(4,800)(3)	
Total Expenses	39,683	16,048	55,731	3,107	(4,800)	54,038
Net Operating Income	7,049	213	7,262	3,096	(1,403)	8,955
Other Income and Expenses:						
Equity in earnings (loss) of unconsolidated joint ventures, net	(53)		(53)			(53)
Gain from disposition of real estate interests	3,988		3,988			3,988
Interest expense	(11,681)	(8,103)	(19,784)			(19,784)
Interest income and other income	2,462		2,462	388		2,850
Total Other Income and Expenses	(5,284)	(8,103)	(13,387)	388		(12,999)
Net Income (Loss) Before Minority Interest	1,765	(7,890)	(6,125)	3,484	(1,403)	(4,044)
Minority Interest	(190)	(106)	(296)		(365)(4)	(661)
NET INCOME (LOSS)	$ 1,955	$ (7,784)	$ (5,829)	$ 3,484	$ (1,038)	$ (3,383)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	145,402	5,059	150,461			150,461
Diluted	147,315	3,146	150,461			150,461

NET INCOME (LOSS) PER COMMON SHARE				
Basic	$	0.01	$	(0.04)	$	(0.02)
Diluted	$	0.01	$	(0.04)	$	(0.02)

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

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Notes to Unaudited Pro Forma Condensed

Consolidated Statement of Operations for the

Three Months Ended March 31, 2006

(1) Reflects the historical condensed consolidated statement of operations of the Company and the Advisor for the three months ended March 31, 2006. Please refer to Dividend Capital Trust Inc. s historical condensed consolidated financials statements and notes thereto included in the Company s Quarterly Report on Form 10-Q for the three months ended March 31, 2006 and please see the section of this proxy entitled Selected Financial Data of the Advisor for more information about the Advisor s historical financial information.

(2) Reflects the incremental results of operations, including the effects of depreciation and amortization and incremental asset management fees, of the acquisition of properties acquired subsequent to December 31, 2005 through June 9, 2006 (date of the most recent significant acquisition) and the incremental effects of the financing associated with such acquisitions including issuance of common stock, the Operating Partnership s private placement, debt assumptions and debt issuances.

(3) Reflects the elimination of property acquisition service fees, asset management fees and fees related to the Company s private placement offerings as these fees will not be applicable to on-going operations of the Company upon closing of the Agreement.

(4) This amount reflects the pro forma adjustment for the net income attributable to minority interest related to the 15,111,111 OP Units issued in connection with the Internalization.

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Pro Forma Condensed Consolidated Statement of Operations

For the Year Ended December 31, 2005

(In thousands)

(Unaudited)

	Company (1) (audited)	Property Operations Pro Forma (2)	Pro Forma Total Before Merger	Advisor (1) (audited)	Pro Forma Adjustments	Pro Forma Total
REVENUE:						
Rental revenue	$ 121,798	$ 123,348	$ 245,146	$	$	$ 245,146
Acquisition fees				11,069	(11,069)(3)	
Asset management fees				8,901	(8,901)(3)	
Private placement fees				3,626	(3,626)(3)	
Interest and other income	6,126		6,126	97		6,223
Total Revenue	127,924	123,348	251,272	23,693	(23,596)	251,369
EXPENSES:						
Rental expense and real estate taxes	28,770	32,621	61,391			61,391
Depreciation and amortization	71,023	72,467	143,490			143,490
Interest expense	28,712	59,302	88,014			88,014
Payroll and payroll-related, related party				5,982		5,982
Payroll and payroll-related				574		574
General and administrative, related party				686		686
General and administrative	3,004		3,004	5,069		8,073
Asset management fees, related party	8,901	10,301	19,202		(19,202)(3)	
Total Expenses	140,410	174,691	315,101	12,311	(19,202)	308,210
Net Income (Loss) Before Minority Interest	(12,486)	(51,343)	(63,829)	11,382	(4,394)	(56,841)
Minority Interest	(526)	(365)	(891)		(5,174)(4)	(6,065)
NET INCOME (LOSS)	$ (11,960)	$ (50,978)	$ (62,938)	$ 11,382	$ 780	$ (50,776)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	97,333	53,128	150,461			150,461
Diluted	97,774	52,687	150,461			150,461
NET INCOME (LOSS) PER COMMON SHARE						
Basic	$ (0.12)		$ (0.42)			$ (0.34)
Diluted	$ (0.12)		$ (0.42)			$ (0.34)

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

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Notes to Unaudited Pro Forma Condensed

Consolidated Statement of Operations for the

Year Ended December 31, 2005

(1) Reflects the historical condensed consolidated statement of operations of the Company and the Advisor for the year ended December 31, 2005. Please refer to Dividend Capital Trust Inc. s historical condensed consolidated financials statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 and please see the audited financial statements of the Advisor beginning on page F-85.

(2) Reflects the incremental results of operations, including the effects of depreciation and amortization and incremental asset management fees, of the acquisition of properties acquired subsequent to December 31, 2004 through June 9, 2006 (date of the most recent significant acquisition) and the incremental effects of the financing associated with such acquisitions including issuance of common stock, the Operating Partnership s private placement, debt assumptions and debt issuances.

(3) Reflects the elimination of property acquisition service fees, asset management fees and fees related to the Company s private placement offerings as these fees will not be applicable to on-going operations of the Company upon closing of the Agreement.

(4) This amount reflects the pro forma adjustment for the net income attributable to minority interest related to the 15,111,111 OP Units issued in connection with the Internatlization.

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share information)

	March 31, 2006 (Unaudited)	December 31, 2005
ASSETS		
Land	$ 329,097	$ 327,428
Buildings and improvements	1,502,256	1,499,414
Intangible lease assets	153,517	155,276
Construction in progress	36,938	12,807
Total Investment in Properties	2,021,808	1,994,925
Less accumulated depreciation and amortization	(119,206)	(96,604)
Net Investment in Properties	1,902,602	1,898,321
Investments in and advances to unconsolidated joint ventures	10,450	6,090
Net Investment in Real Estate	1,913,052	1,904,411
Cash and cash equivalents	297,549	94,918
Restricted cash	6,432	5,027
Notes receivable	10,147	9,670
Deferred loan costs, net	6,158	6,498
Deferred loan costs - financing obligation, net	15,680	12,270
Deferred acquisition costs and deposits	5,221	2,855
Straight line rent and other receivables	16,758	18,347
Other assets, net	4,721	3,699
Total Assets	$ 2,275,718	$ 2,057,695
LIABILITIES & SHAREHOLDERS EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 24,653	$ 26,139
Distributions payable	23,259	19,787
Tenant prepaids and security deposits	9,508	9,321
Other liabilities	3,694	6,769
Intangible lease liability, net	9,794	10,320
Lines of credit	18	16
Unsecured notes	50,000	
Mortgage notes	640,040	642,242
Financing obligations	190,750	154,713
Total Liabilities	951,716	869,307
Minority Interest	66,798	55,577
Shareholders Equity:		
Preferred shares, 50,000,000 shares authorized, none outstanding		
Shares-in-trust, 100,000,000 shares authorized, none outstanding		
Common shares $0.01 par value, 350,000,000 shares authorized, 149,154,163 and 133,206,784 shares issued and outstanding as of March 31, 2006 and December 31, 2005, respectively	1,492	1,332
Additional paid-in capital	1,378,697	1,235,156
Distributions in excess of earnings	(121,883)	(100,888)

Accumulated other comprehensive loss	(1,102)	(2,789)
Total Shareholders Equity	1,257,204	1,132,811
Total Liabilities and Shareholders Equity	$ 2,275,718	$ 2,057,695

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

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited, in thousands, except per share information)

	For the Three Months Ended March 31, 2006	2005
REVENUE:		
Rental revenue	$ 46,680	$ 19,602
Institutional capital management fees	52	
Total Revenue	46,732	19,602
EXPENSES:		
Rental expenses	4,462	2,435
Real estate taxes	6,481	2,384
Depreciation and amortization expense	24,492	12,350
General and administrative expense	730	728
Asset management fees, related party	3,518	1,179
Total Expenses	39,683	19,076
Net Operating Income	7,049	526
Other Income and Expenses:		
Equity in earnings (loss) of unconsolidated joint ventures, net	(53)	
Gain from disposition of real estate interests	3,988	
Interest expense, including amortization of $318 and $407, respectively	(11,681)	(3,718)
Interest income	2,462	610
Total Other Income and Expenses	(5,284)	(3,108)
Net Income Before Minority Interest	1,765	(2,582)
Minority Interest	(190)	
NET INCOME (LOSS)	$ 1,955	$ (2,582)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	145,402	74,421
Diluted	147,315	74,441
NET INCOME (LOSS) PER COMMON SHARE		
Basic	$ 0.01	$ (0.03)
Diluted	$ 0.01	$ (0.03)

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

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statement of Shareholders Equity

and Other Comprehensive Loss

For the Three Months Ended March 31, 2006

(Unaudited, in thousands)

	Common Shares					
	Shares	Amount	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Total Shareholders Equity
Balance at December 31, 2005	133,207	$ 1,332	$ 1,235,156	$ (100,888)	$ (2,789)	$ 1,132,811
Comprehensive income:						
Net income				1,955		1,955
Net unrealized gain from cash flow hedging derivatives					1,524	1,524
Amortization of cash flow hedging derivatives					163	163
Comprehensive income						3,642
Issuance of common shares, net of offering costs	16,195	162	145,897			146,059
Redemption of common shares	(248)	(2)	(2,372)			(2,374)
Amortization of stock options			16			16
Dividends on common shares				(22,950)		(22,950)
Balance at March 31, 2006	149,154	$ 1,492	$ 1,378,697	$ (121,883)	$ (1,102)	$ 1,257,204

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

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited, in thousands)

	For the Three Months Ended March 31, 2006	2005
OPERATING ACTIVITIES:		
Net income (loss)	$ 1,955	$ (2,582)
Minority interest share of net loss	(190)	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity in loss of unconsolidated joint ventures	53	
Gain from disposition of real estate interests	(3,988)	
Real estate depreciation and amortization	24,492	12,350
Other depreciation and amortization	1,270	829
Increase in other assets	(2,716)	(560)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(1,286)	716
Net cash provided by operating activities	19,590	10,753
INVESTING ACTIVITIES:		
Real estate investments	(133,789)	(76,520)
Proceeds from disposition of real estate investments	102,740	
(Increase) decrease in deferred acquisition costs	(2,366)	1,344
Increase in notes receivable	(650)	(3,940)
Master lease payments	87	1,102
Net cash used in investing activities	(33,978)	(78,014)
FINANCING ACTIVITIES:		
Net proceeds on line of credit	2	4
Proceeds from unsecured notes	50,000	
Proceeds from mortgage notes		57,000
Principal payments on mortgage notes	(2,202)	(414)
Proceeds from financing obligations	50,046	17,958
Principal payments on financing obligations	(644)	(361)
Increase in deferred loan costs	(84)	(545)
Increase in deferred loan costs financing obligation	(4,844)	(1,608)
Proceeds from sale of common shares	154,749	138,595
Offering costs for issuance of common shares, related party	(14,685)	(13,579)
Redemption of common shares	(6,249)	(1,188)
Decrease in restricted cash	98	560
Settlement of cash flow hedging derivative		(1,822)
Distributions to common shareholders	(8,575)	(4,564)
Distributions to minority interest	(593)	
Net cash provided by financing activities	217,019	190,036
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 202,631	$ 122,775
CASH AND CASH EQUIVALENTS, beginning of period	$ 94,918	$ 23,520

CASH AND CASH EQUIVALENTS, end of period	$ 297,549	$ 146,295
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest expense	$ 11,869	$ 3,808
Assumption of secured debt in connection with real estate acquired	$	$ 22,465
Amount issued pursuant to the distribution reinvestment plan	$ 11,055	$ 5,174

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

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

Note 1 Organization and Summary of Significant Accounting Policies

Organization

Dividend Capital Trust Inc. was formed as a Maryland corporation in April 2002 in order to invest in commercial real estate properties, consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. We have qualified, and intend to continue to qualify, as a real estate investment trust (REIT) for federal tax purposes. We are structured as an umbrella partnership REIT (UPREIT) under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, Dividend Capital Operating Partnership LP (our partnership), a Delaware limited partnership, for which Dividend Capital Trust is the sole general partner. As used herein, Dividend Capital Trust , we and us refer to Dividend Capital Trust Inc. and its consolidated subsidiaries and partnerships except where the context otherwise requires.

