

DIVIDEND CAPITAL TRUST INC

Form 424B3

July 14, 2006

**Table of Contents**

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-122260

**PROSPECTUS SUPPLEMENT NO. 1**

(To Prospectus Dated July 14, 2006)

The information in this supplement is considered to be an addition to, and should be read in conjunction with, the information in our prospectus.

**Closing of Our Primary Offering**

The prospectus to which this prospectus supplement relates covers an offering up to \$1,000,000,000 in shares of our common stock. As described in more detail in the prospectus, this offering is comprised of two components: (1) an offering of up to 72,770,273 shares to the public at \$10.50 per share, which we refer to as our primary offering, and (2) an offering of up to 23,650,339 shares to participants in our distribution reinvestment plan at \$9.975 per share.

We closed our primary offering at the close of business on Monday, January 23, 2006. While we anticipate that the primary offering will be closed for the foreseeable future, we retain the right to recommence our primary offering at any time prior to June 9, 2007. Furthermore, the disclosure in the prospectus respecting this offering, including the disclosure in Prospectus Summary, Questions and Answers About This Offering, Risk Factors, Estimated Use of Proceeds, Management Management Compensation and Plan of Distribution, should be read in light of the facts that we are no longer selling shares of common stock in our primary offering and we are therefore no longer receiving proceeds from or paying fees or commissions in connection with the sale of such shares.

In addition, we will continue to offer shares of common stock through our distribution reinvestment plan. As a result, we will continue to receive proceeds from our distribution reinvestment plan and shareholders who elect to participate in our distribution reinvestment plan will continue to be charged a one-time 1% servicing fee.

We continue to reserve the right to reallocate shares of common stock between our primary offering and our distribution reinvestment plan.

**The date of this prospectus supplement is July 14, 2006**

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**Table of Contents**

**\$1,000,000,000**

**Common Stock**

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Dividend Capital Trust Inc. is organized as a real estate investment trust that owns, operates and develops real estate properties, consisting primarily of high-quality, generic distribution warehouses and light industrial properties that are net leased to creditworthy corporate customers. Dividend Capital Trust was formed as a Maryland corporation in April 2002. Dividend Capital Trust is organized and conducts its operations in a manner so as to qualify as a real estate investment trust (REIT) for federal income tax purposes.

We are offering up to \$1,000,000,000 in shares of our common stock. We are offering up to 72,770,273 shares to the public at \$10.50 per share and Dividend Capital Securities LLC, which is an affiliate of Dividend Capital Trust, is acting as an underwriter and dealer manager of this offering on a best efforts basis. We are also offering up to 23,650,339 shares to participants in our distribution reinvestment plan at \$9.975 per share. Subject to certain exceptions described in this prospectus, investors that want to participate in this offering must invest a minimum of \$2,000. This offering will terminate on or before June 9, 2007. The proceeds from the offering will not be kept in an escrow account pending completion of this offering and we will use the proceeds, as discussed in the prospectus, as we receive them.

Dividend Capital Advisors LLC, our advisor, which is an affiliate of Dividend Capital Trust, is responsible for managing our day-to-day activities under the terms and conditions of an advisory agreement. Our advisor is beneficially owned and/or controlled by three of our directors. See the **Conflicts of Interest** section of this prospectus for a discussion of the relationship between Dividend Capital Trust, our advisor and other of our affiliates.

Our articles of incorporation contain a restriction on ownership of the common stock that prevents any person or entity from owning directly or indirectly more than 9.8% of the outstanding shares of any class or series of our stock. These restrictions, as well as other share ownership and transfer restrictions contained in our articles of incorporation, are designed to enable us to comply with share accumulation and other restrictions imposed on REITs by the Internal Revenue Code. For a more complete description of the common stock, including restrictions on the ownership of common stock, please see the **Description of Securities** section of this prospectus.

See **Risk Factors** beginning on page 23 for a discussion of certain factors that you should consider before you invest in our common stock. In particular, you should carefully consider the following risks:

We have a limited history of operations

There is no current public trading market for the common stock; if you choose to sell your shares, it will likely be at a price which is less than your purchase price

Reliance on our advisor to select properties and conduct our operations

Payment of substantial fees to our advisor and its affiliates

Borrowing which increases the risk of loss of our investments

Conflicts of interest between Dividend Capital Trust and certain affiliates which will be compensated for their services, including our advisor, Dividend Capital Property Management LLC, our property manager, and Dividend Capital Securities LLC, our dealer manager

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

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Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. In addition, the Attorney General of the State of New York has not passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense. The use of forecasts in this offering is prohibited. Any representation to the contrary and any predictions, written or oral, as to the amount or certainty of any present or future cash benefits or tax consequences which may flow from your investment is not permitted.

	<b>Price to Public</b>	<b>Selling Commissions</b>	<b>Proceeds to the Company(2)(3)</b>
Primary Offering Per Share	\$10.50	\$0.63(1)	\$9.87
Total Maximum	\$764,087,870	\$45,845,272(1)	\$718,242,598
Distribution Reinvestment Plan Per Share	\$9.975	\$	\$9.975
Total Maximum	\$235,912,130	\$	\$235,912,130

- (1) We will pay a sales commission to our dealer manager of up to 6% of the gross offering proceeds which may be re-allowed to participating broker-dealers.
- (2) Proceeds with respect to our primary offering are calculated before deducting certain dealer manager fees and organizational and offering expenses payable by us. We will pay a dealer manager fee to our dealer manager of up to 2% of gross offering proceeds and we will reimburse our advisor for organizational and offering expenses in an amount up to 2% of gross offering proceeds. Such fees and expenses are estimated to be approximately \$30,563,514 assuming 72,770,273 shares are sold at a public offering price of \$10.50 per share. See the Management Management Compensation section of this prospectus. Proceeds with respect to our distribution reinvestment plan are calculated before deducting a one-time servicing fee payable by us equal to 1% of the undiscounted selling price of the shares. Based on a public offering price of \$10.50 per share, such fee is estimated to be \$2,483,286 assuming 23,650,339 shares are sold pursuant to our distribution reinvestment plan. We reserve the right to reallocate the shares we are offering between our primary offering and our distribution reinvestment plan. See the Plan of Distribution section of this prospectus for a complete description of the amount and terms of such fees and expense reimbursement.
- (3) The selling commissions and, in some cases, all or a portion of the dealer manager fee will not be charged with regard to shares sold to or for the account of certain categories of purchasers. The reduction in these fees will be accompanied by a corresponding reduction in the per share purchase price, but will not impact the net proceeds received by us. See the Plan of Distribution section of this prospectus.

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## DIVIDEND CAPITAL SECURITIES LLC

(Dividend Capital Securities LLC will be underwriting any offering on a best efforts basis)

**The date of this prospectus is July 14, 2006**

**Table of Contents**

**TABLE OF CONTENTS**

<u>FORWARD-LOOKING STATEMENTS</u>	1
<u>SUITABILITY STANDARDS</u>	2
<u>PROSPECTUS SUMMARY</u>	4
<u>Dividend Capital Trust Inc.</u>	4
<u>Recent Developments</u>	4
<u>Our REIT Status</u>	5
<u>Summary Risk Factors</u>	5
<u>Description of Properties</u>	6
<u>Estimated Use of Proceeds of Offering</u>	6
<u>Investment Objectives</u>	7
<u>Conflicts of Interest</u>	7
<u>Prior Offering Summary</u>	9
<u>The Offering</u>	9
<u>Terms of the Offering</u>	9
<u>Compensation to the Advisor</u>	10
<u>Distribution Policy</u>	11
<u>Liquidity Event</u>	12
<u>Distribution Reinvestment Plan</u>	12
<u>Share Redemption Program</u>	12
<u>Dividend Capital Operating Partnership</u>	13
<u>ERISA Considerations</u>	13
<u>Description of Securities</u>	13
<u>QUESTIONS AND ANSWERS ABOUT THIS OFFERING</u>	14
<u>RISK FACTORS</u>	23
<u>INVESTMENT RISKS</u>	23
<u>REAL ESTATE RISKS</u>	31
<u>RISKS ASSOCIATED WITH OUR OPERATING PARTNERSHIP S PRIVATE PLACEMENT</u>	36
<u>FEDERAL INCOME TAX RISKS</u>	37
<u>RETIREMENT PLAN RISKS</u>	40
<u>ESTIMATED USE OF PROCEEDS</u>	41
<u>RECENT DEVELOPMENTS</u>	43
<u>Sale of Common Stock</u>	43
<u>Our Operating Partnership s Private Placement</u>	43
<u>Investment in Real Estate</u>	43
<u>Proposed Internalization Transaction</u>	45
<u>SUMMARY FINANCIAL DATA</u>	46
<u>MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	47
<u>Overview</u>	47
<u>Liquidity and Capital Resources</u>	49
<u>Contractual Obligations</u>	57
<u>Off-Balance Sheet Arrangements</u>	57
<u>Results of Operations</u>	58
<u>Critical Accounting Policies</u>	66
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	70
<u>MANAGEMENT</u>	71
<u>General</u>	71
<u>Committees of the Board of Directors</u>	72
<u>Directors and Executive Officers</u>	73