Our day-to-day activities are managed by Dividend Capital Advisors LLC (our advisor), an affiliate, under the terms and conditions of an advisory agreement. Our advisor is currently majority owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. In addition, under the terms of certain dealer manager agreements, Dividend Capital Securities LLC (the Dealer Manager) serves as the dealer manager of our public and private offerings. The Dealer Manager is also indirectly owned by three of our directors and certain officers and/or their affiliates and other third parties. Our advisor and its affiliates, including the Dealer Manager, receive various forms of compensation, reimbursements and fees for services relating to our public and private offerings and for the investment and management of our real estate assets.

Currently, there are no employees of Dividend Capital Trust and its subsidiaries. All management and administrative personnel responsible for conducting our business are currently employed by our advisor and the Dealer Manager. Currently, our advisor and its affiliates have over 90 full-time employees engaged in business activities on our behalf.

Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting only of normal recurring items necessary for their fair presentation in conformity with GAAP. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with our audited consolidated financial statements as of December 31, 2005, and related notes thereto as filed on Form 10-K on March 16, 2006.

Reclassifications

Certain items in the consolidated financial statements for periods in 2005 have been reclassified to conform to the current period classifications.

Investment in Real Estate

We capitalize direct costs associated with the acquisition, development or improvement of real estate, including acquisition fees paid to our advisor. Costs associated with acquisition or development pursuits are

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

capitalized as incurred and if the pursuit is abandoned, these costs are expensed in the period in which the pursuit is abandoned. Costs associated with the improvement of our real estate assets are also capitalized as incurred. However, costs incurred in making repairs to and for maintaining our real estate which do not extend the life of our assets are expensed as incurred.

Upon acquisition, the total cost of a property is allocated to land, building, land improvements, tenant improvements and intangible lease assets and liabilities pursuant to Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS No. 141). The allocation of the total cost to land, building, land improvements and tenant improvements is based on our estimate of their fair value based on all available information such as the replacement cost of such assets, appraisals, property condition reports, market data and other related information. Pursuant to SFAS No. 141, the difference between the fair value and the face value of debt assumed in an acquisition is recorded as a premium or discount and amortized to interest expense over the life of the debt assumed. The valuation of assumed liabilities is based on the current market rate for similar liabilities. The allocation of the total cost of a property to an intangible lease asset includes the value associated with the in-place leases which may include leasing commissions, legal and other costs. In addition, the allocation of the total cost of a property requires allocating costs to an intangible asset or liability resulting from in-place leases being above or below the market rental rates on the date of the acquisition. These assets or liabilities will be amortized over the life of the remaining in-place leases as an adjustment to revenue.

Real estate, including land, building, building and land improvements, tenant improvements and leasing costs, and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives as follows:

Description	Standard Depreciable Life
Land	Not depreciated
Building	40 years
Building and land improvements	20 years
Tenant improvements	Over lease term
Lease commissions	Over lease term
Intangible lease assets and liabilities	Average term of leases for property
Above/below market rent assets/liabilities	Over lease term

The table above reflects the standard depreciable lives typically used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities. The cost of assets sold or retired and the related accumulated depreciation and/or amortization is removed from the accounts and the resulting gain or loss is reflected in operations in the period in which such sale or retirement occurs.

Equity Method

We present investments in certain unconsolidated joint ventures under the equity method. The equity method is used when we have the ability to exercise significant influence over operating and financial policies of a joint venture but do not control the joint venture. Under the equity method, these investments (including advances to the joint venture) are initially recorded in our consolidated balance sheets at our cost and are subsequently adjusted to reflect our proportionate share of net earnings or losses of each of the joint ventures, distributions received, contributions made and certain other adjustments as appropriate. Such investments are included in investments in and advances to unconsolidated joint ventures on the accompanying balance sheets to the consolidated financial statements (see Note 8 Investments in and Advances to Unconsolidated Joint Ventures).

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

Comprehensive Income (Loss)

We report comprehensive income (loss) in the accompanying consolidated statements of shareholders equity and other comprehensive loss. Amounts reported in accumulated other comprehensive loss related to hedging transactions will be amortized to interest expense over the life of our hedged debt issuances. Any ineffectiveness, as defined by SFAS No. 133 (defined below), related to our hedging transactions are reported in the accompanying consolidated statements of operations.

Derivative Instruments and Hedging Activities

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS No. 133, we record all derivatives on our consolidated balance sheets at fair value. Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the designation of the derivative. Derivatives used to hedge our exposure to changes in the fair value of an asset, liability, or firm commitments attributable to a particular risk are considered fair value hedges. Derivatives used to hedge our exposure to variability in expected future interest payments, or other types of forecasted transactions, are considered cash flow hedges.

As of March 31, 2006, all of the hedges entered into by us had been designated as cash flow hedges. For derivatives designated as cash flow hedges, the changes in the fair value of the derivative that represent changes in expected future cash flows that are effectively hedged by the derivative are initially reported in other comprehensive income (loss) on our consolidated statements of shareholders equity and other comprehensive loss (i.e., not included in earnings) until the derivative is settled. Upon settlement, the effective portion of the hedge is recognized in other comprehensive loss and amortized over the term of the designated cash flow or transaction the derivative was intended to hedge. Any change in value of the derivative that is deemed to be ineffective is charged directly to earnings when the determination of ineffectiveness is made. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. We do not use derivatives for trading or speculative purposes.

Our objective in using derivatives is to add stability to future interest expense and to manage our exposure to interest rate movements associated with our forecasted debt issuances. To accomplish this objective, we primarily use treasury locks and forward-starting swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate fluctuations by providing a future fixed interest rate for a limited pre-determined period of time. During 2006 and 2005, such derivatives were used to hedge the variability in future interest expense associated with forecasted issuances of debt, which includes the issuance of new debt as well as refinancing of existing debt upon maturity.

Revenue Recognition

We record rental revenue for the full term of each lease on a straight-line basis. Certain properties have leases that provide for customer occupancy during periods that no rent is due or where minimum rent payments increase during the term of the lease. Accordingly, we record a receivable from customers that we expect to collect over the remaining lease term rather than currently, which will be recorded as straight-line rents receivable. When we acquire a property, the term of existing leases is considered to commence as of the acquisition date for the purposes of this calculation. For the three months ended March 31, 2006 and 2005, the total increase to rental revenues due to straight-line rent adjustments was approximately $2.3 million and $801,000, respectively.

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

In connection with property acquisitions, we may acquire leases with rental rates above and/or below the market rental rates. Such differences are recorded as an intangible asset or liability pursuant to SFAS No. 141 and amortized to rental revenues over the life of the respective leases. For the three months ended March 31, 2006 and 2005, the total net decrease to rental revenues due to the amortization of above and below market rents was approximately $431,000 and $443,000, respectively.

In connection with certain property acquisitions, we have entered into master lease agreements with various sellers whereby the sellers are obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new customer. For financial reporting purposes, rental payments under master lease agreements are reflected as a reduction of the basis of the underlying property rather than rental revenue. For the three months ended March 31, 2006 and 2005, the total master lease payments received were approximately $87,000 and $1.1 million, respectively.

Stock-Based Compensation

We have a stock-based Employee Option Plan and an Independent Director Option Plan. We previously accounted for these plans pursuant to SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), and effective January 1, 2006, we adopted the provisions of SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)) and its related interpretations (see Note 10 Option Plans and Warrant Purchase Agreements). Options granted under our Independent Director Option Plan and the Employee Option Plan are valued using the Black-Scholes option-pricing model and are amortized to salary expense on a straight-line basis over the period during which the right to exercise such options fully vests. Such expense is included in general and administrative expense on the accompanying consolidated statements of operations.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R) which is a revision of SFAS No. 123. SFAS No. 123(R) establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for publicly listed companies for the annual period beginning after December 15, 2005. The adoption of SFAS No. 123(R) requires the unamortized portion of any options issued prior to 2002 to be amortized over the remaining life of those options. We adopted SFAS No. 123(R) during the first quarter of 2006 and there was no material impact on our financial position, results of operations or cash flows.

In June 2005, the Emerging Issues Task Force, or EITF, issued EITF Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights.* Under this consensus, a sole general partner is presumed to control a limited partnership (or similar entity) and should consolidate that entity unless the limited partners possess kick-out rights or other substantive participating rights as described in EITF Issue No. 96-16, *Investor s Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights.* As of June 29, 2005, this consensus was effective immediately for all new or modified agreements, and effective beginning in the first reporting period ending after December 15, 2005 for all existing agreements. We adopted the requirements of this consensus in the third quarter of 2005 and such adoption did not have a material impact on our financial position, results of operations or cash flows.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

Note 2 Real Estate

Our consolidated real estate assets primarily consist of operating properties, properties under development and land held for future development. Our real estate assets, presented at historical cost, include the following (amounts in thousands):

	March 31, 2006	December 31, 2005
Operating properties	$ 1,976,833	$ 1,978,475
Properties under development	36,960	8,401
Land held for development	8,015	8,049
Total investment in properties	2,021,808	1,994,925
Less accumulated depreciation and amortization	(119,206)	(96,604)
Net investment in properties	$ 1,902,602	$ 1,898,321

Acquisition Activity

During the three months ended March 31, 2006, we acquired 13 properties located in eight markets, aggregating approximately 3.4 million square feet for a total cost of approximately $128.1 million, including acquisition fees paid to our advisor. These properties were acquired using net proceeds from our public and private offerings and debt issuances.

Notable Acquisition

Parkwest II Portfolio Cincinnati, Ohio

On January 6, 2006, we purchased a portfolio of three properties (Parkwest II) comprising 891,660 square feet located in Cincinnati, Ohio. As of March 31, 2006, Parkwest II had 857,060 square feet leased to five customers. The remaining vacant space of approximately 34,600 square feet is subject to a master lease agreement whereby the seller is obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new customer. Such master lease payments are reflected as a reduction of the basis in the underlying property rather than rental revenue in accordance with GAAP. We purchased Parkwest II for a total investment of approximately $42.2 million, including acquisition fees paid to our advisor.

Disposition Activity

Contribution of Properties to an Institutional Fund

On February 21, 2006, we entered into a joint venture with affiliates of Boubyan Bank of Kuwait (our Partner) to create an institutional fund, DCT Fund I LLC (the Fund), that owns and operates industrial properties located in the United States. We contributed six industrial properties to the Fund, aggregating approximately 2.6 million square feet after completion of a 330,000 square foot expansion project. The approximate contribution value of the six buildings upon completion of the expansion is $122.8 million. Contemporaneously with our contribution, the Fund issued approximately $84.4 million of secured non-recourse debt and our Partner contributed $19.7 million of equity to the Fund. Upon receipt of these proceeds, the Fund made a special distribution to us of approximately $102.7 million. Upon completion of the expansion, the Fund will make another special distribution to us and at such time we will recognize the sale of such expansion. The expansion project is estimated to be completed in June 2006. After these transactions, our ownership will be approximately 20% and our Partner s ownership will be approximately

80%.

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The contribution of the six properties into the Fund (exclusive of the expansion project) resulted in a gain of approximately $5.0 million of which approximately $4.0 million was recognized in our earnings for the three months ended March 31, 2006. This $4.0 million corresponds to our Partner s ownership interest in the Fund (i.e., 80% of the total gain). The remaining gain of $1.0 million has been deferred and will be amortized to earnings over the weighted average lives of the Fund s properties.

Pursuant to our joint venture agreement, we act as asset manager for the Fund and earn certain fees including asset management fees and leasing commissions, as well as other fees related to the properties we manage. Such fees totaled approximately $52,000 for the three months ended March 31, 2006. In addition to these fees, after the partners are repaid their respective capital contributions plus a preferred return, we have the right to receive a promoted interest in the Fund based on performance. Although the Fund s day-to-day business affairs are managed by us, all major decisions are determined by both us and our Partner.

Development and Expansion Projects

SouthCreek IV Distribution Facility

On May 19, 2005, we entered into a joint venture agreement with SV Atlanta SouthCreek IV, L.P. (SouthCreek), an unrelated third-party, to acquire 37 acres of land and to develop a 556,800 square foot distribution facility located in Atlanta, Georgia. Pursuant to the joint venture agreement, SouthCreek and we will provide approximately 3% and 97%, respectively, of the required equity capital, which is estimated to be approximately $5.6 million, to fund the development project. Both parties will receive a preferred return on their respective capital contributions. We have the right to purchase SouthCreek s interest in the venture at anytime after the later to occur of (i) stabilization of the project, and (ii) the date 18 months after completion of the project. We currently estimate that the facility will be completed in June 2006 for a total estimated cost of approximately $16.5 million. Our investment in this joint venture is included in investment in and advances to unconsolidated joint ventures in the accompanying consolidated balance sheets.