**Table of Contents**

<u>Compensation of Directors</u>	75
<u>Compensation of Executive Officers</u>	75
<u>Compensation Committee Interlocks and Insider Participation</u>	76
<u>Board Compensation Committee Report on Executive Compensation</u>	76
<u>Independent Director Option Plan</u>	76
<u>Employee Option Plan</u>	77
<u>Limited Liability and Indemnification of Directors, Officers and Others</u>	77
<u>The Advisor</u>	79
<u>The Advisory Agreement</u>	82
<u>Holdings of Common Stock and Partnership Units</u>	84
<u>Affiliated Companies</u>	86
<u>Management Decisions of the Advisor</u>	88
<u>Management Compensation</u>	88
<u>Organizational and Offering Stage</u>	88
<u>Acquisition and Development Stage</u>	89
<u>Operational Stage</u>	89
<b><u>CONFLICTS OF INTEREST</u></b>	93
<u>Interests in Other Real Estate Programs</u>	93
<u>Other Activities of the Advisor and its Affiliates</u>	93
<u>Competition</u>	93
<u>Affiliated Dealer Manager</u>	94
<u>Affiliated Property Manager</u>	94
<u>Lack of Separate Representation</u>	95
<u>Joint Ventures with Affiliates of the Advisor</u>	95
<u>Fees and Other Compensation to the Advisor</u>	95
<u>Certain Conflict Resolution Procedures</u>	96
<b><u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u></b>	97
<u>Our Advisor</u>	97
<u>Our Property Manager</u>	98
<u>Our Dealer Manager</u>	98
<u>Our Facilitator</u>	99
<b><u>INVESTMENT OBJECTIVES AND CRITERIA</u></b>	100
<u>General</u>	100
<u>Investment Strategy</u>	100
<u>Acquisition and Investment Policies</u>	102
<u>Development and Construction of Properties</u>	104
<u>Acquisition of Properties from the Advisor</u>	104
<u>Terms of Leases and Customer Creditworthiness</u>	104
<u>Joint Venture Investments</u>	104
<u>Our Operating Partnership's Private Placement</u>	105
<u>Borrowing Policies and Related Indebtedness</u>	106
<u>Disposition Policies</u>	108
<u>Investment Limitations</u>	108
<u>Change in Investment</u>	110
<b><u>REAL ESTATE INVESTMENTS</u></b>	111
<u>General</u>	111
<u>Properties</u>	111
<u>Contribution of Properties to an Institutional Fund</u>	112
<u>Significant Customers</u>	112
<u>Customer Lease Expirations</u>	112
<u>Insurance Coverage on Properties</u>	113
<u>Additional Property Acquisitions</u>	113

**Table of Contents**

<u>PRIOR PERFORMANCE SUMMARY</u>	114
<u>FEDERAL INCOME TAX CONSIDERATIONS</u>	115
<u>General</u>	115
<u>Requirements for Qualification as a REIT</u>	117
<u>Failure to Qualify as a REIT</u>	123
<u>Sale-Leaseback Transactions</u>	123
<u>Taxation of Taxable U.S. Shareholders</u>	123
<u>Treatment of Tax-Exempt Shareholders</u>	126
<u>Special Tax Considerations for Non-U.S. Shareholders</u>	126
<u>Statement of Stock Ownership</u>	128
<u>Federal Income Tax Aspects of Our Partnership</u>	128
<u>Other Tax Considerations</u>	131
<u>ERISA CONSIDERATIONS</u>	132
<u>Plan Asset Considerations</u>	132
<u>Other Prohibited Transactions</u>	134
<u>Annual Valuation</u>	134
<u>DESCRIPTION OF SECURITIES</u>	136
<u>Common Stock</u>	136
<u>Preferred Stock</u>	136
<u>Meetings, Special Voting Requirements and Access to Records</u>	136
<u>Restriction on Ownership of Common Stock</u>	137
<u>Distributions</u>	139
<u>Distribution Reinvestment Plan</u>	140
<u>Share Redemption Program</u>	141
<u>Market Information</u>	143
<u>Securities Authorized for Issuance under Our Compensation Plans</u>	144
<u>Business Combinations</u>	144
<u>Control Share Acquisitions</u>	145
<u>THE PARTNERSHIP AGREEMENT</u>	146
<u>General</u>	146
<u>Capital Contributions</u>	146
<u>Operations</u>	146
<u>Redemption Rights</u>	147
<u>Transferability of Interests</u>	147
<u>PLAN OF DISTRIBUTION</u>	149
<u>Supplemental Sales Material</u>	152
<u>LEGAL OPINIONS</u>	153
<u>EXPERTS</u>	153
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	153
<u>FINANCIAL STATEMENTS</u>	F-1
<u>APPENDIX A SUBSCRIPTION AGREEMENT</u>	A-1
<u>APPENDIX B AMENDED AND RESTATED DISTRIBUTION REINVESTMENT PLAN</u>	B-1

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

We make statements in this prospectus that are considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are usually identified by the use of words such as will, anticipates, believes, estimates, expects, projects, plans, intends, should or similar expressions. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. These forward-looking statements reflect our current views about our plans, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions and expectations as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions or expectations will be achieved. We have discussed in this prospectus some important risks, uncertainties and contingencies which could cause our actual results, performance or achievements to be materially different from the forward-looking statements we make in these documents.

We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In evaluating forward-looking statements, you should consider these risks and uncertainties, together with the other risks described from time to time in our reports and documents filed with the SEC, and you should not place undue reliance on those statements.

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**Table of Contents**

**SUITABILITY STANDARDS**

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

Dividend Capital Advisors LLC (the Advisor or our advisor) and those selling shares on our behalf shall make every reasonable effort to determine that the purchase of common stock is a suitable and appropriate investment for each investor based on information obtained by those selling shares on our behalf concerning the investor's financial situation and investment objectives. In consideration of these factors, we have established suitability standards for initial shareholders and subsequent transferees. Those selling shares on our behalf will determine that each purchaser of common stock satisfy these standards. These suitability standards require that a purchaser of common stock have either:

A net worth of at least \$150,000; or

A gross annual income of at least \$45,000 and a net worth of at least \$45,000.

For purposes of determining suitability, net worth shall exclude the value of an investor's home, furnishings and automobiles. The minimum purchase is \$2,000 except in certain states as described below. In order to satisfy the minimum purchase requirements for retirement plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of \$100. You should note that an investment in common stock of Dividend Capital Trust will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code of 1986, as amended (the Code).

The minimum purchase for Maine, Minnesota, New York and North Carolina residents is \$2,500, except for IRAs and other qualified retirement plans which must purchase a minimum of \$2,000.

Purchases of common stock pursuant to our distribution reinvestment plan may be in amounts less than set forth above.

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

**Arizona, California, Iowa, Kansas, Michigan, Missouri, North Carolina, Oregon and Tennessee** Investors must have either (1) a net worth of at least \$225,000 or (2) gross annual income of \$60,000 and a net worth of at least \$60,000.

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

**Ohio** Investors must have either (1) a net worth of at least \$250,000 or (2) gross annual income of \$70,000 and a net worth of at least \$70,000.

**Kansas** In addition to our suitability requirements, it is recommended that investors should invest not more than 10% of their liquid net worth in our stock and securities of other REITs. Liquid net worth means the portion of net worth (total assets minus total liabilities) that is comprised of cash, cash equivalents and readily marketable securities.



**Table of Contents**

**Michigan, Ohio and Pennsylvania** In addition to our suitability requirements, investors must have a net worth of at least ten times their investment in Dividend Capital Trust.

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

**Table of Contents**

**PROSPECTUS SUMMARY**

*This prospectus summary summarizes information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including the Risk Factors section.*

**Dividend Capital Trust Inc.**

Dividend Capital Trust Inc. is organized as a real estate investment trust that owns, operates and develops real estate properties, consisting primarily of high-quality, generic distribution warehouses and light industrial properties that are net leased to creditworthy corporate customers. Dividend Capital Trust was formed as a Maryland corporation on April 12, 2002. We are structured as an umbrella partnership real estate investment trust ( UPREIT ) under which substantially all of our current and future business is and will be conducted through our controlling interest in Dividend Capital Operating Partnership, LP (the Partnership or our operating partnership). Our office is located at 518 17th Street, Suite 1700, Denver, Colorado 80202 and our telephone number is (303) 228-2200.

The Advisor is responsible for managing our affairs on a day-to-day basis and for identifying and making investments on our behalf. Our board of directors, or our investment committee comprised of board members, must approve each property acquisition or development proposed by the Advisor, as well as certain other matters set forth in our articles of incorporation. We have seven members on our board of directors. Four of our directors are independent of the Advisor and have responsibility for reviewing the performance of the Advisor. Our directors are elected annually by the shareholders.

**Recent Developments**

***Sale of Common Stock***

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.

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 operating partnership on a one-for-one basis for limited partnership units. Our operating partnership has used these proceeds to fund the acquisition or development of our properties.

***Our Operating Partnership s Private Placement***

Since November 26, 2003 through March 31, 2006, we have raised approximately \$228.0 million in gross proceeds from our operating partnership s private placement of tenancy-in-common interests in industrial properties, of which approximately \$50.0 million has been raised subsequent to December 31, 2005. Our operating partnership s private placement is discussed in greater detail in the Investment Objectives and Criteria Our Operating Partnership s Private Placement section of this prospectus.

***Investment in Real Estate***

Consistent with our investment strategy to invest in high-quality, generic distribution warehouses and light industrial properties, since March 31, 2006 through June 15, 2006, we have completed nine property transactions with a total estimated investment of approximately \$777.7 million and representing 103 industrial properties, including Cal TIA discussed below. As of June 15, 2006, the total estimated investment in our properties was approximately \$2.7 billion comprised of 372 industrial buildings located in 22 of our 26 target markets. (See the Recent Developments, Investment Objectives and Criteria and Real Estate Investments sections of this prospectus).

## **Table of Contents**

### *Cal TIA Acquisition*

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 our 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. These debt proceeds consisted of borrowings from our senior unsecured revolving credit facility in the amount of \$112.0 million and the issuance of \$275.0 million of unsecured debt.

### *Proposed Internalization Transaction*

On April 13, 2006, a special committee of our board of directors comprised of all of our independent directors was formed to review, consider, evaluate and negotiate any proposals that may be made with respect to a possible business combination transaction with our advisor in order to facilitate any future listing or quotation of our common stock. The special committee and members of the advisor's management have since been negotiating a proposed contribution agreement pursuant to which, the entire outstanding membership interest, and all economic interests, in our advisor would be contributed by Dividend Capital Advisors Group LLC, our advisor's parent company, to our operating partnership.

As of the date of this prospectus, no agreement has been entered into with respect to the acquisition and there can be no guarantee that an agreement will in fact be agreed to by the parties. Even if an agreement is signed, it is currently contemplated that the closing of the advisor acquisition would be subject to a number of conditions, including the approval of the transaction by the affirmative vote of the holders of at least a majority of the shares at a duly constituted meeting of our shareholders, and there could be no guarantee that an acquisition would be consummated.

### **Our REIT Status**

We operate in a manner to qualify as a real estate investment trust ( REIT ) for federal income tax purposes commencing with our taxable year ending December 31, 2003. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our shareholders. Under the Internal Revenue Code of 1986, as amended (the Code ), REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute at least 90% of their taxable income. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, we will not be allowed a deduction for distributions to our shareholders in computing our taxable income and we may be precluded from qualifying for treatment as a REIT for the four-year period following the year of our failure to qualify. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

### **Summary Risk Factors**

Following are the most significant risks relating to your investment:

We have a limited history of operations which you are able to evaluate in making a decision to purchase our common stock.

There is no current public market for the common stock and we have no obligation or immediate plans to apply for quotation or listing in any public securities market. Although we continue to evaluate and consider opportunities and transactions to establish a public market for our common stock, including internalizing our advisor to facilitate the future quotation or listing of our common stock, there can be no assurance that a public market will ever exist. It will therefore be very difficult for you to sell your shares promptly or at all.

## **Table of Contents**

We must rely on the Advisor for the day-to-day management of our business and the identification of real estate properties which we may acquire.

The timing and availability of cash distributions to our shareholders is uncertain.

To ensure that we continue to qualify as a REIT, our articles of incorporation prohibit any person or entity from owning directly or indirectly more than 9.8% of the outstanding shares of any class or series of our stock. This may discourage or prevent a third party from acquiring Dividend Capital Trust on terms that might be favorable to our shareholders.

If for any reason we fail to qualify as a REIT for federal income tax purposes, we would be subject to tax on our income at corporate rates. That would reduce the amount of funds available for investment or distribution to our shareholders because of the additional tax liability for the years involved.

You will not have preemptive rights as a shareholder, so any common stock we issue in the future may dilute your interest in Dividend Capital Trust.

We will pay significant fees to the Advisor and its affiliates.

Real estate investments are subject to cyclical trends, which are beyond our control.

We may enter into certain transactions that could potentially impair our ability to dispose of or otherwise turn our investments into cash and could potentially subject us to additional liabilities.

Loans we have and will obtain are and may be secured by some of our properties, which will put those properties at risk of forfeiture if we are unable to repay those loans.

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

If we have not listed our common stock on a national securities exchange or an over-the-counter market, completed a sale or merger of Dividend Capital Trust in a transaction which provides our shareholders with a combination of cash and/or securities of a publicly traded company or sold substantially all of our properties for cash or other consideration by February 2013, our articles of incorporation require us to begin selling our properties and other assets and to distribute the net proceeds to our shareholders.

The Advisor will face various conflicts of interest resulting from its activities with affiliated entities. Before you invest in Dividend Capital Trust, you should read the "Risk Factors" section of this prospectus.

## **Description of Properties**

We invest in commercial real estate properties consisting primarily of high-quality, generic distribution warehouses and light industrial properties that are net leased to creditworthy corporate customers. These facilities will generally be located in the top 26 distribution and logistics markets in the United States. Such properties include properties which are under development or construction, newly constructed or

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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. Please see the Real Estate Investments section of this prospectus for a more complete description of the properties we have acquired.

### **Estimated Use of Proceeds of Offering**

Our management team intends to invest 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 distribution reinvestment plan, to acquire properties as described above. The remainder of the gross offering proceeds will be used to pay fees and expenses of this offering, which shall include sales commissions, dealer manager fees, distribution reinvestment

## **Table of Contents**

plan servicing fees, the reimbursement of offering expenses and acquisition fees. In the aggregate, these fees total an amount of up to approximately 8.8% of gross offering proceeds, assuming we sell 72,770,273 shares to the public and 23,650,339 shares pursuant to our distribution reinvestment plan.

## **Investment Objectives**

Our investment objectives are:

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

To manage risk in order to preserve, protect and return our shareholders' capital contributions; and

To ultimately list our common stock 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 shareholders 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 shareholders; if we do not complete such a transaction or obtain such listing of our common stock by February 2013, our articles of incorporation require us to begin selling our properties and other assets and distribute the net proceeds to our shareholders.

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

## **Conflicts of Interest**

The Advisor will experience conflicts of interest in connection with the management of our business affairs, including but not limited to the following:

The managers of the Advisor will have to allocate their time between Dividend Capital Trust and other real estate projects and business activities in which they are involved;

The Advisor must determine whether any related entities should enter into joint ventures with Dividend Capital Trust for the acquisition and operation of specific properties. The terms of any joint ventures proposed by the Advisor may not be the result of arm's-length negotiations;

The Advisor will present to Dividend Capital Trust all investment opportunities which the Advisor determines are suitable for Dividend Capital Trust given our investment objectives and certain other considerations. Opportunities which the Advisor determines are not suitable for us may be pursued by affiliates of the Advisor. As a result, the Advisor may be subject to certain conflicts of interest in evaluating the suitability of investment opportunities and making recommendations to our board of directors;

The Advisor and its affiliates will receive distributions with respect to their limited partnership interests in the Partnership and fees in connection with transactions involving the purchase, management and sale of our properties regardless of the quality of the property acquired or the services provided to us; and

Dividend Capital Property Management LLC (the "Property Manager" or our property manager) may perform certain property management and leasing services with respect to the properties which we acquire and Dividend Capital Securities LLC (the "Dealer Manager" or our dealer manager) will serve as the dealer manager of any offering. The Property Manager is presently managed and

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directed by John Blumberg, James Mulvihill, Thomas Wattles and Evan Zucker, each of whom is a manager of the Advisor and each of whom, with the exception of Mr. Blumberg, is a director of Dividend Capital Trust. The Dealer Manager is owned by Dividend Capital Securities Group LLLP, in which Mark Quam and Messrs. Blumberg, Florence, Mulvihill, Wattles and Zucker and/or their affiliates indirectly own limited

**Table of Contents**

partnership interests and which is controlled by Mr. Quam and Charles Murray. As a result, conflicts of interest may exist with respect to certain transactions between Dividend Capital Trust and the Property Manager and the Dealer Manager. See the Management and Conflicts of Interest sections of this prospectus for a more detailed discussion of these relationships and certain conflicts of interest. The following chart shows the ownership structure of certain Dividend Capital entities that are affiliated with the Advisor. Dividend Capital Securities Group LLLP, Dividend Capital Management Group LLC, Dividend Capital Advisors Group LLC and Dividend Capital Exchange Facilitators LLC (the Facilitator or our facilitator) are presently each indirectly majority owned by one or more of the following: John Blumberg, Thomas Florence, James Mulvihill, Mark Quam, Thomas Wattles, Evan Zucker and/or their affiliates. Dividend Capital Advisors Group LLC has issued and may further issue, and Dividend Capital Management Group LLC has not issued as of the date of this prospectus but may in the future issue, equity interests or derivatives thereof to certain of their employees or other unaffiliated individuals, consultants or other parties. However, none of such transactions are expected to result in a change in control of these entities.



## **Table of Contents**

The Advisor initially invested \$200,000 in the Partnership in exchange for a regular limited partner interest. Dividend Capital Trust, which serves as the general partner of the Partnership, contributed \$2,000 in exchange for 200 general partnership units of the Partnership. Dividend Capital Advisors Group LLC, the parent of the Advisor, has invested \$1,000 in the Partnership and has been issued limited partnership units of the Partnership which constitute the Special Units (as defined below). Currently, except as described above, the Advisor, the Dealer Manager and the Property Manager do not have any ownership interests in Dividend Capital Trust or the Partnership.

In January 2005, in connection with our third public offering, members of our board of directors, managers of our advisor, our advisor's senior management team and/or each of their respective affiliates collectively purchased in excess of \$1.0 million of our common stock.

## **Prior Offering Summary**

Certain managers of the Advisor, directly or indirectly through affiliated entities, have sponsored three public REITs, (i) American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) which raised approximately \$93,230,000 of equity capital (including \$10,750,000 in its initial public offering and \$82,480,000 in connection with the acquisition of real estate) from more than 130 investors and was acquired by ProLogis (NYSE:PLD) in August 2004, (ii) Dividend Capital Trust Inc., which as of March 31, 2006, had raised net proceeds of approximately \$1,400,000,000 from more than 30,000 investors and (iii) Dividend Capital Total Realty Trust Inc., which, on April 3, 2006, satisfied its minimum offering requirements of selling \$2,000,000 in shares to at least 100 independent subscribers in its initial public offering and commenced formal business operations. In addition, as of March 31, 2006, certain of these managers have sponsored 53 private real estate programs which had raised approximately \$817,000,000 of equity capital from over 650 investors. Collectively, as March 31, 2006, the public and private programs sponsored by certain managers of the Advisor, as described above, purchased interests in various real estate projects having combined acquisition and development costs of approximately \$3.2 billion. In addition, our Chairman, in his capacity as either or both Co-Chairman and Chief Investment Officer of ProLogis, participated in overseeing the growth in its asset base from its inception in 1992 to approximately \$2.5 billion in March 1997.

## **The Offering**

We are offering up to \$1,000,000,000 in shares of our common stock. We are offering up to 72,770,273 shares to the public at \$10.50 per share, and we are also offering up to 23,650,339 shares pursuant to our distribution reinvestment plan through which participants will be able to acquire shares at a discounted price equal to 95% of the current offering price of our common stock, or \$9.975 per share. We reserve the right to reallocate the shares of common stock we are offering between our primary offering and our distribution reinvestment plan.

Our board of directors determined the price of our shares pursuant to this offering considering a number of factors including, but not limited to: our historic, current and anticipated dividend yields; yields provided by similar and other real estate investments; our current and anticipated operating results; the quality, size, diversity and location of properties in our portfolio; the quality and diversity of our tenant base; our existing and anticipated debt structure; and our progress in executing our investment and operating strategy. In addition, after the commencement of this offering, our board of directors may from time to time change the offering price of our common stock, and therefore the amount of shares being offered in this offering, through one or more supplements or amendments to this prospectus or post-effective amendments to the registration statement of which this prospectus is a part.