Veterans Parkway

On October 20, 2005, we purchased a shell-complete building comprising approximately 189,000 square feet and a pad-ready land parcel located in Chicago, Illinois from Seefried Properties (Seefried), a third-party developer. In connection with the acquisition, we entered into a joint venture agreement with Seefried to stabilize the shell-complete building and to complete the development of a second building on the pad-ready land parcel. Upon the shell-complete building reaching stabilization, either member of the joint venture has the right to initiate a put/call procedure pursuant to which we would acquire the remaining interest held by Seefried in the joint venture based on previously negotiated terms, mostly dependent upon leasing.

Buford Distribution Center

In October 2004, we entered into a forward purchase commitment with Wachovia Bank National Association (Wachovia) in connection with our commitment to acquire two buildings, referred to as the Buford Distribution Center, totaling 677,667 square feet from an unrelated third-party developer. We entered into a binding agreement with Wachovia, the construction lender, to purchase the buildings at a price of up to $29.0 million and thereby retire the related construction financing. On March 31, 2006, we acquired this development project from the third-party developer and retired the debt with Wachovia for approximately $20 million.

Memphis Trade Center III Expansion

In 2005, we entered into an agreement with Johnson and Johnson Health Care Systems, Inc. (J&J), a current customer which leases 440,000 square feet in our Memphis Trade Center III, to expand J&J s space in the

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existing building to an aggregate of 770,000 square feet. Subsequent to us entering into this agreement, we entered into an agreement to create the Fund and contribute this property into the Fund (see Disposition Activity Contribution of Properties to an Institutional Fund). We expect to complete this expansion in June 2006.

Forward Purchase Commitment

On March 28, 2005, a wholly-owned subsidiary of our partnership entered into a joint venture agreement with Deltapoint Park Associates, LLC, an unaffiliated third-party, to acquire 47 acres of land and to develop an 885,000 square foot distribution facility located in Memphis, Tennessee. Deltapoint Park Partners LLC (Deltapoint), a Delaware limited liability company, was created for the purpose of conducting business on behalf of the joint venture. Pursuant to the operating agreement of Deltapoint, we were obligated to make the majority of the initial capital contributions and we received a preferred return on such capital contributions. Subsequent to the closing of a construction loan in May 2005, Deltapoint repaid us our initial capital contributions plus our preferred return and we ceased to be a member of Deltapoint. Contemporaneously with the closing of the construction loan, our partnership entered into a forward purchase commitment agreement whereby we are obligated to acquire the distribution facility from Deltapoint upon completion. The purchase price of Delta point would be based on pre-negotiated terms, mostly dependent upon leasing, with a minimum purchase price equal to actual development costs.

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Notes to Consolidated Financial Statements (Continued)

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Note 3 Debt

As of March 31, 2006, and December 31, 2005, our debt consisted of the following (dollar amounts in thousands):

	Assumption/ Issuance Date	Stated Interest Rate	Adjusted Interest Rate (5)	Maturity Date	Outstanding Balance as of March 31, 2006	December 31, 2005
Unsecured Debt:						
ING Investment Management (1)	January 2006	5.68%	6.03%	January 2014	$ 50,000	$
Secured Mortgage Debt:						
New York Life	December 2003	5.00%	5.00%	March 2011	39,112	39,328
ING Investment Management (1)	December 2004	5.31%	5.34%	January 2015	54,728	54,994
ING Investment Management (1)	January 2005	4.40%	5.42%	January 2010	56,682	56,997
ING Investment Management	September 2005	4.97%	4.97%	October 2013	3,926	3,926
Assumed Secured Mortgage Debt (2):						
Principal	June 2004	7.08%	4.81%	July 2008	16,590	16,711
Principal	June 2004	7.21%	4.81%	July 2008	11,318	11,371
Prudential	June 2004	6.40%	6.09%	November 2012	12,653	12,688
Principal	November 2004	6.22%	4.18%	September 2012	3,739	3,760
Legacy	February 2005	7.40%	5.21%	December 2017	1,407	1,426
Prudential	March 2005	5.69%	5.22%	December 2013	7,980	8,050
State Farm	March 2005	6.72%	5.62%	November 2022	12,314	12,413
Column Financial, Inc.	April 2005	6.30%	5.18%	September 2012	27,045	27,146
John Hancock	April 2005	6.91%	5.25%	September 2013	6,124	6,200
TIAA	May 2005	8.50%	4.71%	October 2008	8,048	8,072
Fortis Benefits Insurance Co.	May 2005	7.25%	4.70%	July 2008	2,478	2,496
ING Investment Management	June 2005	4.89%	4.73%	February 2008	19,998	19,998
Mass Mutual	June 2005	6.79%	4.91%	July 2011	4,672	4,689
Key Bank	July 2005	6.44%	4.72%	October 2012	7,146	7,176
Key Bank	July 2005	6.84%	4.72%	September 2012	8,287	8,314
Transamerica	July 2005	6.97%	4.75%	June 2013	11,243	11,388
Bear, Stearns Funding, Inc.	December 2005	7.22%	5.16%	March 2008	6,425	6,470
Nationwide	July 2005	5.06%	5.06%	January 2011	57,494	57,494
Nationwide	July 2005	4.72%	4.72%	April 2011	50,150	50,150
Jackson	July 2005	5.16%	5.16%	July 2012	62,740	62,740
Jackson	July 2005	4.91%	4.91%	April 2012	62,600	62,600
New York Life	July 2005	4.79%	4.79%	October 2011	50,549	50,549
New York Life	July 2005	4.90%	4.90%	October 2011	25,237	25,237
Weighted Avg./Totals (3)		5.38%			$ 680,685	$ 632,383
Premiums, Net of Amortization (2)					9,355	9,859
Carrying Value of Debt			5.12%		$ 690,040	$ 642,242

Senior Unsecured Revolving Credit Facility								
JP Morgan	December 2005	(4)	n/a	December 2008	$		$	
Senior Secured Revolving Credit Facility								
JP Morgan	October 2003	(4)	7.75%	December 2008	$	18	$	16

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

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(1) We assigned certain derivative instruments to these notes and pursuant to SFAS No. 133 (see Note 1 Organization and Summary of Significant Accounting Policies), the fair value of these derivative instruments will be amortized to interest expense over the life of the assigned notes.
(2) These mortgages were assumed in conjunction with the acquisition of properties and, pursuant to SFAS No. 141 (see Note 1 Organization and Summary of Significant Accounting Policies), the difference between the fair value and the face value of these notes at the date of acquisition is reflected as a premium or discount which will be amortized to interest expense over the remaining life of the underlying note.
(3) Weighted-average interest rates are based upon outstanding balances as of March 31, 2006.
(4) Our senior unsecured revolving credit facility bears interest at either LIBOR plus 0.875% to 1.375% or at our election prime. Our senior secured revolving credit facility bears interest at either prime (7.750% at March 31, 2006) or, at our election, LIBOR plus 1. 250% to 1.750%.
(5) Reflects the impact to interest rates of GAAP adjustments for purchase price allocation and hedging transactions. These rates do not reflect the impact of other interest expense items such as fees and the amortization of loan costs.

As of March 31, 2006, the historical cost of all our properties was approximately $2.0 billion and the historical cost of all properties securing our fixed rate mortgage debt and senior secured credit facility was approximately $1.2 billion and $126.9 million, respectively. Our debt has various financial covenants and we were in compliance with all of these covenants at March 31, 2006.

Lines of Credit

In December 2005, we amended our existing $225 million senior secured revolving credit facility such that it is now a $250 million unsecured facility with a syndicated group of banks led by JP Morgan Securities. The facility matures in December 2008 and has provisions to increase its total capacity to $400 million. At our election, the facility bears interest either at LIBOR plus 0.875% to 1.375%, depending upon our consolidated leverage, or at prime and is subject to an annual 0.25% facility fee. The facility contains various covenants including financial covenants with respect to consolidated leverage, net worth, unencumbered assets, interest and fixed charge coverage and secured debt to secured asset value. As of March 31, 2006, we were in compliance with all these financial covenants. As of March 31, 2006 and December 31, 2005, there was no outstanding balance on this facility.

Contemporaneously with the amendment of our secured credit facility, we entered into a $40 million senior secured revolving credit facility with a separate syndicated bank group led by JP Morgan Securities pursuant to which the bank group has agreed to advance funds to our partnership and third-party investors in our partnership s private placement using undivided tenancy-in-common interests in our buildings as collateral. The facility matures in December 2008 and has provisions to increase its total capacity to $80 million. At our election, the facility bears interest either at LIBOR plus 1.25% to 1.75%, depending upon our consolidated leverage, or at prime and is subject to an unused facility fee. The facility contains various covenants including financial covenants with respect to consolidated leverage, net worth, interest and fixed charge coverage and secured debt to secured asset value. As of March 31, 2006, we were in compliance with all these financial covenants. According to the terms of the facility, in addition to our borrowings, any loans made to third-party investors in our partnership s private placement reduce the total capacity available from the facility. In addition, the obligations of the borrowers under the facility are several but not joint. As of March 31, 2006 and December 31, 2005, approximately $30.6 million and $14.1 million, respectively, of loans had been advanced to such third parties and we had an outstanding balance of $18,000 and $16,000, respectively.

Debt Issuances

In January 2006, we issued $50 million of unsecured, non-recourse debt with a fixed interest rate of 5.68% which matures in January 2014. The underlying notes require interest only payments until maturity at which time

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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a lump sum payment is due. In September 2005, we issued $3.9 million of secured, non-recourse debt with a fixed interest rate of 4.97% which matures in October 2013. The underlying note requires interest only payments until April 1, 2007 at which time monthly payments of principal and interest are required. In January 2005, we issued $57.0 million of secured, non-recourse debt with a stated fixed interest rate of 4.40% which matures in 2010. Prior to January 1, 2006, the underlying notes required monthly payments of interest only and thereafter monthly payments of principal and interest are required.

Debt Assumptions

During the three months ended March 31, 2006, we did not assume any debt in connection our property acquisitions. During the year ended December 31, 2005, we assumed nineteen secured, non-recourse notes, totaling $434.1 million, excluding premiums, in conjunction with the acquisition of certain properties (see Note 2 Real Estate). These assumed notes bear interest at fixed and variable rates ranging from 4.72% to 8.50% and require monthly payments of either interest, or principal and interest. The maturity dates of such assumed notes range from February 2008 to November 2022. Pursuant to SFAS No. 141, the difference between the fair value and face value of these assumed notes at the date of acquisition resulted in a premium of approximately $8.7 million, which is amortized to interest expense over the remaining life of the underlying notes. For the three months ended March 31, 2006 and 2005, the amortization of these premiums resulted in a decrease of approximately $504,000 and $161,000, respectively, of interest expense.

Note 4 Hedging Activities

During the three months ended March 31, 2006, we entered into forward-starting interest rate swaps to hedge our interest rate risk associated with forecasted fixed-rate debt issuances that are expected to occur during the period from 2008 through 2012. These forward-starting interest rate swaps have been designated as cash flow hedges.

Unrealized gains of $1.5 million and $2.1 million were recorded during the three months ended March 31, 2006 and 2005, respectively, to shareholders equity and comprehensive loss as a result of the change in fair value of the outstanding hedges. As of March 31, 2006, and December 31, 2005, the accumulated other comprehensive loss balance pertaining to the hedges was $1.1 million and $2.8 million, respectively. Amounts reported in accumulated other comprehensive loss related to derivatives will be amortized to interest expense as interest payments are made on our current fixed-rate debt and anticipated debt issuances. During the next 12 months, we estimate that approximately $616,000 will be amortized from other comprehensive loss to interest expense resulting in an increase in our interest expense.

Note 5 Public Offerings

Since December 2002, we have conducted four successive public offerings of our common stock on a continuous basis and raised approximately $1.4 billion of net proceeds. On January 23, 2006, we closed the primary offering component of our fourth public offering, but we will continue to offer shares pursuant our distribution reinvestment plan.