## **Terms of the Offering**

This offering will continue until June 9, 2007 (two years after the SEC's effective date of this offering) or until all shares under this offering are sold, whichever is sooner. However, our board of directors may also

**Table of Contents**

terminate this offering at any time prior to such termination dates. On January 23, 2006, we closed the primary offering component of this offering. While we anticipate that the primary offering will be closed for the foreseeable future, we retain the right to recommence the primary offering at any time prior to June 9, 2007. In addition, we will continue to offer shares of common stock through our distribution reinvestment plan. To the extent we are conducting the primary offering, we generally intend to admit shareholders to Dividend Capital Trust on a daily basis. The offering proceeds will be available for the acquisition of properties or the payment of fees and expenses as soon as we accept your Subscription Agreement.

**Compensation to the Advisor**

The Advisor and its affiliates will receive compensation and fees for services relating to any offering and the investment and management of our assets. In addition, Dividend Capital Advisors Group LLC, the parent of the Advisor, has been issued partnership units in the Partnership constituting a separate series of limited partnership interests with special distribution rights (the Special Units ). The most significant items of compensation and the terms of the Special Units are as follows:

***Organizational and Offering Stage***

Sales Commissions:	Up to 6.0% of gross offering proceeds (all or substantially all of which we expect will be re-allowed to participating broker-dealers).
Dealer Manager Fee:	Up to 2.0% of gross offering proceeds (up to 1% of which the Dealer Manager may re-allow to participating broker-dealers as a marketing expense reimbursement based on such factors as the volume of shares sold by such participating broker-dealers, marketing support and bona fide conference fees incurred).
Distribution Reinvestment Plan Servicing Fee:	Up to 1% of the undiscounted selling price of shares issued pursuant to our distribution reinvestment plan (all or substantially all of which we expect will be re-allowed to participating broker-dealers).
Organizational and Offering Expense Reimbursement:	Up to 2.0% of aggregate gross offering proceeds. Of the approximately \$15.3 million maximum organizational and offering expense reimbursement (assuming we sell 72,770,273 shares to the public), approximately \$12.7 million of the expenses are anticipated to be used for wholesaling activities and are therefore deemed to be additional underwriting compensation within the meaning established by the National Association of Securities Dealers. To the extent that the remaining approximately \$2.6 million of organizational and offering expenses are insufficient to cover our cost of administering this offering, such shortfall would serve to reduce the organizational and offering expenses available to provide underwriting compensation.

***Acquisition and Development Stage***

Acquisition and Advisory Fees: Up to 1% of the aggregate purchase price of all properties we acquire.

***Operational Stage***

Asset Management Fees: Up to 0.75% annually of the cost of properties acquired (before non-cash reserves and depreciation).

**Table of Contents**

Property Management Fees:	Up to the lesser of 3% of the gross revenues of our properties managed by the Property Manager or 0.6% of the net asset value of our properties managed by the Property Manager.
Initial Lease-Up Fee for Newly Constructed Property:	Competitive fee for geographic location of property based on a survey of brokers and agents.
Real Estate Commissions:	Up to the lesser of (1) 50% of the reasonable, customary and competitive commission paid for the sale of a comparable property or (2) 3% of the contract price of each property sold. Payment of any Real Estate Commissions is deferred until partners of the Partnership have received a return of capital plus a 7% cumulative non-compounded annual pre-tax return on their net capital contributions.
Special Units:	<p>In general, the holder of the Special Units will be entitled to receive 15% of specified distributions made after other partners of the 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.</p> <p>More specifically, while the Special Units are outstanding, and after other partners of the 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 will receive 15% of net sales proceeds received by the Partnership on dispositions of the Partnership's assets. Special Units will be redeemed upon the earlier of the listing of our common stock or a sale or merger that results in a termination or non-renewal of the Advisory Agreement for the amount that would have been distributed with respect to the Special Units in accordance with the preceding sentence if the 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 the Partnership.</p> <p>Except as described above, the Special Units shall not be entitled to receive any redemption or similar payment from Dividend Capital Trust or the Partnership.</p> <p>There are many conditions to and restrictions on the amount of compensation the Advisor and its affiliates may receive. There are also some smaller items of expense reimbursements that the Advisor may receive. For a more detailed explanation of these fees and expenses payable to the Advisor and its affiliates, and for a more detailed discussion of the Special Units described above, please see the Management Management Compensation section of this prospectus.</p>

**Distribution Policy**

Dividend Capital Trust operates in a manner to qualify as a real estate investment trust for federal income tax purposes commencing with our taxable year ending December 31, 2003. In order to qualify as a REIT, we are required to distribute 90% of our annual taxable income to our shareholders. We accrue and pay distributions on a quarterly basis and we will calculate our distributions based upon daily record and distribution declaration dates so investors will be entitled to earn distributions immediately upon purchasing common stock.

**Table of Contents****Liquidity Event**

We presently intend to list our common stock 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 shareholders with securities of a publicly traded company. We continue to evaluate and consider various transactions designed to effect such liquidity, including internalizing our advisor to facilitate the future quotation or listing of our common stock, and the optimal timing of such transactions. In the event we do not list our common stock, complete a sale or merger of Dividend Capital Trust in a transaction which provides our shareholders 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 prior to February 2013, our articles of incorporation require us to begin selling our properties and other assets and to distribute the net proceeds to our shareholders.

**Distribution Reinvestment Plan**

You may participate in our distribution reinvestment plan pursuant to which you may have the cash distributions you receive reinvested in common stock of Dividend Capital Trust at a discount purchase price equal to the current or most recent offering price of our common stock less 5%. If you participate, you will be taxed on an amount equal to the fair market value, on the relevant distribution date, of the shares of our common stock purchased with reinvested distributions even though you will not receive the cash from those distributions. As a result, you may incur a tax liability without receiving cash to pay such liability. Our board of directors may terminate the distribution reinvestment plan in our discretion at any time upon 10 days notice to our shareholders. Following any termination of the distribution reinvestment plan, all subsequent distributions to shareholders would be made in cash. Any such termination may limit our ability to fund the share redemptions discussed below. (See Description of Securities Distribution Reinvestment Plan ).

**Share Redemption Program**

As long as our common stock is not listed on a national securities exchange or traded on an over-the-counter market, shareholders of Dividend Capital Trust who have held their shares for at least one year may be able to redeem all or any portion of their shares in accordance with the procedures outlined in the prospectus relating to the shares they purchased. At that time, we may, subject to the conditions and limitations described below, redeem the shares presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption.

The amount received from the redemption of shares issued pursuant to this prospectus will be equal to a percentage of the price actually paid for the shares, which percentage is dependent upon the number of years the shares are held, as described in the following table:

Share Purchase Anniversary	Redemption Price as a Percentage of Purchase Price*
0-1	No Redemption Allowed
1	92.5%
2	95.0%
3	97.5%
4	100.0%

\* Subject to change and in no event will the redemption price exceed the then current offering price of our common shares (excluding sales from our distribution reinvestment plan).

We currently expect that our distribution reinvestment plan will be the primary source of funds used to redeem common stock. Our board of directors reserves the right to use other sources of funds to redeem common stock, to reject any request for redemption of common stock for any reason or no reason or to amend or terminate

## **Table of Contents**

the share redemption program at any time. You will have no right to request the redemption of your shares after the common stock is listed on a national securities exchange or an over-the-counter market. (See Description of Securities Share Redemption Program ).

### **Dividend Capital Operating Partnership**

We intend to own all of our real estate properties through Dividend Capital Operating Partnership LP or its subsidiaries. We are the sole general partner of the Partnership. At March 31, 2006, we owned approximately 98% of the limited partnership units in the Partnership and the remaining limited partnership units were owned by third-party investors and our advisor. In addition, the parent of our advisor was the sole owner of the Special Units. Our ownership of properties in the Partnership allows us to acquire real estate properties in exchange for limited partnership units in the Partnership. This structure will also allow sellers of properties to transfer their properties to the Partnership in exchange for limited partnership units of the Partnership and defer recognition of taxable gain that would have been recognized if the properties had instead been sold to us. The holders of limited partnership units in the Partnership may have their units redeemed under certain circumstances. (See The Partnership Agreement ).

### **ERISA Considerations**

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

### **Description of Securities**

#### ***General***

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

#### ***Shareholder Voting Rights and Limitations***

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

#### ***Restriction on Share Ownership***

Our articles of incorporation contain a restriction on ownership of the common stock that prevents any person or entity from owning directly or indirectly more than 9.8% of the outstanding shares of any class or series of our stock. (See Description of Securities Restriction on Ownership of Common Stock ). These restrictions, as well as other share ownership and transfer restrictions contained in our articles of incorporation, are designed to enable us to comply with share accumulation and other restrictions imposed on REITs by the Code. For a more complete description of the common stock, including restrictions on the ownership of common stock, please see the Description of Securities section of this prospectus.

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THIS OFFERING**

Set forth below are some of the more frequently asked questions and answers relating to an offering of this type. Please see the Prospectus Summary and the remainder of this prospectus for more detailed information about this offering.

**Q: What is a real estate investment trust?**

A: In general, a real estate investment trust, or REIT, is a company that:

Offers the benefit of a diversified real estate portfolio under professional management;

Pays distributions to its shareholders of at least 90% of its taxable income for each year;

Prevents the federal double taxation treatment of income that generally results from investments in a corporation because a REIT is not generally subject to federal corporate income taxes on its taxable income, provided certain income tax requirements are satisfied; and

Combines the capital of many investors to acquire or provide financing for real estate properties.

**Q: What is Dividend Capital Trust Inc.?**

A: Dividend Capital Trust was formed in April 2002 as a Maryland corporation to invest in commercial real estate properties consisting primarily of high-quality, generic distribution warehouses and light industrial properties that are net leased to creditworthy corporate customers. Our management team targets for acquisitions or development facilities generally located in what we believe are the top 26 distribution and logistics markets in the United States.

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

A: Dividend Capital Advisors LLC is our advisor and it makes recommendations on all property acquisitions, developments and joint ventures to our board of directors. Our board of directors may delegate to its investment committee, which is comprised of three directors, two of whom are independent directors, the ability to approve acquisitions or developments of up to \$25 million. Acquisitions or developments in excess of \$25 million must be approved by our full board of directors, including a majority of the independent directors.