These offerings have been conducted pursuant to four registration statements filed with the SEC throughout this time period and were managed by the Dealer Manager (see Note 9 Related Party Transactions). Pursuant to the first two registration statements, we sold our common stock at a price of $10.00 per share and, pursuant to the third and fourth registration statements, we sold our common stock at a price of $10.50 per share.

As of March 31, 2006, approximately 149.2 million shares of common stock were issued and outstanding. The net proceeds from the sale of these securities were transferred to our partnership on a one-for-one basis for limited partnership units. Our partnership has used these proceeds to fund the acquisition or development of our properties.

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Note 6 Our Partnership s Private Placement

Our partnership is currently offering undivided tenancy-in-common interests in our properties to accredited investors in a private placement exempt from registration under the Securities Act and, as of March 31, 2006, the historical cost of all properties included in our partnership s private placement was $209.7 million. We anticipate that these tenancy-in-common interests may serve as replacement properties for investors seeking to complete like-kind exchange transactions under Section 1031 of the Internal Revenue Code. Additionally, the tenancy-in-common interests sold to accredited investors are 100% leased by our partnership, and such leases contain purchase options whereby our partnership has the right, but not the obligation, to acquire the tenancy-in-common interests from the investors at a later point in time in exchange for limited partnership units in our partnership under Section 721 of the Internal Revenue Code.

Our partnership pays certain up-front fees and reimburses certain related expenses to our advisor, the Dealer Manager and Dividend Capital Exchange Facilitators LLC (the Facilitator) for raising capital through the private placement. Our advisor is obligated to pay all of the offering and marketing related costs associated with the private placement. However, our partnership is obligated to pay our advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised through the private placement. In addition, our partnership is obligated to pay the Dealer Manager a dealer manager fee of up to 1.5% of gross equity proceeds raised and a commission of up to 5% of gross equity proceeds raised through the private placement. The Dealer Manager may re-allow such commissions and a portion of such dealer manager fee to participating broker dealers. Our partnership is also obligated to pay a transaction facilitation fee to the Facilitator, an affiliate of our advisor, of up to 1.5% of gross equity proceeds raised through the private placement.

During the three months ended March 31, 2006 and 2005, we raised approximately $50.0 million and $18.0 million, respectively, from the sale of undivided tenancy-in-common interests in four buildings, which is included in financing obligations in the accompanying consolidated balance sheets pursuant to SFAS No. 98 *Accounting for Leases* (SFAS No. 98). We have leased the undivided interests sold to unrelated third parties, and in accordance with SFAS No. 98, a portion of the rental payments made to third parties under the lease agreements are recognized as interest expense using the interest method. In addition, the lease agreements each provide for a purchase option whereby our partnership may purchase each undivided tenancy-in-common interest after a certain period of time in exchange for limited partnership units.

During the three months ended March 31, 2006 and 2005, we incurred approximately $2.8 million and $687,000, respectively, of rental expense under various lease agreements with these third-party investors. A portion of such amounts were accounted for as a reduction of the principal outstanding balance of the financing obligations and a portion was accounted for as an increase to interest expense in the accompanying consolidated financial statements. The various lease agreements in place as of March 31, 2006, contain expiration dates ranging from November 2013 to December 2025.

During the three months ended March 31, 2006 and 2005, our partnership incurred upfront costs of approximately $4.8 million and $1.6 million payable to our advisor and other affiliates for affecting these transactions which are accounted for as deferred loan costs. Such deferred loan costs are included in other assets in the accompanying consolidated balance sheets and amortized to interest expense over the life of the financing obligation. If our partnership elects to exercise any purchase option as described above and issue limited partnership units, the unamortized up-front fees and expense reimbursements paid to affiliates will be recorded against minority interest as a selling cost of the limited partnership units. If our partnership does not elect to exercise any such purchase option, we will continue to account for these transactions as a financing obligation because we will continue to sublease 100% of the properties and will therefore not meet the definition of active use set forth in SFAS No. 98 in order to recognize the sale of such fractional interests.

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On March 22, 2006, pursuant to a master lease agreement, our partnership exercised its purchase option to buy certain tenancy-in-common interests it had previously sold in a property located in Plainfield, Indiana. In connection with the exercise of this option, our partnership issued approximately 1.3 million limited partnership units valued (using the most recent selling price of our common stock of $10.50 per share) at approximately $13.8 million to third-party investors holding such tenancy-in-common interests. Such unit holders will have substantially the same economic interest as our common shareholders (see Note 7 Minority Interest).

Note 7 Minority Interest

Minority interest consists of the following (dollar amounts are in thousands):

	March 31, 2006	December 31, 2005
Limited partnership Special Units	$ 1	$ 1
Limited partnership units:		
Net investment	28,320	16,149
Distributions	(602)	(303)
Share of cumulative net loss	(23)	(49)
Sub-total	27,695	15,797
Cabot limited partnership units:		
Net investment	40,314	40,314
Distributions	(798)	(338)
Share of cumulative net loss	(692)	(477)
Sub-total	38,824	39,499
Cabot non-voting common stock:		
Net investment	63	63
Distributions	(1)	
Share of cumulative net loss	(1)	
Sub-total	61	63
Veterans Parkway membership interest:		
Net investment	217	217
Sub-total	217	217
Total	$ 66,798	$ 55,577

Limited Partnership Special Units

During 2002, our partnership issued 10,000 Special Units to an affiliate of our advisor for consideration of $1,000. The holder of the Special Units does not participate in the profits and losses of our partnership. Amounts distributable to the holder of the Special Units will depend on operations and the amount of net sales proceeds received from property dispositions or upon other events. In general, after holders of regular partnership interests in aggregate have received cumulative distributions equal to their capital contributions plus a 7% cumulative non-compounded annual pre-tax return on their net contributions, the holder of the Special Units and the holders of regular partnership interests will receive 15% and 85%, respectively, of the net sales proceeds received by our partnership upon the disposition of our partnership s assets.

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Limited Partnership Units

At March 31, 2006, we owned approximately 98% of our partnership and the remaining interest in our partnership was owned by third-party investors and our advisor. After a period of one year, limited partnership units are redeemable at the option of the unit holder. We have the option of redeeming the limited partnership units with cash or with shares of our common stock. At inception (April 12, 2002), our partnership issued 20,000 limited partnership units to our advisor for gross proceeds of $200,000, which currently represents less than a 0.1% ownership interest in our partnership. In addition, as of March 31, 2006, we had issued approximately 3.1 million limited partnership units to third-party investors in connection with our partnership s private placement (see Note 6 Our Partnership s Private Placement).

Cabot Limited Partnership Units

On July 21, 2005, we completed a merger and acquired all of the outstanding common stock of Cabot Industrial Value Fund, Inc. (Cabot). Through our ownership of Cabot, we acquired an approximate 87% interest in Cabot Industrial Value Fund, LP (the Cabot Partnership), which, as of March 31, 2006, owned a portfolio of 104 properties with a combined historical cost of approximately $663.8 million located in 12 markets throughout the United States and had approximately $308.8 million of mortgage debt outstanding. Pursuant to the Cabot merger, the third-party investors that were limited partners in the Cabot Partnership prior to the Cabot merger remained limited partners after the merger. As of March 31, 2006, the limited partners owned approximately 12.5% of the Cabot Partnership. Contemporaneously with the merger, we entered into a Put/Call Agreement whereby we had the option to acquire the limited partners remaining interest in the Cabot Partnership. Under this agreement, the remaining limited partners had an initial option to put the remaining interests to us beginning April 1, 2006 and ending July 1, 2006 and we had an initial option to call the remaining interests beginning April 1, 2007 and ending July 1, 2007. On April 1, 2006, the limited partners exercised their put option and on April 21, 2006 we purchased the remaining interests from the limited partners for cash of approximately $40.4 million. Income and losses of the Cabot Partnership are allocated pro rata based on the partners ownership interests.

Cabot Non-Voting Common Stock

In August 2005, our advisor and its affiliates acquired 126 shares of Cabot s non-voting common stock for a purchase price of $500 each or $63,000 in the aggregate. Our advisor purchased these shares on behalf of its employees and other affiliates and the proceeds from the sale of these non-voting common shares were used to invest in the Cabot Partnership. Collectively, as of March 31, 2006, these non-voting shares of common stock represent less than a 0.1% ownership of Cabot and the holders of these shares will participate in the distributions of Cabot, which are based on the performance of the Cabot portfolio of properties, in proportion to their respective ownership percentages.

Veterans Parkway Membership Interest

On October 20, 2005, we purchased a shell-complete building comprising approximately 189,000 square feet and a pad-ready land parcel located in Chicago, Illinois from Seefried and entered into a related joint venture with Seefried (see Note 2 Real Estate Development and Expansion Projects). We contributed approximately 95% of the equity capital to the joint venture and Seefried contributed the remaining equity capital of approximately 5%. Both parties will receive a preferred return on their respective capital contributions and, after the parties are repaid their capital contributions plus their preferred returns from the joint venture, Seefried will be entitled to a promoted interest on any excess earnings.

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Note 8 Investments in and Advances to Unconsolidated Joint Ventures

We enter into joint ventures primarily for purposes of developing industrial real estate and to establish funds with institutional investors. As of March 31, 2006, such joint ventures were not defined as variable interest entities pursuant to FASB Interpretation No. 46(R): *Consolidation of Variable Interest Entities an Interpretation of ARB No. 51*. The following describes our unconsolidated joint ventures as of March 31, 2006 and December 31, 2005 (dollar amounts are in thousands).

Unconsolidated Joint Ventures	Ownership Percentage	Buildings	Square Feet	Net Equity Investment March 31, 2006	Net Equity Investment December 31, 2005
Institutional Fund:					
DCT Fund I LLC (1)	20%	6	2,317,192	$ 4,180	$
Developments:					
SouthCreek IV (2)	98%	1	556,800	5,944	5,937
Panattoni Investments (3)	2.5%	3	2,086,698	326	153
Total		10	4,960,690	$ 10,450	$ 6,090

(1) For a description of this Institutional Fund, see Note 2 Real Estate Disposition Activity.
(2) For a description of this Development Project, see Note 2 Real Estate Development and Expansion Projects.
(3) On March 26, 2004, we entered into a strategic relationship with Panattoni Investments LLC, pursuant to which we committed to fund up to $15 million into various development projects through loans evidenced by notes receivable that initially bear interest at 9.5%. We have obtained with respect to each development project an option that gives us the right to purchase an equity interest in the entity owning the underlying property. This equity interest may be up to 5% of the total amount of the related principal note balance outstanding at the time of contribution, which, if exercised, increases the interest earned on the reduced principal balance of the note to 10% thus maintaining our yield. We have exercised certain options with respect to certain of the development projects.

Note 9 Related Party Transactions

Our Advisor

Our day-to-day activities are managed by our advisor, an affiliate, under the terms and conditions of an advisory agreement. Our advisor is considered a related party as certain indirect owners and employees of our advisor serve as our executives. The responsibilities of our advisor include the selection of our investment properties, the negotiations for these investments and the property management and leasing of these properties.

We have entered into an advisory agreement with our advisor pursuant to which we pay certain acquisition and asset management fees to our advisor. The amount of such acquisition fees is equal to 1% of the aggregate purchase price of all properties we acquire. During the three months ended March 31, 2006 and 2005, our advisor earned approximately $1.2 million and $1.0 million, respectively, for acquisition fees which are accounted for as part of the historical cost of the acquired properties.

We pay our advisor an asset management fee equal to 0.75% per annum of the total undepreciated cost of the properties we own in excess of $170 million. During the three months ended March 31, 2006 and 2005, we incurred asset management fees of $3.5 million and $1.2 million, respectively.

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Pursuant to the advisory agreement, our advisor is obligated to advance all of our offering costs subject to its right to be reimbursed for such costs by us in an amount up to 2% of the aggregate gross offering proceeds raised in our public offerings of common stock. Such offering costs include, but are not limited to, actual legal, accounting, printing and other expenses attributable to preparing the SEC registration statements, qualification of the shares for sale in the states and filing fees incurred by our advisor, as well as reimbursements for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares, other than selling commissions and the dealer manager fee.