**Q: What is Dividend Capital Advisors?**

A: The Advisor was formed as a Colorado limited liability company in April 2002 in order to provide management and advisory services to us. Certain managers of the Advisor, directly or indirectly through affiliated entities, have sponsored three public REITs, American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) which raised approximately \$93.2 million of equity capital (including \$10.8 million in its initial public offering and \$82.5 million in connection with the acquisition of real estate) from more than 130 investors and was acquired by ProLogis in August 2004, Dividend Capital Trust Inc., which as of March 31, 2006, has raised net proceeds of approximately \$1.4 billion from more than 35,000 investors and Dividend Capital Total Realty Trust Inc., which, on April 3,

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2006, satisfied its minimum offering requirements of selling \$2.0 million in shares to at least 100 independent subscribers in its initial public offering and commenced formal business operations. In addition, as of March 31, 2006, certain of these managers have sponsored 53 private real estate programs which had raised approximately \$817.0 million of equity capital from over 650 investors. Collectively, as of March 31, 2006, the public and private programs sponsored by certain managers of the Advisor, as described above, purchased interests in various real estate projects having combined acquisition and development costs of approximately \$3.2 billion. In addition, our Chairman, in his capacity as either or both Co-Chairman and Chief Investment

**Table of Contents**

Officer of ProLogis (NYSE:PLD), participated in overseeing the growth in its asset base from its inception in 1992 to approximately \$2.5 billion in March 1997.

**Q: What is the ownership structure of Dividend Capital Trust and its affiliates?**

A: The following chart shows the ownership structure of certain Dividend Capital entities that are affiliated with the Advisor. Dividend Capital Securities Group LLLP, Dividend Capital Management Group LLC and Dividend Capital Advisors Group LLC are presently each indirectly majority owned by one or more of the following: John Blumberg, Thomas Florence, James Mulvihill, Mark Quam, Thomas Wattles, Evan Zucker and/or their affiliates. Dividend Capital Advisors Group LLC has issued and may further issue, and Dividend Capital Management Group LLC has not issued as of the date of this prospectus but may in the future issue, equity interests or derivatives thereof to certain of their employees or other unaffiliated individuals, consultants or other parties. However, none of such transactions are expected to result in a change in control of these entities.



**Table of Contents**

**Q: What are some of the risks and conflicts to investing in this offering?**

A: We have summarized certain risks in the Risk Factors section of this prospectus, which you should review carefully. We have also described certain conflicts in the Conflicts of Interest section of this prospectus. These risks and conflicts include, but are not limited to:

We have a limited operating history;

There is no current public market for your shares and no such public market may ever develop; it may be difficult for you to sell your shares and should you choose to sell your shares it will likely be at a price which is less than your purchase price;

We rely on the Advisor and our board of directors for the selection of properties and the application of offering proceeds;

The timing and availability of cash distributions to our shareholders is uncertain;

We will be subject to the risks which are inherent in the ownership of real estate;

Failure to qualify as a REIT for federal income tax purposes could adversely affect our operations and our ability to make distributions to shareholders;

The Advisor will be subject to conflicts of interest in the allocation of both management time and real estate opportunities among Dividend Capital Trust and other entities affiliated with the Advisor; and

We will pay the Advisor and its affiliates significant fees. Certain fees, such as those relating to property acquisitions and asset management services, will be paid regardless of the quality of the properties acquired or the services provided.

**Q: What fees will Dividend Capital Trust incur?**

A: We will incur various fees and expenses in our organization and offering stage, our acquisition and development stage and our operating stage. In most cases, these fees will be paid to the Advisor or its affiliates, including the Dealer Manager and our property manager. These fees, which are discussed in detail in the Management Management Compensation section of this prospectus, consist of:

- (i) Dealer manager fee payable to our dealer manager of up to 2% of gross offering proceeds;
- (ii) Sales commissions payable to our dealer manager (all or substantially all of which we expect will be re-allowed to participating broker-dealers) of up to 6% of gross offering proceeds;
- (iii) One-time servicing fee payable to our dealer manager (all or substantially all of which we expect will be re-allowed to participating broker-dealers) of up to 1% of the undiscounted selling price of the shares issued pursuant to our distribution reinvestment plan;

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- (iv) Reimbursement to the Advisor or its affiliates for organization and offering expenses of up to 2% of aggregate gross offering proceeds;
- (v) Acquisition fees payable to the Advisor or its affiliates which may represent up to 1% of the aggregate purchase price of properties we acquire;
- (vi) Asset management fee payable to the Advisor of up to 0.75% annually of the cost of properties acquired (before non-cash reserves and depreciation);
- (vii) Property management and leasing fees payable to our property manager which may equal up to 3% of the gross revenues of each property per annum;
- (viii) Initial lease-up fees for newly constructed properties;
- (ix) Real estate commissions payable to the Advisor or its affiliates on property sales of up to 50% of the brokerage commission paid, provided that 50% of such commission shall not exceed 3% of the contract price of the property sold; and

**Table of Contents**

- (x) Distributions made to an affiliate of the Advisor with respect to the Special Units (as defined in the Prospectus Summary section of this prospectus). In general, the holder of the Special Units will be entitled to receive 15% of specified distributions after other partners 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.

**Q: Will our advisor use any specific criteria when selecting a potential property acquisition?**

A: Yes. The Advisor will generally seek to invest in properties that satisfy four primary objectives: (1) providing consistent quarterly distributions to our shareholders with the potential to increase the amount of the distribution over time; (2) protecting our shareholders capital contributions; (3) exhibiting potential to realize capital appreciation upon the ultimate sale of our properties or the occurrence of a liquidity event; and (4) having a high degree of liquidity, relative to other real estate assets, due to their attractiveness to the institutional market.

The Advisor's management team plans to accomplish these objectives by acquiring primarily high-quality, generic distribution warehouses and light industrial properties that are net leased to creditworthy corporate customers. These facilities will generally be located in the top 26 distribution and logistics markets in the United States. Such properties may include properties which are under development or construction, newly constructed or have been constructed and have operating histories. The Advisor's management team will on a limited basis also develop properties directly or in joint ventures with third party developers. In general, national, regional and local companies utilize the space in these building types to store and ship product to their customers. In some cases, the buildings can be used for light manufacturing or assembly. The Advisor intends to generally focus on properties that have been leased or pre-leased on a net basis to one or more creditworthy corporate customers, although some of the properties we purchase may have some vacancy to be filled after closing.

**Q: Why do you plan on focusing your investments on industrial properties?**

A: We believe that ownership of industrial properties may have certain potential advantages relative to ownership of other classes of real estate. We believe that industrial customers tend to be more stable than customers of residential or office properties, resulting in greater revenue stability. Because industrial properties are typically leased on a net basis, the owner has limited management responsibilities. We believe that the costs of capital improvements are also generally lower for industrial properties. We also believe that many industrial properties have a shorter development period than other real estate classes, allowing owners to respond more quickly to changes in demand.

Although our management team also believes that there may be certain advantages to investing in industrial properties, by focusing on industrial properties we will not have the advantage of a portfolio of properties that is diversified across different property types. As a result, we will be exposed to risks or trends that have a greater impact on the market for industrial properties. These risks or trends may include the movement of manufacturing facilities to foreign markets which have lower labor or production costs, transportation or distribution trends which may change user demand for distribution space on a national or regional basis, including our target markets and other economic trends or events which would cause industrial properties to under-perform other property types.

**Q: Why may you acquire certain properties in joint ventures?**

A: We may acquire some of our properties in joint ventures, some of which may be entered into with affiliates of the Advisor. Joint ventures may allow us to acquire an interest in a property without requiring that we fund the entire purchase price. In addition, certain properties may be available to us only through joint ventures. As a result, joint ventures may allow us to diversify our portfolio of properties in terms of geographic region, property type and industry group of our customers. We may also enter into joint ventures

**Table of Contents**

with developers to construct new properties or into ventures that include acquisition rights on current or future properties to be built or leased or both. Depending upon the circumstance, the joint ventures may have a debt and/or an equity component.

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

A: We intend to obtain a new Phase I environmental assessment of each property purchased which, in addition to our internal review, is also reviewed by our environmental legal counsel. In addition, we generally intend to obtain a representation from the seller that, to its knowledge, the property is not contaminated with hazardous materials. Although these steps may reduce certain environmental risks, Dividend Capital Trust may nevertheless be liable for the costs related to removal or redemption of hazardous materials found on any properties we acquire.

**Q: What are the proposed terms of the leases you expect to enter into?**

A: The Advisor's management team will seek primarily to enter into net leases, the majority of which we expect will have five to seven year original lease terms, and many of which will have renewal options for additional periods. Net means that the customer is responsible for repairs, maintenance, property taxes, utilities, insurance and other operating costs. We expect that the majority of our leases will provide that we, as landlord, 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.

**Q: How will Dividend Capital Trust own its real estate properties?**

A: We expect to own all of our real estate properties through an operating partnership called Dividend Capital Operating Partnership LP or subsidiaries of our operating partnership. Our operating partnership has been organized to own and lease real properties on our behalf. Dividend Capital Trust is the sole general partner of our operating partnership and, at March 31, 2006, we owned approximately 98% of the limited partnership units in our operating partnership and the remaining limited partnership units were owned by third-party investors and our advisor. In addition, the parent of our advisor was the sole owner of the Special Units. Dividend Capital Trust has and will continue to contribute net offering proceeds to our operating partnership in return for limited partnership interests. Our operating partnership will use these proceeds to acquire real estate properties. In addition, fractional interests in certain of our properties are held in a taxable REIT subsidiary, and may continue to be held in one or more taxable REIT subsidiaries that are wholly owned by our operating partnership. We intend to utilize the taxable REIT subsidiary, or additional taxable REIT subsidiaries, in certain transactions to potentially facilitate the sale of interests in our limited partnership.