During the three months ended March 31, 2006 and 2005, our advisor incurred approximately $893,000 and $2.1 million, respectively, of offering costs. During the three months ended March 31, 2006 and 2005, we reimbursed our advisor approximately $1.3 million and $2.8 million, respectively, for such costs. These costs are reflected in equity as offering costs when such reimbursement obligations are incurred. We closed the primary offering component of our fourth public offering on January 23, 2006, and, as of March 31, 2006, we had reimbursed our advisor for all of the then existing un-reimbursed offering costs. However, our advisor expects to realize additional costs relating to our offerings in the future and to the extent our advisor incurs such costs, we will be required to reimburse our advisor up to 2% of the gross proceeds raised in our public offerings of our common stock.

Our advisor is obligated to pay all of the offering and marketing related costs associated with our partnership s private placement. However, our partnership is obligated to pay our advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised through our partnership s private placement. During the three months ended March 31, 2006 and 2005, our partnership incurred approximately $1.0 million and $321,000, respectively, payable to our advisor for such expense allowance.

In accordance with the advisory agreement we are obligated, subject to certain limitations, to reimburse our advisor for certain other expenses incurred on our behalf for providing services contemplated in the advisory agreement, provided that our advisor does not receive a specific fee for the activities which generate the expenses to be reimbursed. For the three months ended March 31, 2006 and 2005, we have reimbursed approximately $161,000 and $93,000, respectively, for such costs.

As of March 31, 2006, our advisor owed us approximately $751,000 (as a result of us over-reimbursing our advisor for offering costs of approximately $2.3 million offset by approximately $1.5 million that we owed the advisor for various fees and reimbursements), which is included in other assets on the accompanying consolidated balance sheets. The over-reimbursement was repaid to us in April 2006, net of a reserve for anticipated offering costs. As of December 31, 2005, we owed our advisor approximately $624,000 for various fees and reimbursements as described above, which is included in other liabilities on the accompanying consolidated balance sheets.

The Dealer Manager

Our public and private offerings are managed by the Dealer Manager under the terms of certain dealer manager agreements. Our Dealer Manager is considered a related party as certain indirect owners and employees of the Dealer Manager serve as our executives.

We have entered into a Dealer Manager Agreement with the Dealer Manager pursuant to which we pay a dealer manager fee of up to 2.0% of gross offering proceeds raised pursuant to our public offerings of common stock to the Dealer Manager as compensation for managing the offering. The Dealer Manager may re-allow a portion of such fees to broker-dealers who participate in the offering. We also pay up to a 6% sales commission

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of gross offering proceeds raised pursuant to our public offerings of common stock. As of March 31, 2006, all sales commissions had been re-allowed to participating broker-dealers. For the three months ended March 31, 2006 and 2005, we incurred approximately $10.9 million and $10.8 million, respectively, payable to the Dealer Manager for dealer manager fees and sales commissions. Such amounts are considered a cost of raising capital and as such are included as a reduction of additional paid-in capital on the accompanying consolidated balance sheets.

We have also entered into a dealer manager agreement with the Dealer Manager pursuant to which we pay a dealer manager fee of up to 1.5% of the gross equity proceeds raised through our partnership s private placement. We also pay the Dealer Manager a sales commission of up to 5.0% of the gross equity proceeds raised through our partnership s private placement. As of March 31, 2006, substantially all of the sales commissions were re-allowed to participating broker-dealers who are responsible for affecting sales. For the three months ended March 31, 2006 and 2005, we incurred up front fees of approximately $3.1 million and $1.0 million, respectively, payable to the Dealer Manager for dealer manager fees and sales commissions. Such amounts are included in deferred loan costs on the accompanying consolidated balance sheets.

Pursuant to our first and second public offerings, the Dealer Manager earned one soliciting dealer warrant for every 25 shares sold. The holder of a soliciting dealer warrant has the right to purchase one share of common stock for $12. In September 2005, our board of directors approved and we issued approximately 2.2 million soliciting dealer warrants to the Dealer Manager representing all of the warrants the Dealer Manager earned in connection with our first and second public offerings. We valued these warrants using the Black-Scholes option-pricing model, and based on our historical volatility, these warrants had a nominal value. No warrants were offered in our third or fourth public offering. During the three months ended March 31, 2006 and 2005, the Dealer Manager did not earn any soliciting dealer warrants as all shares sold during these periods were in connection with our third and fourth public offerings.

As of March 31, 2006 and December 31, 2005, we owed the Dealer Manager approximately $73,000 and $1.4 million, respectively, in relation to the fees described above which is included in other liabilities on the accompanying consolidated balance sheets.

The Facilitator

The Facilitator is responsible for the facilitation of transactions associated with our partnership s private placement. The Facilitator is considered a related party as certain indirect owners and employees of the Facilitator serve as our executives. We have entered into an agreement with the Facilitator whereby we pay a transaction facilitation fee associated with our partnership s private placement. We pay the Facilitator up to 1.5% of the gross equity proceeds raised through our partnership s private placement for transaction facilitation. For the three months ended March 31, 2006 and 2005, we incurred approximately $727,000 and $241,000, respectively, payable to the Facilitator for such fees. In accordance with SFAS No. 98, these fees, as well as the other fees associated with our partnership s private placement, are recorded as deferred loan costs and amortized over the life of the financing obligation (see Note 6 Our Partnership s Private Placement).

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Note 10 Stock Option Plans and Warrant Purchase Agreements

Stock Option Plans

Independent Director Option Plan

We have adopted an independent director stock option plan which we use in an effort to attract and retain qualified independent directors (the Independent Director Option Plan). We granted non-qualified stock options to purchase 10,000 shares to each independent director pursuant to the Independent Director Option Plan effective upon the later of (i) the sale of 200,000 shares in our first public offering, and (ii) the independent director becoming a member of our board of directors. Such options vest 20% upon grant date and 20% each year for the following four years. In addition, we have issued options to purchase 5,000 shares to each independent director then in office on the date of each annual shareholder s meeting and these options vest 100% upon the second anniversary from the grant date. A total of 300,000 shares are authorized and reserved for issuance under the Independent Director Option Plan. The term of these options shall not exceed the earlier of ten years from the date of grant, the date of removal for cause, or three months from the director s resignation. The exercise price for options to be issued under the Independent Director Option Plan 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. As of March 31, 2006 and 2005, we had 80,000 and 60,000 options outstanding, respectively, under the Independent Director Stock Option Plan, of which 28,000 and 24,000 were vested, respectively. As of March 31, 2006, no such options had been exercised.

During the three months ended March 31, 2006, options issued under the independent director option plan were valued using the Black-Scholes option-pricing model (Black Scholes) with the following assumptions: expected dividend yield of 6.10%, risk-free interest rate of 4.01%, volatility factor of 19.22% and an expected life of 6 years. The value of options granted under the Independent Director Option Plan on the date of grant during the three months ended March 31, 2006 was approximately $5,650. There were no independent director options granted during the three months ended March 31, 2005.

On July 19, 2005, we received and accepted the resignation of an independent director of our board of directors. In connection with such resignation, the director forfeited all 20,000 options that he had previously been awarded, effective three months from his resignation, of which 6,000 had fully vested. In addition, on July 19, 2005 at a special meeting of the board of directors, Bruce L. Warwick was duly nominated, voted and approved as an independent director of our board of directors. Upon his approval as an independent director, Mr. Warwick was granted 10,000 options with an approximate value of $5,623. These options were valued using the Black-Scholes option-pricing model.

On January 6, 2006, we received and accepted the resignation of an independent director of our board of directors. In connection with such resignation, the director forfeited all 20,000 options that he had previously been awarded, effective three months from his resignation, of which 8,000 had fully vested. In addition, on January 6, 2006, at a special meeting of our board of directors, Phillip R. Altinger was duly nominated, voted and approved as an independent director of our board of directors. Upon his approval as an independent director, Mr. Altinger was granted 10,000 options with an approximate value of $5,650. These options were valued using the Black-Scholes option-pricing model.

Employee Option Plan

We have adopted an employee stock option plan (the Employee Option Plan). The Employee Option Plan is designed to enable us, our advisor and its affiliates to obtain or retain the services of employees (not to include any person who is an affiliate of ours as defined in the plan) considered essential to our long-term success and the

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success of our advisor and its affiliates by offering such employees an opportunity to participate in our growth through ownership of the our shares. The Employee Option Plan will be administered by our compensation committee, which is authorized to grant non-qualified stock options (the Employee Options) to selected employees of our advisor and its affiliates. The exercise price for the Employee Options shall be the greater of (1) $11.00 per share or (2) the fair market value of the shares on the date the Employee Option is granted. A total of 750,000 shares are authorized and reserved for issuance under the Employee Option Plan. The term of such employee options has been set by our compensation committee and shall not exceed the earlier of ten years from the date of grant or five years from the date of a listing of our common stock. Our compensation committee has set the period during which the right to exercise an Employee Option fully vests to three years from the date of grant. During the three months ended March 31, 2006, we granted 251,000 options pursuant to this plan. As of March 31, 2006 and 2005, there were 358,500 and 107,500 options outstanding under the Employee Option Plan, respectively, with a weighted average exercise price of $11.00. As of March 31, 2006, no such options had been exercised and 2,500 had been forfeited.

During the three months ended March 31, 2006, options issued under the Employee Option Plan were valued using Black-Scholes with the following assumptions: expected dividend yield of 6.10%, risk-free interest rate of 4.01%, volatility factor of 19.19% and an expected life of 6 years. The value of the options granted under the Employee Option Plan on the date of grant during the three months ended March 31 2006 was approximately $159,219. There were no employee options granted during the three months ended March 31, 2005.

Options granted under both the Independent Director Option Plan and the Employee Option Plan are valued using the Black-Scholes option-pricing model and are amortized to salary expense on a straight-line basis over the period during which the right to exercise such options fully vests. For the three months ended March 31, 2006 and 2005, we incurred $16,254 and $6,715, respectively, of such expense which is included in general and administrative expense on the accompanying consolidated statements of operations. As of March 31, 2006, approximately $209,000 of such expense remained unrecognized which reflects the unamortized portion of the value of such options issued pursuant to the Independent Director Option Plan and the Employee Option Plan. We expect to recognize such expense over a weighted average period of 2.6 years.

The following table describes the total option grants, exercises, expirations and forfeitures that occurred during the three months ended March 31, 2006, as well as the total options outstanding as of December 31, 2005 and March 31, 2006 and the total options exercisable as of March 31, 2006.

	Independent Director Options	Employee Options	Weighted Average Option Price Per Share	Weighted Average Remaining Contractual Life (Years)
Issued and Outstanding at 12/31/05	70,000	105,000	$ 11.40	
Grants	10,000	251,000	11.04	
Exercises				
Expirations				
Forfeitures				
Issued and Outstanding at 3/31/06	80,000	356,000	$ 11.18	9.3
Exercisable at 3/31/06	28,000	35,000	$ 11.44	8.0

Collectively, the options outstanding pursuant to our Independent Director Option Plan and our Employee Option Plan had a weighted average per option value as of March 31, 2006 and as of December 31, 2005 of $0.65 and $0.56, respectively.

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Warrant Purchase Agreements

Pursuant to our first and second public offerings, the Dealer Manager earned one soliciting dealer warrant for every 25 shares sold (see Note 9 Related Party Transactions). These warrants, as well as the shares issuable upon their exercise, were registered in connection with our first and second public offerings. In September 2005, our board of directors approved and we issued approximately 2.2 million soliciting dealer warrants to the Dealer Manager representing all of the warrants the Dealer Manager earned in connection with both of the aforementioned offerings. We valued these warrants using the Black-Scholes option-pricing model, and based on our historical volatility, these warrants had a nominal value. The Dealer Manager may retain or re-allow these warrants to broker-dealers participating in the offering, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The holder of a soliciting dealer warrant is entitled to purchase one share of common stock from us at a price of $12 per share beginning on the first anniversary of the effective date of the offering in which such warrants are issued and ending five years after the effective date of such 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 the relevant public offering. Exercise of the soliciting dealer warrants is governed by the terms and conditions detailed in the warrant purchase agreement.

Note 11 Net Income (Loss) per Common Share

We determine basic net income (loss) per common share by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. We determine diluted net income (loss) per common share by taking into account the effects of potentially issuable common stock, but only if the issuance of stock would be dilutive, including the presumed exchange of limited partnership units for common shares. The following table sets forth the computation of our basic and diluted net income (loss) per common share (amounts in thousands except per share information):

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Numerator		
Net income (loss)	$ 1,955	$ (2,582)
Unit holders interest share in net income(1)	26	
Adjusted net income (loss)	1,981	$ (2,582)
Denominator		
Weighted average common shares outstanding-Basic	145,402	74,421
Incremental weighted average effect of conversion of limited partnership units	1,913	20
Weighted average common shares outstanding-Diluted	147,315	74,441
Net Income (Loss) per Common Share		
Net income (loss) attributable to common shares-Basic	$ 0.01	$ (0.03)
Net income (loss) attributable to common shares-Diluted	$ 0.01	$ (0.03)

(1) For the three month ended March 31, 2006, dilutive securities only included limited partnership units in our partnership, which are redeemable, at our option, for shares of our common stock or cash (see Note 7 Minority Interest).

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Note 12 Segment Information

We consider each operating property to be an individual operating segment that has similar economic characteristics with all our other operating properties and we combine our operating segments into reportable segments based upon their geographic location or market. For purposes of this disclosure, we report the revenue of our largest reportable market segments on an individual basis until the aggregate revenue of such individually reported market segments equals at least 75% of our total revenues and then aggregate all remaining reportable market segments into one category, Other Markets. These other markets include Boston, Charlotte, Columbus, Denver, Harrisburg/Lehigh Valley, Indianapolis, Louisville, Miami, New Jersey, Orlando, San Antonio and San Francisco. The following table sets forth the rental revenues and property net operating income of our market segments for the three months ended March 31, 2006 and 2005 (amounts are in thousands).

	Rental Revenue		NOI(1)	
Segment	**2006**	**2005**	**2006**	**2005**
Atlanta	$ 5,212	$ 3,116	$ 4,041	$ 2,434
Baltimore	2,104		1,782	
Chicago	3,601	682	2,615	674
Cincinnati	3,924	1,865	3,063	1,551
Dallas	6,173	2,401	4,242	1,570
Houston	3,598	2,295	2,345	1,569
Los Angeles	1,630	831	1,404	652
Memphis	4,491	1,614	3,466	1,374
Nashville	2,195	1,410	1,961	1,250
Phoenix	2,380	2,068	1,722	1,274
Seattle	1,842		1,505	
Other Markets	9,530	3,320	7,591	2,435
Total	$ 46,680	$ 19,602	$ 35,737	$ 14,783

(1) Net operating income (NOI) is defined as rental revenue, including reimbursements, less property operating expenses, which excludes depreciation, amortization, general and administrative expense and interest expense.

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We consider NOI to be an appropriate supplemental performance measure because NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the property such as depreciation, interest expense, interest income and general and administrative expenses. However, NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance. The following table is a reconciliation of our NOI to our reported net income (dollar amounts are in thousands):

	For the Three Months Ended March 31,	
	2006	**2005**
Property NOI	$ 35,737	$ 14,783
Institutional capital management fees	52	
Equity in earnings (loss) of unconsolidated joint ventures	(53)	
Gain from disposition of real estate interests	3,988	
Interest income	2,462	610
Depreciation and amortization expense	(24,492)	(12,350)
Interest expense	(11,681)	(3,718)
General and administrative expense	(730)	(728)
Asset management fees, related-party	(3,518)	(1,179)
Minority interest	190	
Net income (loss)	1,955	(2,582)

The following table reflects our total assets by market segment (amounts are in thousands).

	March 31, 2006	**December 31, 2005**
Market segments:		
Atlanta	$ 261,226	$ 252,701
Baltimore	99,270	101,000
Chicago	156,799	177,765
Cincinnati	165,825	117,381
Dallas	226,774	240,861
Houston	125,744	122,068
Los Angeles	82,647	82,547
Memphis	160,308	178,371
Nashville	95,404	76,256
Phoenix	84,345	84,820
Seattle	86,390	87,112
Other markets	396,266	401,831
Total segment assets	1,940,998	1,922,713
Non-segment assets:		

Cash and cash equivalents	284,774	84,771
Other non-segment assets(1)	49,946	50,211
Total assets	$ 2,275,718	$ 2,057,695

(1) Other non-segment assets primarily consists of corporate assets including investments in and advances to unconsolidated joint ventures, notes receivable, certain loan costs, including loan costs associated with our financing obligations and deferred acquisition costs.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Dividend Capital Trust Inc.:

We have audited the accompanying consolidated balance sheets of Dividend Capital Trust Inc. and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders equity (deficit) and other comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated 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 the standards of the Public Company Accounting Oversight Board (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 Dividend Capital Trust Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Denver, Colorado

March 7, 2006

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share information)

	As of December 31, 2005	2004
ASSETS		
Land	$ 327,428	$ 120,055
Buildings and improvements	1,499,414	572,089
Intangible lease assets	155,276	61,725
Construction in progress	12,807	195
Total Investment in Properties	1,994,925	754,064
Less accumulated depreciation and amortization	(96,604)	(21,862)
Net Investment in Properties	1,898,321	732,202
Investments in and advances to unconsolidated investees	6,090	
Net Investment in Real Estate	1,904,411	732,202
Cash and cash equivalents	94,918	23,520
Restricted cash	5,027	5,414
Notes receivable	9,661	4,239
Deferred loan costs, net	6,498	4,355
Deferred loan costs financing obligation, net	12,270	2,801
Deferred acquisition costs and deposits	2,855	5,407
Straight line rent and other receivables	18,347	5,704
Other assets, net	3,708	1,166
Total Assets	$ 2,057,695	$ 784,808
LIABILITIES & SHAREHOLDERS EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 26,139	$ 6,301
Distributions payable	19,787	9,737
Tenant prepaids and security deposits	9,321	4,039
Other liabilities	6,769	2,843
Intangible lease liability, net	10,320	5,519
Line of credit	16	4
Mortgage notes	642,242	142,755
Financing obligations	154,713	32,395
Total Liabilities	869,307	203,593
Minority Interest	55,577	1
Shareholders Equity:		
Preferred shares, 50,000,000 shares authorized, none outstanding		
Shares-in-trust, 100,000,000 shares authorized, none outstanding		
Common shares $0.01 par value, 350,000,000 shares authorized, 133,206,784 and 67,719,883 shares issued and outstanding as of December 31, 2005 and 2004, respectively	1,332	677
Additional paid-in capital	1,235,156	611,441
Distributions in excess of earnings	(100,888)	(26,636)

Accumulated other comprehensive loss	(2,789)	(4,268)
Total Shareholders Equity	1,132,811	581,214
Total Liabilities and Shareholders Equity	$ 2,057,695	$ 784,808

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

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Operations

(In thousands, except per share information)

	For the Year Ended December 31, 2005	2004	2003
REVENUE:			
Rental revenue	$ 121,798	$ 34,677	$ 2,645
Interest and other real estate income	6,126	1,421	61
Total Revenue	127,924	36,098	2,706
EXPENSES:			
Rental expense	13,455	3,375	136
Real estate taxes	15,315	3,830	231
Depreciation and amortization expense	71,023	19,273	1,195
Interest expense	28,712	5,978	385
General and administrative expense	3,004	2,372	412
Asset management fees, related party	8,901	1,525	
Total Expenses	140,410	36,353	2,359
Net Income Before Minority Interest	(12,486)	(255)	347
Minority Interest	(526)		
NET INCOME (LOSS)	$ (11,960)	$ (255)	$ 347
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	97,333	37,908	3,987
Diluted	97,774	37,928	4,007
NET INCOME (LOSS) PER COMMON SHARE			
Basic	$ (0.12)	$ (0.01)	$ 0.09
Diluted	$ (0.12)	$ (0.01)	$ 0.09

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

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Shareholders Equity (Deficit)

and Other Comprehensive Income (Loss)

For the Years Ended December 31, 2005, 2004 and 2003

(In thousands)

	Common Shares					Accumulated	
	Shares	Amount	Additional Paid-in Capital	Distributions in Excess of Earnings		Other Comprehensive Loss	Total Shareholders Equity (Deficit)
Balances at December 31, 2002		$	$ 2	$ (13)		$	$ (11)
Comprehensive income:							
Net income				347			347
Issuance of common shares, net of offering costs	12,470	125	108,812				108,937
Amortization of stock options			3				3
Dividends on common shares				(2,452)			(2,452)
Balances at December 31, 2003	12,470	$ 125	$ 108,817	$ (2,118)		$	$ 106,824
Comprehensive loss:							
Net loss				(255)			(255)
Net unrealized loss from cash flow hedging derivatives						(4,268)	(4,268)
Comprehensive loss							(4,523)
Issuance of common shares, net of offering costs	55,464	554	504,699				505,253
Redemption of common shares	(214)	(2)	(2,081)				(2,083)
Amortization of stock options			6				6
Dividends on common shares				(24,263)			(24,263)
Balances at December 31, 2004	67,720	$ 677	$ 611,441	$ (26,636)		$ (4,268)	$ 581,214
Comprehensive loss:							
Net loss				(11,960)			(11,960)
Net unrealized gain from cash flow hedging derivatives						965	965
Amortization of cash flow hedging derivatives						514	514
Comprehensive loss							(10,481)
Issuance of common shares, net of offering costs	66,457	665	632,954				633,619
Redemption of common shares	(970)	(10)	(9,268)				(9,278)
Amortization of stock options			29				29
Dividends on common shares				(62,292)			(62,292)
Balances at December 31, 2005	133,207	$ 1,332	$ 1,235,156	$ (100,888)		$ (2,789)	$ 1,132,811

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

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

	For the Year Ended December 31, 2005	2004	2003
OPERATING ACTIVITIES:			
Net income (loss)	$ (11,960)	$ (255)	$ 347
Minority interest share of net loss	(526)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Real estate depreciation and amortization	71,023	19,273	1,221
Other depreciation and amortization	3,229	1,365	
Increase in other assets	(10,750)	(2,925)	(222)
Gain on hedging activities	(108)	(545)	
Increase in accounts payable, accrued expenses and other liabilities	15,387	4,539	354
Net cash provided by operating activities	66,295	21,452	1,700
INVESTING ACTIVITIES:			
Real estate investments	(750,322)	(548,478)	(149,602)
Increase in restricted cash	(413)	(4,854)	
(Increase) decrease in deferred acquisition costs	2,552	(4,922)	(485)
Increase in notes receivable	(5,585)	(4,314)	
Master lease payments	2,891	2,532	139
Net cash used in investing activities	(750,877)	(560,036)	(149,948)
FINANCING ACTIVITIES:			
Proceeds from (payments on) line of credit, net	12	(996)	1,000
Proceeds from mortgage notes	60,926	55,000	51,850
Principal payments on mortgage notes	(2,852)	(883)	(11,350)
Proceeds from financing obligations	145,332	29,940	2,696
Principal payments on financing obligations	(5,287)	(139)	
Increase in deferred loan costs	(3,893)	(4,866)	(250)
Increase in deferred loan costs financing obligation	(11,419)	(2,845)	
Proceeds from sale of common shares	664,200	547,752	124,139
Offering costs for issuance of common shares, related party	(60,874)	(52,601)	(14,794)
Redemption of common shares	(5,387)	(2,083)	
Increase in restricted cash		(560)	
Settlement of cash flow hedging derivative	(467)	(2,182)	
Distributions to common shareholders	(23,849)	(7,510)	(977)
Distributions to minority interest	(462)		
Net cash provided by financing activities	755,980	558,027	152,314
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 71,398	$ 19,443	$ 4,066
CASH AND CASH EQUIVALENTS, beginning of year	$ 23,520	$ 4,077	$ 11
CASH AND CASH EQUIVALENTS, end of year	$ 94,918	$ 23,520	$ 4,077
Supplemental Disclosures of Cash Flow Information			

Cash paid for interest expense	$ 22,751	$ 4,740	$ 344
Assumption of secured debt in connection with real estate acquired	$ 434,073	$ 45,619	$
Shares issued pursuant to the distribution reinvestment plan	$ 28,561	$ 8,491	$ 478

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

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Organization

Dividend Capital Trust Inc. was formed as a Maryland corporation in April 2002 in order to invest in commercial real estate properties, consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. We have qualified, and intend to continue to qualify, as a real estate investment trust (REIT) for federal tax purposes. We are structured as an umbrella partnership REIT (UPREIT) under which substantially all of our current and future business is, and will be conducted through a majority owned subsidiary, Dividend Capital Operating Partnership LP (our partnership), a Delaware limited partnership. As used herein, Dividend Capital Trust , we and us refer to Dividend Capital Trust Inc. and its consolidated subsidiaries except where the context otherwise requires.