**Q: What is an UPREIT ?**

A: UPREIT stands for Umbrella Partnership Real Estate Investment Trust . An UPREIT is a REIT that holds all or substantially all of its properties through a partnership in which the REIT holds an interest. We use this structure because a sale of property directly to the REIT is generally a taxable transaction to the selling property owner. In an UPREIT structure, a seller of a property who desires to defer taxable gain on the sale of his property may transfer the property to the partnership in exchange for limited partnership units in the operating partnership and defer taxation of gain until the seller later sells the partnership units or redeems his partnership units normally on a one-for-one basis for REIT common stock. If the REIT common stock is publicly traded, the former property owner will achieve liquidity for his investment. Using an UPREIT structure gives us an advantage in acquiring desired properties from persons who may not otherwise sell their properties because of unfavorable tax results.

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**Table of Contents**

**Q: If I buy common stock, will I receive distributions and how often?**

A: We intend to pay distributions on a quarterly basis to our shareholders. The amount of each distribution is determined by the board of directors and typically depends on the amount of distributable funds, current and projected cash requirements, tax considerations and other factors. Certain portions of distributions paid to our shareholders have previously included amounts in excess of our earnings and profits. It is likely that certain portions of future distributions, if any, that may be paid to our shareholders will include amounts in excess of our earnings and profits. Any such amounts would likely be paid out of cash flow from operations and, if necessary, borrowed funds. In order to qualify as a REIT, we must make distributions of at least 90% of our taxable income for each year. Please see the question in this section entitled "Will the distributions I receive be taxable as ordinary income?"

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

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

**Q: May I reinvest the distributions I may receive in common stock of Dividend Capital Trust?**

A: Yes. You may participate in our distribution reinvestment plan by checking the appropriate box on the Subscription Agreement (see Appendix A of this prospectus) or by filling out an enrollment form we will provide to you upon your request. The \$1,000,000,000 maximum gross offering proceeds of this offering include up to 23,650,339 shares of common stock which will be sold under the distribution reinvestment plan at a discounted price equal to the current offering price per share less a 5% discount on the applicable distribution date. (See "Description of Securities" "Distribution Reinvestment Plan").

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

A: Yes and No. Generally, distributions that you receive, including distributions that are reinvested pursuant to our distribution reinvestment plan, will be taxed as ordinary income at the recipient's individual tax rate to the extent they are from current or accumulated earnings and profits. Although recently enacted tax legislation generally reduces the maximum tax rate for distributions payable by corporations to individuals to 15% through 2010, distributions payable by REITs generally continue to be taxed at the normal ordinary income rates applicable to the individual recipient, rather than the 15% preferential rate. We expect that some portion of your distributions may not be subject to tax in the year received due to the fact that depreciation expenses reduce earnings and profits but do not reduce cash available for distribution. Amounts distributed to you in excess of our earnings and profits will reduce the tax basis of your investment and distributions in excess of tax basis will be taxable as an amount realized from a deemed sale of your shares of our common stock. This, in effect, would defer a portion of your taxes until your investment is sold or our assets are liquidated and the net proceeds are distributed to our shareholders, at which time you may be taxed at capital gains rates. However, because each shareholder's tax considerations are different, you are urged to consult with your tax advisor. You should also review the section of this prospectus entitled "Federal Income Tax Considerations."

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

A: Our management team will use the net offering proceeds to invest in commercial real estate consisting primarily of high quality, generic distribution warehouses and light industrial properties that are net leased to creditworthy corporate customers. Our management team intends to invest 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 distribution reinvestment plan, to acquire such properties. The remainder of the gross offering proceeds will be used to pay fees and expenses of this offering, which shall include sales commissions, dealer manager



## **Table of Contents**

fees, distribution reinvestment plan servicing fees, reimbursement of offering expenses and acquisition fees in an aggregate amount of up to approximately 8.8% of gross offering proceeds, assuming we sell 72,770,273 shares to the public and 23,650,339 shares pursuant to our distribution reinvestment plan.

### **Q: How will the payment of fees and expenses affect my invested capital?**

A: The payment of fees and expenses will reduce the funds available for investment in real estate. The payment of fees and expenses will also reduce the book value of your shares. Until we invest the proceeds of any offering in real estate, we may invest in short-term, highly liquid investments including but not limited to government obligations, bank certificates of deposit, short-term debt obligations, interest bearing accounts and preferred securities of other REITs. These short-term investments may earn a lower return than we expect to earn on our real estate investments, and we cannot guarantee how long it will take to fully invest the proceeds in real estate.

### **Q: What kind of offering is this?**

A: We are offering up to \$1,000,000,000 in shares of our common stock. We are offering up to 72,770,273 shares to the public at \$10.50 per share and the Dealer Manager will act as an underwriter and dealer manager of this offering on a best efforts basis. We are also offering up to 23,650,339 shares pursuant to our distribution reinvestment plan through which participants will be able to acquire shares at a discounted price equal to 95% of the current offering price of our common stock, or \$9.975 per share. We reserve the right to reallocate the shares of common stock we are offering between our primary offering and our distribution reinvestment plan.

### **Q: How does a best efforts offering work?**

A: When common stock is offered to the public on a best efforts basis, the broker-dealers participating in the offering are only required to use their best efforts to sell the common stock. Broker-dealers do not have a firm commitment or obligation to purchase any common stock.

### **Q: How long will this offering last?**

A: This offering will continue until June 9, 2007 (two years after the SEC's effective date of this offering or until we sell all shares under this offering, whichever is sooner). However, our board of directors may also terminate this offering at any time prior to such termination dates. On January 23, 2006, we closed the primary offering component of this offering. While we anticipate that the primary offering will be closed for the foreseeable future, we retain the right to recommence the primary offering at any time prior to June 9, 2007. In addition, we will continue to offer shares of common stock through our distribution reinvestment plan.

### **Q: Who can buy our common stock?**

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

### **Q: May persons affiliated with Dividend Capital Trust purchase common stock in this offering?**

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- A: Yes. Our officers and directors and their immediate families, as well as officers and employees of the Advisor or other affiliated entities and their immediate families, may purchase common stock at a price of \$9.66 per share (based on an offering price of \$10.50 per share). The reduced offering price reflects the



## **Table of Contents**

elimination of the sales commission and the dealer manager fee that would otherwise be paid on each share. Notwithstanding this reduced sale price, the net proceeds received by Dividend Capital Trust will be the same on all common stock sold in the offering. In January 2005, in connection with our third public offering, members of our board of directors, managers of our advisor, our advisor's senior management team and/or each of their respective affiliates collectively purchased in excess of \$1.0 million of our common stock.

### **Q: Is there any minimum investment required?**

A: Yes. Generally, you must invest at least \$2,000. This minimum investment level may be higher in certain states, so you should carefully read the more detailed description of the minimum investment requirements appearing in the "Suitability Standards" section of this prospectus.

### **Q: How do I subscribe for common stock?**

A: If you choose to purchase common stock in this offering, you will need to complete a Subscription Agreement in the form attached to this prospectus as Appendix A for a specific number of shares. You must pay for the common stock at the time you subscribe. Offering proceeds will be released to us on an ongoing basis at the time we accept each Subscription Agreement.

### **Q: If I buy common stock in this offering, how may I later sell it?**

A: At the time you purchase common stock, it will not be listed for trading on any national securities exchange or over-the-counter market. We may never list our common stock. However, we continue to evaluate and consider various transactions designed to effect such liquidity, including internalizing our advisor to facilitate the future quotation or listing of our common stock, and the optimal timing of such transactions based on a number of factors, such as the public market for REITs generally, the amount of capital we have been able to raise and the economic performance of the properties we have acquired.

As discussed in the following paragraph, the absence of a public market may continue for an extended period of time after the date of this prospectus. As a result, you may find it difficult to find a buyer for your shares and realize a return on your investment. Subject to certain resale restrictions, you may sell your shares to any buyer unless such sale would cause any person or entity to directly or indirectly own more than 9.8% of the outstanding shares of any class or series of our stock or would violate the other restrictions imposed by our articles of incorporation on ownership and transfers of our common stock. (See "Description of Securities" "Restriction on Ownership of Common Stock").

In addition, after you have held your shares for at least one year, you may be able to redeem all or a portion of your shares pursuant to our share redemption program as outlined in the prospectus (See "Description of Securities" "Share Redemption Program"). If we have not listed the common stock on a national securities exchange or an over-the-counter market, completed a sale or merger of Dividend Capital Trust in a transaction which provides our shareholders with a combination of cash and/or securities of a publicly traded company or sold substantially all of our properties for cash or other consideration by February 2013, our articles of incorporation require us to begin selling our properties and other assets and to distribute the net proceeds to our shareholders.

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

A: The key members of our management team are James R. Mulvihill, Thomas G. Wattles and Evan H. Zucker, each of whom is a director of Dividend Capital Trust as well as a manager of the Advisor. From 1989 through March 31, 2006, Messrs. Mulvihill and Zucker have, along with other affiliates, overseen directly, or indirectly through affiliated entities, the acquisition, development, financing and sale of approximately various real estate projects with an aggregate value in excess of approximately \$3.2 billion.



**Table of Contents**

See the Management Directors and Executive Officers section of this prospectus for a more detailed description of the background and experience of each of our officers and directors. In addition, Mr. Wattles, in his capacity as either or both Co-Chairman and Chief Investment Officer of ProLogis, participated in overseeing the growth in its asset base from its inception in 1992 to approximately \$2.5 billion in 1997.

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

A: Each year we will provide our shareholders with an annual report providing financial information about us. In addition, we will provide periodic updates on our performance in conjunction with our filings with the SEC including three quarterly filings and an annual filing. Additionally, we will provide periodic press releases describing significant developments, current period performance and current period earnings. We will provide these reports and press releases on our website at <http://65.38.191.77/dividendcapital/trust/>. (See Where You Can Find Additional Information ).

**Q: When will I get my detailed tax information?**

A: We intend to mail your Form 1099 tax information by January 31st of each year.