Our day-to-day activities are managed by Dividend Capital Advisors LLC (our advisor), an affiliate, under the terms and conditions of an advisory agreement. Our advisor is currently majority owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. In addition, under the terms of certain dealer manager agreements, Dividend Capital Securities LLC (the Dealer Manager) serves as the dealer manager of our public and private equity offerings. The Dealer Manager is also majority owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. Our advisor and its affiliates, including the Dealer Manager, receive various forms of compensation, reimbursements and fees for services relating to our public and private equity offerings and for the investment and management of our real estate assets.

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

Our financial statements and the financial statements of our subsidiaries are consolidated in the accompanying consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation. In addition, we evaluate our relationships with other entities to identify whether they are variable interest entities as defined by Financial Accounting Standards Board (FASB) Interpretation No. 46(R) *Consolidation of Variable Interest Entities* (FIN 46(R)) and to assess whether we are the primary beneficiary of such entities. If the determination is made that we are the primary beneficiary, then that entity is included in our consolidated financial statements in accordance with FIN 46(R).

Reclassifications

Certain items in the consolidated financial statements for 2004 and 2003 have been reclassified to conform with the 2005 presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically and the effects of revision are reflected in the period they are determined to be necessary.

Investment in Real Estate

We capitalize direct costs associated with the acquisition, development or improvement of real estate, including acquisition fees paid to our advisor. Costs associated with acquisition or development pursuits are

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

capitalized as incurred and if the pursuit is abandoned, these costs are expensed in the period in which the pursuit is abandoned. Costs associated with the improvement of our real estate assets are also capitalized as incurred. However, costs incurred in making repairs to and for maintaining our real estate assets are expensed as incurred.

Upon acquisition, the total cost of a property is allocated to land, building, land improvements, tenant improvements and intangible lease assets and liabilities pursuant to Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS No. 141). The allocation of the total cost to land, building, land improvements and tenant improvements is based on our estimate of their fair value based on all available information such as the replacement cost of such assets, appraisals, property condition reports and other related information. Pursuant to SFAS No. 141, the difference between the fair value and the face value of debt assumed in an acquisition are to be recorded as a premium or discount and amortized to interest expense over the life of the debt assumed. The valuation of assumed liabilities is based on the current market rate for similar liabilities. The allocation of the total cost of a property to an intangible lease asset includes the value associated with the in-place leases which may include leasing commissions, legal and other costs. In addition, the allocation of the total cost of a property requires allocating costs to an intangible asset or liability resulting from in-place leases being above or below the market rental rates on the date of the acquisition. These assets or liabilities will be amortized over the life of the remaining in-place leases as an adjustment to revenue. Aggregate amortization expense for amortizing intangible assets was approximately $23.6 million, $6.4 million and $430,000 for the years ended December 31, 2005, 2004 and 2003, respectively. As of December 31, 2005, such intangible assets had a weighted average amortization life of approximately of 5.8 years. The following table describes the estimated net amortization of such intangible assets for the next five years (dollar amounts are in thousands):

For the Year Ended	Estimated Amortization Expense
2006	$ 27,800
2007	23,600
2008	19,200
2009	13,000
2010	10,000
	$ 93,600

Real estate, including land, building, land improvements, tenant improvements and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization expense is computed on a straight-line basis over the estimated useful lives as follows:

Description	Depreciable Life
Land	Not depreciated
Buildings	40 years
Building and land improvements	20 years
Tenant improvements	Over lease term
Lease commissions	Over lease term
Intangible lease assets and liabilities	Average term of leases for property
Above/below market rent assets/liabilities	Over lease term

The table above reflects the standard depreciable lives typically used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities. The cost of assets sold or retired and the related accumulated depreciation and/or amortization is removed from the accounts and the resulting gain or loss is reflected in operations in the period in which such sale or retirement occurs.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Equity Method

We present investments in certain unconsolidated entities under the equity method. The equity method is used when we have the ability to exercise significant influence over operating and financial policies of an investee but do not have control of the investee. Under the equity method, these investments (including advances to the investee) are initially recorded in our consolidated balance sheets at our cost and are subsequently adjusted to reflect our proportionate share of net earnings or losses of each of the investees, distributions received and certain other adjustments as appropriate. Such investments are included in investments in and advances to unconsolidated investees on the accompanying balance sheets to the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in financial institutions and other highly liquid short-term investments with original maturities of three months or less.

Restricted Cash

Restricted cash includes cash held in escrow in connection with property acquisitions, utility deposits, real estate tax payments and issuance of mortgage debt.

Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We periodically evaluate the recoverability of our long-lived assets based on estimated future cash flows and the estimated liquidation value of such long-lived assets, and provide for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset. If impaired, the long-lived asset will be written down to its estimated fair value.

Notes Receivable

Notes receivable consists of amounts loaned as part of a strategic relationship we entered into to acquire properties from a third-party national real estate developer. We have committed, but have no legal obligation, to lend up to $15.0 million in connection with various development projects. As of December 31, 2005 and 2004, we had $9.7 million and $4.2 million in notes receivable outstanding. In addition to the 9.5% to 10% interest earned on the notes, we also obtained certain acquisition rights to the properties being developed. These notes have maturity dates ranging from July 2007 to June 2008. For the years ended December 31, 2005 and 2004, we recognized interest income from these notes of approximately $779,000 and $267,000, respectively. No notes were outstanding in 2003 and as such no interest was earned on notes receivable in 2003. All costs associated with executing these notes have been capitalized as deferred loan costs and are included in other assets on the accompanying consolidated balance sheets. Such costs are amortized as a reduction in interest income over the term of the outstanding notes receivable.

Deferred Loan Costs

Deferred loan costs include fees and costs incurred to obtain long-term financing. These fees and costs are being amortized over the terms of the related loans. Accumulated amortization of deferred loan costs was approximately $2.9 million and $875,000 as of December 31, 2005 and 2004, respectively. Unamortized deferred loan costs are written-off when debt is retired before the maturity date.

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

During the years ended December 31, 2005 and 2004, our partnership incurred upfront costs of approximately $11.6 million and $2.6 million payable to our advisor and other affiliates for affecting transactions pursuant to our partnership s private placement, which are accounted for as deferred loan costs. Such deferred loan costs are included on our consolidated balance sheets and amortized to interest expense over the life of the financing obligation (see Note 8 Our Partnership s Private Placement). As described in Note 8 Our Partnership s Private Placement, if our partnership elects to exercise any purchase option and issue limited partnership units, the unamortized portion of up-front fees and expense reimbursements paid to affiliates will be recorded against minority interest as a selling cost of the limited partnership units. If our partnership does not elect to exercise any such purchase option, we will continue to account for these transactions as a financing obligation because we will continue to sub-lease 100% of the properties and will therefore not meet the definition of active use set forth in SFAS No. 98.

Costs of Raising Capital

Costs incurred in connection with the issuance of equity securities are deducted from shareholders equity. Such costs primarily include the up-front fees paid to related parties (see Note 13 Related Party Transactions).

Debt

Debt consists of fixed and variable rate secured mortgage debt, a senior unsecured revolving credit facility and a senior secured revolving credit facility. Our fixed rate secured mortgage debt that was assumed in connection with our acquisition activities includes premiums which, net of accumulated amortization, were $9.9 million and $2.5 million as of December 31, 2005 and 2004, respectively.

Comprehensive Loss

We report comprehensive income (loss) in the accompanying consolidated statements of shareholders equity (deficit) and other comprehensive income (loss). Amounts reported in accumulated other comprehensive income (loss) related to hedging transactions will be amortized to interest expense over the life of our hedged debt issuances. Any ineffectiveness, as defined by SFAS No. 133 (defined below), related to our hedging transactions are reported in the accompanying consolidated statements of operations. During the years ended December 31, 2005 and 2004, we recorded gains of approximately $108,000 and $545,000, respectively, related to ineffectiveness on our hedging activities (see Note 6 Financial Instruments and Hedging Activities). There were no such gains or losses recorded during the year ended December 31, 2003.

Derivative Instruments and Hedging Activities

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS No. 133, we record all derivatives on our consolidated balance sheets at fair value. Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the designation of the derivative. Derivatives used to hedge our exposure to changes in the fair value of an asset, liability, or firm commitments attributable to a particular risk are considered fair value hedges. Derivatives used to hedge our exposure to variability in expected future interest payments, or other types of forecasted transactions, are considered cash flow hedges.

As of December 31, 2005, all of the hedges entered into by us had been designated as cash flow hedges. For derivatives designated as cash flow hedges, the changes in the fair value of the derivative that represent changes in expected future cash flows that are effectively hedged by the derivative are initially reported in other

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

comprehensive income on our consolidated statements of shareholders equity (deficit) and other comprehensive income (loss) (i.e., not included in earnings) until the derivative is settled. Upon settlement, the effective portion of the hedge is recognized in other comprehensive income (loss) and amortized over the term of the designated cash flow or transaction the derivative was intended to hedge. Any change in value of the derivative that is deemed to be ineffective is charged directly to earnings when the determination of ineffectiveness is made. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. We do not use derivatives for trading or speculative purposes.

Our objective in using derivatives is to add stability to future interest expense and to manage our exposure to interest rate movements associated with our forecasted debt issuances. To accomplish this objective, we primarily use treasury locks as part of our cash flow hedging strategy. A treasury lock is designed to mitigate the risk of future interest rate fluctuations by providing a future fixed interest rate for a limited pre-determined period of time. During 2005 and 2004, such derivatives were used to hedge the variability in future interest expense associated with forecasted issuances of debt. We did not employ any such derivatives during the year ended December 31, 2003.

Revenue Recognition

We record rental revenue for the full term of each lease on a straight-line basis. Certain properties have leases that provide for customer occupancy during periods that no rent is due or where minimum rent payments increase during the term of the lease. Accordingly, we record a receivable from customers that we expect to collect over the remaining lease term rather than currently, which will be recorded as straight-line rents receivable. When we acquire a property, the term of existing leases is considered to commence as of the acquisition date for the purposes of this calculation. For the years ended December 31, 2005, 2004 and 2003, the total increase to rental revenues due to straight-line rent adjustments were $5.3 million, $2.1 million and $85,000, respectively.

In connection with property acquisitions, we may acquire leases with rental rates above and/or below the market rental rates. Such differences are recorded as an intangible asset or liability pursuant to SFAS No. 141 and amortized to rental revenues over the life of the respective leases. For the years ended December 31, 2005, 2004, and 2003, the total net increase (decrease) to rental revenues due to the amortization of above and below market rents was $(2.1) million, $(840,000) and $5,000, respectively.

In connection with certain property acquisitions, we have entered into master lease agreements with various sellers whereby the sellers are obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new customer. For financial reporting purposes, rental payments under master lease agreements are reflected as a reduction of the basis of the underlying property rather than rental revenue. For the years ended December 31, 2005, 2004 and 2003, the total master lease payments received were approximately $2.9 million, $2.5 million and $139,000, respectively.

Stock-Based Compensation

We have a stock-based employee compensation plan and an independent director compensation plan (see Note 11 Stock Option Plans and Warrant Purchase Agreements). We account for these plans in accordance with SFAS No. 123, *Accounting for Stock-Based Payment* (SFAS No. 123) and its related interpretations. On both July 1, 2005 and July 1, 2004, we issued a total of 20,000 options to our independent directors. On July 19, 2005 and January 6, 2006, respectively, we received and accepted the resignations of two independent directors resulting in the forfeiture of all 20,000 options that had previously been issued to these directors. As of December 31, 2005,

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2004 and 2003, we had 60,000, 60,000 and 40,000 options outstanding, respectively, under the Independent Director Option Plan. As of December 31, 2005 and 2004, 107,500 options had been granted under the Employee Option Plan. There were no options outstanding under the Employee Option Plan during the year ended December 31, 2003.

Options granted under both the Independent Director Option Plan and the Employee Option Plan are valued using the Black-Scholes option-pricing model and are amortized to salary expense on a straight-line basis over the period during which the right to exercise such options fully vests. Such expense is included in general and administrative expense on the accompanying consolidated statements of operations.

Interest and Other Income

Interest and other income consist primarily of interest income on cash balances and notes receivable and gains (losses) on hedging transactions.

Basic and Diluted Net Income per Common Share

Basic net income per common share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per common share includes the effects of potentially issuable common stock, but only if dilutive, including the presumed exchange of limited partnership units for common shares.