**Q: Who can help answer my questions?**

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

Charles Murray, President

Dividend Capital Securities LLC

518 17th Street, 12<sup>th</sup> Floor

Denver, Colorado 80202

Telephone: (303) 228-2200

Fax: (303) 228-2201

**Table of Contents**

**RISK FACTORS**

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

**INVESTMENT RISKS**

*We have a limited operating history.*

Dividend Capital Trust was formed as a Maryland corporation on April 12, 2002 in order to own, operate and develop industrial real estate properties. We have a limited history of operations which you are able to evaluate in making a decision to purchase our common stock.

*There is no current public trading market for your shares.*

There is no current public market for the common stock and we have no obligation or immediate plans to apply for quotation or listing in any public securities market. Although we continue to evaluate and consider opportunities and transactions to establish a public market for our common stock, including internalizing our advisor to facilitate the future quotation or listing of our common stock, there can be no assurance that a public market will ever exist. It will therefore be very difficult for you to sell your shares promptly or at all. Even if you are able to sell your shares, the absence of a public market may cause the price received for any common stock sold to be less than the proportionate value of the real estate we own or less than the price you paid. Therefore, you should purchase the common stock only as a long-term investment. (See the Description of Securities Share Redemption Program section of this prospectus).

*We currently do not have research analysts reviewing the performance of our company.*

We do not have research analysts reviewing the performance of our company or our securities on an ongoing basis. Therefore, we do not have an independent review of our performance and value of our common stock relative to publicly traded companies.

*We currently utilize the Advisor for selection of properties and we rely on our board of directors for ultimate approval of the investment of offering proceeds.*

Our ability to pay distributions and achieve our other investment objectives is partially dependent upon the performance of the Advisor in the acquisition of real estate properties, the operation of such properties and the determination of any financing arrangements. Our board of directors, which must approve all property acquisitions, will have broad discretion to monitor the performance of the Advisor as well as to determine the manner in which the net offering proceeds are invested. Our board of directors may delegate to our investment committee, which is comprised of three directors, two of whom are independent directors, the authority to approve individual property acquisitions or developments of up to \$25 million. All acquisitions or developments in excess of \$25 million must be approved by our board of directors, including a majority of the independent directors. As a result, you must rely on the Advisor to identify properties and propose transactions and on the board of directors to oversee and approve such transactions. (See Management ).

*Distributions payable by REITs do not qualify for the reduced tax rates that apply to other corporate distributions.*

Tax legislation enacted in 2003 generally reduces the maximum tax rate for distributions payable by corporations to individuals to 15% through 2010. Distributions payable by REITs, however, generally continue to be taxed at the normal rate applicable to the individual recipient, rather than the 15% preferential rate. Although this legislation does not adversely affect the taxation of REITs or distributions paid by REITs, the more favorable

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**Table of Contents**

rates applicable to regular corporate distributions could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay distributions, which could adversely affect the value of the stock of REITs, including our common stock. (See [Federal Income Tax Considerations](#) [Taxation of Taxable U.S. Shareholders](#) [Distributions Generally](#) ).

***We depend on key personnel.***

Our success depends to a significant degree upon the continued contributions of certain key personnel, including but not limited to John A. Blumberg, James D. Cochran, Thomas I. Florence, Daryl H. Mechem, James R. Mulvihill, Matthew T. Murphy, Thomas G. Wattles, and Evan H. Zucker, each of whom would be difficult to replace. We do not have employment agreements with any of our key personnel, and we currently do not have key man life insurance on any person. If any of our key personnel were to cease employment with us, our operating results could suffer. We also believe that our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such skilled personnel. (See [Management](#) ).

***The Advisor will face conflicts of interest relating to time management.***

The Advisor is currently pursuing other business opportunities with third parties. Managers of the Advisor are currently engaged in other real estate activities, including acquisition and development of commercial and residential real estate in the United States and Mexico. We are not able to estimate the amount of time that the managers of the Advisor will devote to our business. As a result, the managers of the Advisor may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, the time they devote to our business may decline and be less than we would require. We expect that as our real estate activities expand, the Advisor may attempt to hire additional employees who would devote substantially all of their time to the business of Dividend Capital Trust and its affiliates. However, there can be no assurance that the Advisor will devote adequate time to our business activities. (See [Conflicts of Interest](#) ).

***The Advisor may face conflicts of interest relating to the purchase and leasing of properties.***

We may buy properties at the same time as other entities that are affiliated with the Advisor are buying properties. There is a risk that the Advisor will choose a property that provides lower returns to us than a property purchased by another entity affiliated with the Advisor. We may acquire properties in geographic areas where other affiliates of the Advisor own properties. If one of the entities affiliated with the Advisor attracts a customer that we are competing for, we could suffer a loss of revenue due to delays in locating another suitable customer. (See [Conflicts of Interest](#) [Competition](#) ).

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

We may enter into joint ventures with third parties, including entities that are affiliated with the Advisor, such as Dividend Capital Total Realty Trust Inc. and a related fund comprised generally of high net worth investors with similar investment objectives, for the acquisition, development and improvement of properties. We may also purchase and develop properties directly or in joint ventures or partnerships, co-tenancies or other co-ownership arrangements with the sellers of the properties, affiliates of the sellers, developers or other persons. Such investments may involve risks not otherwise present with a direct investment in real estate, including, for example:

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

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

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

## **Table of Contents**

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

Under certain joint venture arrangements, neither venture partner may have the power to control the venture, and an impasse could be reached, which might have a negative influence on the joint venture and decrease potential returns to you. In the event that a venture partner has a right of first refusal to buy out the other partner, it may be unable to finance such buy-out at that time. It may also be difficult for us to sell our interest in any such joint venture or partnership or as a co-tenant in property. In addition, to the extent that our venture partner or co-tenant is an affiliate of the Advisor, certain conflicts of interest will exist. (See [Conflicts of Interest](#) [Joint Ventures with Affiliates of the Advisor](#) ).

### ***The Dealer Manager has participated in a limited number of securities offerings.***

The Dealer Manager was formed in December 2001 and has participated in a limited number of securities offerings which include our public offerings as well as the public offerings of affiliates of Dividend Capital Trust, including Dividend Capital Realty Income Fund, Dividend Capital Realty Income Allocation Fund and Dividend Capital Total Realty Trust Inc. The Dealer Manager has entered into agreements with broker-dealers pursuant to which those firms will sell our common stock in this offering. Should the Dealer Manager be unable to maintain agreements with a significant group of broker-dealers, then we may be unable to sell a significant number of shares. If we do not sell a significant number of shares then we will likely acquire a limited number of properties and will not achieve significant diversification of our property holdings. Because the Dealer Manager has limited experience in prior offerings, it may be difficult to evaluate its ability to manage this offering.

### ***A limit on the number of shares a person may own may discourage a takeover or business combination.***

Our articles of incorporation restrict direct or indirect ownership by one person or entity to no more than 9.8% of the outstanding shares of any class or series of our stock. This restriction may discourage a change of control of Dividend Capital Trust and may deter individuals or entities from making tender offers for common stock on terms that might be financially attractive to shareholders or which may cause a change in our management. This ownership restriction may also prohibit business combinations that would have otherwise been approved by our board of directors and shareholders. (See [Description of Securities](#) [Restriction on Ownership of Common Stock](#) ).

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

Our share redemption program may provide you with a limited opportunity to redeem your shares after you have held them for a period of one year. However, our board of directors reserves the right to suspend or terminate the share redemption program at any time. In addition, our share redemption program contains certain restrictions and limitations. Common stock may be redeemed quarterly on a pro rata basis. Subject to funds being available, the number of shares redeemed during any calendar year will be limited to the lesser of (1) three percent (3%) of the weighted average number of shares outstanding during the prior calendar year, and (2) the number of shares we can redeem with the proceeds we receive from the sale of common stock under our distribution reinvestment plan. Therefore, in making a decision to purchase our common stock, you should not assume that you will be able to sell any of your shares back to us pursuant to our share redemption program. (See [Description of Securities](#) [Share Redemption Program](#) ).

### ***We did not establish the offering price of our common stock based on an appraised value of our properties.***

We have not obtained an appraisal of our properties in connection with this offering. Our board of directors determined the selling price of the common stock; however, such price may bear no relationship to property appraisals or to any established criteria for valuing our issued or outstanding common stock. Our board of directors determined the price of our shares pursuant to this offering considering a number of factors including,

## **Table of Contents**

but not limited to: our historic, current and anticipated dividend yields; yields provided by similar and other real estate investments; our current and anticipated operating results; the quality, size, diversity and location of properties in our portfolio; the quality and diversity of our tenant base; our existing and anticipated debt structure; and our progress in executing our investment and operating strategy.

***If we have not listed our stock for public trading or created an alternative liquidity event for our shareholders by February 2013, then we will take steps to liquidate our assets.***

If we have not listed our common stock on a national securities exchange or an over-the-counter market, completed a sale or merger of Dividend Capital Trust in a transaction which provides our shareholders with a combination of cash and/or securities of a publicly traded company or sold substantially all of our properties for cash or other consideration by February 2013, our articles of incorporation require us to begin selling our properties and other assets and to distribute the net proceeds to our shareholders. Various economic and political conditions existing at the time we liquidate our assets may adversely affect our ability to sell assets at favorable prices. As a result, there can be no assurance that we would be able to sell our assets at prices which are consistent with our estimate of the fair market value of our properties or that would provide our stockholders with any particular return. (See Questions and Answers About this Offering If I buy common stock in this offering, how may I later sell it? ).

***Your interest in Dividend Capital Trust may be diluted if we issue additional common stock.***

Our shareholders do not have preemptive rights to any common stock issued by Dividend Capital Trust in the future. Therefore, in the event that we (1) sell common stock in the future, including those issued pursuant to the distribution reinvestment plan, (2) sell securities that are convertible into common stock, (3) issue common stock in a private offering to institutional investors, (4) issue shares of common stock upon the exercise of the options granted to our independent directors or employees of the Advisor and our property manager or warrants issued or that may be issued to our dealer manager or to participating broker-dealers, or (5) issue common stock to sellers of properties acquired by us in connection with an exchange of limited partnership interests in our operating partnership or one of its subsidiaries, existing shareholders and investors purchasing shares in this offering will experience dilution of their percentage ownership in Dividend Capital Trust. Depending on the terms of such transactions, most notably the offer price per share, which may be less than the price paid per share in this offering, and the value of our properties, existing shareholders might also experience a dilution in the book value per share of their investment in Dividend Capital Trust. (See Description of Securities ).