New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46(R), *Consolidation of Variable Interest Entities* (FIN 46(R)). FIN 46(R) requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. FIN 46(R) requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements apply to existing public entities as of March 31, 2004. The adoption of FIN 46(R) did not have a material impact on our financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)). This statement is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation.* SFAS No. 123(R) establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for publicly listed companies for the annual period beginning after December 15, 2005. The adoption of SFAS No. 123(R) requires the unamortized portion of any options issued prior to 2002 to be amortized over the remaining life of those options. We do not anticipate that the adoption of SFAS No. 123(R) will have a material impact on our financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). FIN 47 requires the recognition of a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. Currently, we are under no legal obligation to retire any of our assets. We adopted FIN 47 during the fourth quarter of 2005 and there was no material impact on our financial position, results of operations or cash flows.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

In May, 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* (SFAS No. 154), which supersedes Accounting Principles Board, or APB, Opinion No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements.* This statement amends the requirements for the accounting for and reporting of changes in accounting principle. It requires the retroactive application to prior periods financial statements of changes in accounting principles, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. SFAS No. 154 does not change the guidance for reporting the correction of an error in previously issued financial statements or the change in an accounting estimate. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted the requirements of SFAS No. 154 in the fourth quarter of 2005 and there was no material impact on our financial position, results of operations or cash flows.

In June 2005, the Emerging Issues Task Force, or EITF, issued EITF Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* . Under this consensus, a sole general partner is presumed to control a limited partnership (or similar entity) and should consolidate that entity unless the limited partners possess kick-out rights or other substantive participating rights as described in EITF Issue No. 96-16, *Investor s Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights.* As of June 29, 2005, this consensus was effective immediately for all new or modified agreements, and effective beginning in the first reporting period that ends after December 15, 2005 for all existing agreements. We adopted the consolidation requirements of this consensus in the third quarter of 2005 and such adoption did not have a material impact on our financial position, results of operations or cash flows.

In June 2005, the EITF issued EITF Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements.* This consensus requires that leasehold improvements acquired in a business combination, or purchased subsequent to the inception of a lease, be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. This consensus was effective for all reporting periods beginning after June 29, 2005. We adopted EITF Issue No. 05-6 during the second quarter of 2005 and such adoption did not have a material impact on our financial position, results of operations or cash flows.

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Dividend Capital Trust Inc. and Subsidiaries

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Note 3 Real Estate

The following table describes the properties that are consolidated in our financial statements as of December 31, 2005 and 2004, respectively (dollar amounts in thousands).

	2005			2004		
	Number of Buildings	Historical Cost (1)	Percent of Total Cost	Number of Buildings	Historical Cost (1)	Percent of Total Cost
Target Markets:						
Atlanta	48	$ 263,604	13.21%	18	$ 147,660	19.58%
Baltimore	10	97,422	4.88%			
Charlotte	4	22,290	1.12%			
Chicago	14	169,839	8.51%	1	11,370	1.51%
Cincinnati	18	132,591	6.65%	7	78,925	10.47%
Columbus	3	49,246	2.47%			
Dallas	49	250,564	12.56%	18	93,033	12.34%
Denver	1	9,027	0.45%	1	8,949	1.19%
Harrisburg/Lehigh Valley	5	45,852	2.30%			
Houston	33	129,280	6.48%	21	83,957	11.13%
Indianapolis	3	57,239	2.87%	1	15,139	2.01%
Los Angeles Basin	11	85,602	4.29%	4	32,744	4.34%
Louisville	2	18,350	0.92%	2	18,351	2.43%
Memphis	11	184,259	9.24%	3	39,559	5.25%
Miami	3	26,025	1.30%			
Nashville	4	80,048	4.01%	3	59,340	7.87%
New Jersey	8	77,871	3.90%			
Orlando	2	15,718	0.79%	2	15,687	2.08%
Phoenix	14	89,226	4.47%	13	79,195	10.50%
San Antonio	2	7,699	0.39%	2	7,725	1.02%
San Francisco Bay Area	5	36,337	1.82%	5	35,371	4.69%
Seattle	8	88,214	4.42%			
Non-Target Market:						
Boston	6	42,172	2.11%	5	27,059	3.59%
Total operating properties	264	1,978,475	99.16%	106	754,064	100.00%
Properties under development	1	8,401	0.42%			
Land held for development	n/a	8,049	0.40%	n/a		
Grand Total	265	$ 1,994,925	100.00%	106	$ 754,064	100.00%

(1) Represents historical costs pursuant to U.S. generally accepted accounting principles (GAAP) as of the period indicated including acquisition fees paid to our advisor. Acquisition fees paid to our advisor totaled $11.1 million and $6.4 million in 2005 and 2004, respectively.

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

We account for the acquisition of properties in accordance with SFAS No. 141 which requires that the total cost of property acquisitions be allocated to identifiable tangible and intangible assets. The following table describes the allocation of our portfolio to these assets and liabilities, which includes costs capitalized subsequent to our acquisition of such properties, as of December 31, 2005 (dollar amounts are in thousands).

	2005 Acquisitions		2004 Acquisitions		2003 Acquisitions		Total	
	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total
Land	$ 197,203	16.4%	$ 102,675	17.0%	$ 17,380	11.2%	$ 317,258	16.2%
Land Improvements	75,872	6.3%	46,915	7.8%	7,121	4.6%	129,908	6.6%
Building	709,580	59.2%	350,610	58.1%	110,449	71.0%	1,170,639	59.9%
Tenant Improvements	125,681	10.5%	60,311	9.9%	7,978	5.1%	193,970	9.9%
Tenant Leasing Costs	1,911	0.2%	2,233	0.4%	753	0.5%	4,897	0.2%
Intangible Assets	86,961	7.2%	37,255	6.2%	11,017	7.1%	135,233	6.9%
Above Mkt. Rent	10,188	0.8%	7,704	1.3%	2,151	1.4%	20,043	1.0%
Below Mkt. Rent	(7,143)	(0.6)%	(4,456)	(0.7)%	(1,460)	(0.9)%	(13,059)	(0.7)%
Total	$ 1,200,253	100.0%	$ 603,247	100.0%	$ 155,389	100.0%	$ 1,958,889	100.0%

2005 Acquisition Activity

During the year ended December 31, 2005, we acquired 158 properties (104 of which were acquired in the Cabot merger discussed below) located in 18 different markets, including 17 of our target markets, for a total estimated cost of approximately $1.2 billion, including acquisition fees paid to our advisor. These properties were acquired using net proceeds from our public and private offerings, proceeds from our revolving credit facility and short-term, unsecured debt and the assumption of approximately $434.1 million in mortgage debt.

Merger with Cabot Industrial Value Fund, Inc. and Subsequent Acquisitions and Dispositions by Cabot Industrial Value Fund, LP

We entered into an agreement dated June 17, 2005 (the Agreement) with Cabot Industrial Value Fund, Inc. (Cabot), an unrelated, privately held third-party, to acquire by merger all of the outstanding shares of Cabot s common stock. Cabot is structured as an UPREIT whereby it is the sole general partner of the Cabot Partnership (defined below), the subsidiary through which all of the Cabot properties are owned and operated. Our advisor and its affiliates subsequently acquired a less than 0.1% interest in Cabot in August 2005 (see Note 10 Minority Interest).

Pursuant to the Agreement, on July 21, 2005, we completed the merger and acquired all of Cabot s common stock for approximately $312.6 million. However, after certain equity contributions and distributions, as of December 31, 2005, our investment was approximately $302.4 million. Through our ownership of Cabot, we acquired an approximate 87% interest in Cabot Industrial Value Fund, LP (the Cabot Partnership), which, as of December 31, 2005, owned a portfolio of 104 properties with a total historical cost of approximately $654.5 million which is located in 12 markets throughout the United States and had approximately $308.8 million of mortgage debt outstanding.

The remaining interest in the Cabot Partnership continues to be owned by Cabot Industrial Fund Manager, LLC, the previous general partner of the Cabot Partnership (the Manager), and other limited partners. At closing, we entered into an agreement whereby we have the option to acquire the remaining interests in the Cabot Partnership. Through this agreement, the remaining limited partners, including the Manager, have an initial

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

option to put the remaining interests to us beginning April 1, 2006 and ending July 1, 2006. In addition, we have an initial option to call the remaining interests beginning April 1, 2007 and ending July 1, 2007. Subsequent to these initial options, the limited partners and we will continue to have put and call options to purchase or sell the remaining interests and the price of such remaining interests would be based upon fair value.

On August 1, 2005, the Cabot Partnership, pursuant to a purchase and sale agreement dated August 27, 2004, completed the acquisition of a bulk distribution facility for total consideration of approximately $12.9 million. The facility is located in Kent, Washington, a sub-market of Seattle, and is comprised of 182,480 rentable square feet.

On August 15, 2005, the Cabot Partnership completed the disposition of the Helen Street property, a distribution center located in New Jersey. The purchase and sale agreement was entered into on July 8, 2005, between the Cabot Partnership and an unrelated third-party. The selling price of approximately $43.0 million was negotiated between the Cabot Partnership s general partner at the time, and the third-party seller.

As of December 31, 2005, the Cabot Partnership portfolio was comprised of 104 operating industrial buildings located in 12 markets throughout the United States, representing 10.9 million rentable square feet. The following table provides additional information about the portfolio as of December 31, 2005:

Market	Buildings	Gross Leasable Area (in thousands)
Atlanta	29	1,457
Baltimore	3	432
Boston	1	165
Charlotte	3	346
Chicago	6	1,074
Cincinnati	11	1,497
Columbus	3	1,213
Dallas	29	2,249
Los Angeles	7	725
Miami	1	66
New Jersey	3	483
Seattle	8	1,199
Total	104	10,906

Other Notable Acquisitions

Memphis Portfolio On December 23, 2004 we entered into a purchase agreement to acquire seven bulk distribution and warehouse facilities comprising approximately 3.6 million square feet located in Memphis, Tennessee. Beginning on February 2, 2005, and ending on May 13, 2005, we acquired the following seven distribution facilities in connection with our purchase agreement with Panattoni Development Company LLC, an unrelated third-party: the Technicolor II Distribution Facility, the Shelby 4, 5, 18 and 19 Distribution Facilities and the Eastpark I and II Distribution Facilities. We purchased these facilities for a total cost of approximately $132.8 million, which includes the acquisition fees paid to our advisor. In addition to using net proceeds from our public and private offerings, we assumed mortgage debt of approximately $30.6 million, which includes a premium of approximately $2.4 million, associated with the acquisition of these properties.

Baltimore-Washington Portfolio On April 12, 2005, we purchased seven distribution facilities (the Baltimore-Washington portfolio) comprising 874,455 square feet located in Baltimore, Maryland. We

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Notes to Consolidated Financial Statements (Continued)

purchased the Baltimore-Washington portfolio for a total cost of approximately $45.6 million, including acquisition fees paid to our advisor. In addition to using net proceeds from our public and private offerings, we assumed mortgage debt of approximately $27.4 million, which includes a premium of approximately $1.8 million, associated with the acquisition of these properties.

Blackhawk Portfolio On June 13, 2005, we purchased six distribution facilities (Blackhawk) comprising 1,378,660 square feet. Five of the six distribution facilities comprise 1,078,660 square feet and are located in Chicago, Illinois. The other distribution facility comprising 300,000 square feet is located in Memphis, Tennessee. We purchased Blackhawk for a total cost of approximately $59.5 million, including acquisition fees paid to our advisor. In addition to using net proceeds from out public and private offerings, we assumed mortgage debt of approximately $24.7 million, which includes a premium of approximately $503,000 associated with the acquisition of these properties.

Joint Ventures and Development Projects

The following table describes our joint ventures and development projects as of December 31, 2005 (dollar amounts are in thousands):

Project	Location	Number of Buildings	Square Feet	Investment as of December 31, 2005
Development Projects:				
SouthCreek IV Distribution Facility (1)	Atlanta	1	556,800	$ 5,937
Veterans Parkway (2)	Chicago	1	189,135	8,401
Forward Purchase Commitments:				
Buford Distribution Center (3)	Atlanta	2	677,667	
Deltapoint Park (3)	Memphis	1	885,000	
Corporate Loans:				
Plainfield (4)	Plainfield,	2	1,033,566	4,290
Riverside (4)	Los Angeles	1	953,132	1,431
Goodson (4)	Atlanta	1	744,000	3,940
Total		**9**	**5,039,300**	**$ 23,999**