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

The Advisor and its affiliates will perform services for us in connection with the offer and sale of the common stock, the selection, acquisition and disposition of our properties, and the management and leasing of our properties. They will be paid substantial fees for these services, which will reduce the amount of cash available for investment in properties and distribution to shareholders. We estimate that approximately 8.8% of gross offering proceeds, assuming we sell 72,770,273 shares to the public and 23,650,339 shares pursuant to our distribution reinvestment plan, will be paid to the Advisor, its affiliates and third parties for up-front fees and expenses associated with the offer and sale of our common stock. (See Management Management Compensation ).

***The availability and timing of cash distributions is uncertain.***

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

## **Table of Contents**

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

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

### ***Our properties are concentrated predominantly in the industrial real estate sector.***

Our properties are concentrated predominantly in the industrial real estate sector. As a result of this concentration, we may be adversely affected by changes to the following factors within the industrial real estate sector: (i) economic climate; (ii) local conditions, such as oversupply or a reduction in the demand for industrial space; (iii) competition from other properties; (iv) increased operating costs; and (v) our ability to provide adequate maintenance and insurance.

### ***If we are unable to find suitable investments, we may not be able to achieve our investment objectives or pay distributions.***

Our ability to achieve our investment objectives, including the payment of distributions, depends upon the performance of the Advisor in the acquisition of our investments and the determination of any financing arrangements and upon the performance of our operating professionals and to maintain our customer base, maintain strong occupancies and negotiate favorable leasing arrangements. Except for the investments described in our previous filings, you will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. You must rely entirely on the management abilities of the Advisor, the property managers the Advisor selects and the oversight by our board of directors. We cannot be sure that the Advisor will be successful in obtaining suitable investments on financially attractive terms or that, if the Advisor makes investments on our behalf, our objectives will be achieved. The more capital we raise in this offering or any future offerings, the greater will be our challenge to invest all of the net offering proceeds on attractive terms. Therefore, the large size of this offering increases the risk that we may pay too much for real estate acquisitions. If we, through the Advisor, are unable to find suitable investments promptly, we will hold the proceeds from any offering in an interest-bearing account or invest the proceeds in short-term, investment-grade investments (which are not likely to earn as high a return as we expect to earn on our real estate investments) and may, ultimately, liquidate. In such an event, our ability to pay distributions to our shareholders would be adversely affected. (See Investment Objectives and Criteria Acquisition and Investment Policies ).

### ***We may have difficulty funding our distributions with funds provided by our operations.***

As a growing company, to date we have funded our quarterly distributions to investors with funds from operations and, to a lesser extent, with borrowings under our credit facility and other borrowings. Our long-term corporate strategy is to fund the payment of quarterly distributions to our shareholders entirely from funds from our operations. However, if we are unsuccessful in deploying the offering proceeds we raise on an effective and efficient basis, we may continue to fund our quarterly distributions to investors from a combination of funds from operations and financing proceeds. In the event we are unable to consistently fund future quarterly distributions to investors entirely from our funds from operations, the value of your shares upon the possible listing of our stock, the sale of our assets or any other liquidity event may be negatively impacted.

### ***Our articles of incorporation permit our board of directors to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to our shareholders.***

Our board of directors may classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to cash



## **Table of Contents**

distributions and other distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our board of directors could authorize the issuance of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might otherwise provide a premium price to holders of our common stock. (See Description of Securities Preferred Stock ).

### ***Our board of directors has broad control over our operations and you will have limited control over changes in our policies and operations.***

Our board of directors determines our major policies, including our policies regarding financing, growth, debt capitalization, REIT qualification, distributions, acquisitions of properties and acquisitions of businesses (including the business of our advisor or property manager). Our board of directors may amend or revise these and other policies without a vote of the shareholders. Under the Maryland General Corporation Law and our articles of incorporation, our shareholders have a right to vote only on limited matters. Our board's broad discretion in setting policies and our shareholders' inability to exert control over those policies increases the uncertainty and risks you face as a shareholder. (See Management General ).

### ***Adverse economic and geopolitical conditions could negatively affect our returns and profitability.***

Among others, the following market and economic challenges may adversely affect our operating results:

poor economic times may result in customer defaults under our leases and reduced demand for industrial space;

overbuilding industrial space may increase vacancies;

maintaining occupancy levels may require increased concessions, tenant improvement expenditures or reduced rental rates; and

increased insurance premiums may reduce funds available for distribution or, to the extent we can pass such increases through to customers, may lead to customer defaults. Increased insurance premiums also may make it difficult to increase rents to customers on turnover, which may adversely affect our ability to increase our returns.

Our operations could be negatively affected to the extent that an economic downturn is prolonged or becomes more severe.

### ***Actions of our joint venture partners could negatively impact our performance.***

We are likely to enter into additional joint ventures with third parties to acquire, develop or improve properties. We may also purchase and develop properties directly or in joint ventures or through partnerships, co-tenancies or other co-ownership arrangements. Such investments may involve risks not otherwise present with other methods of investment in real estate, including, but not limited to:

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

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

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

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Any of the above might subject a property to liabilities in excess of those contemplated and thus reduce your returns. (See Investment Objectives and Criteria Joint Venture Investments ).

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**Table of Contents**

***Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our shareholders.***

We have incurred indebtedness and expect that we will incur additional indebtedness in the future. Interest we pay reduces our cash available for distributions. Additionally, since we have incurred and may continue to incur variable rate debt, increases in interest rates would increase our interest costs, which reduces our cash flows and our ability to make distributions to you. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments. (See Investment Objectives and Criteria Borrowing Policies and Related Indebtedness ).

***Our hedging strategies may not be successful in mitigating our risks associated with interest rates.***

We use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. We cannot assure you that our use of derivatives will offset the risks related to changes in interest rates. In addition, the nature and timing of hedging transactions may influence the effectiveness of our hedging strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. In addition, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses.

***Our derivative financial instruments used to hedge against interest rate fluctuations could reduce the overall returns on your investment.***

We have and may continue to use derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our properties. These instruments involve risk, such as the risk that counterparties may fail to perform under the terms of the derivative contract or that such arrangements may not be effective in reducing our exposure to interest rate changes. In addition, the possible use of such instruments may reduce the overall return on our investments. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75% or 95% REIT income tests.

***The Advisor may have conflicting fiduciary obligations if we acquire properties with its affiliates.***

The Advisor may cause us to acquire an interest in a property through a joint venture with its affiliates. In these circumstances, the Advisor will have a fiduciary duty to both us and its affiliates participating in the joint venture. The resolution of this conflict of interest may cause the Advisor to sacrifice our best interest in favor of the seller of the property and therefore, we may enter into a transaction that is not in our best interest. The resolution of this conflict of interest may negatively impact our financial performance. (See Conflicts of Interest ).

***The fees we pay in connection with this offering were not determined on an arm's-length basis and therefore may not be on the same terms we could achieve from a third-party.***

The compensation paid to the Advisor, Dealer Manager and other affiliates for services they provide us was not determined on an arm's-length basis. All agreements, contracts or arrangements with our affiliates were not negotiated at arm's length. Such agreements include, but are not limited to, the Advisory Agreement, the Dealer Manager Agreement and the Property Management and Leasing Agreement. These agreements may contain terms that are not in our best interest and may not otherwise be applicable if we entered into arm's-length agreements. See Conflicts of Interest for a discussion of various conflicts of interest. (See Management Management Compensation ).

***We cannot predict the amounts of compensation to be paid to the Advisor and our other affiliates.***

Because the fees that we will pay to the Advisor and our other affiliates are based in part on the level of our business activity, it is not possible to predict the amounts of compensation that we will be required to pay these

## **Table of Contents**

entities. In addition, because key employees of our affiliates are given broad discretion to determine when to consummate a transaction, we rely on these key persons to dictate the level of our business activity. Furthermore, the fees paid to our affiliates will reduce funds available for distribution, and therefore we cannot predict precisely how such fees will impact our distributions. (See Management Management Compensation ).

*Our dealer manager, which is affiliated with us, has not made an independent review of us or the prospectus.*

The Dealer Manager is one of our affiliates and will not make an independent review of us or this offering. Accordingly, you do not have the benefit of an independent review of the terms of this offering. Further, the due diligence investigation of us by the Dealer Manager cannot be considered to be an independent review and, therefore, may not be as meaningful as a review conducted by an unaffiliated broker-dealer or investment banker. In addition, a substantial portion of the proceeds of any offering will be paid to the Dealer Manager for managing the offering, including selling commissions, a dealer manager fee and marketing and due diligence expense reimbursements.

*If we invest in a limited partnership as a general partner we could be responsible for all liabilities of such partnership.*

In some joint ventures or other investments we may make, if the entity in which we invest is a limited partnership, we may acquire all or a portion of our interest in such partnership as a general partner. As a general partner, we could be liable for all the liabilities of such partnership. Additionally, we may also be required to take our interests in other investments as a non-managing general partner as in the case of our initial investment. Consequently, we would be potentially liable for all such liabilities without having the same rights of management or control over the operation of the partnership as the managing general partner or partners may have. Therefore, we may be held responsible for all of the liabilities of an entity in which we do not have full management rights or control, and our liability may far exceed the amount or value of investment we initially made or then had in the partnership.

*If we do not have sufficient capital resources from equity and debt financings for acquisitions of new properties or other assets because of our inability to retain earnings, our growth may be limited.*

In order to maintain our qualification as a REIT, we are required to distribute to our shareholders at least 90% of our taxable income. This requirement limits our ability to retain income or cash flow from operations to finance the acquisition of new properties. We will explore acquisition opportunities from time to time with the intention of expanding our operations and increasing our profitability. We anticipate that we may use debt and equity financing for such acquisitions. Consequently, if we cannot obtain debt or equity financing on acceptable terms, our ability to acquire new properties and expand our operations will be adversely affected.

*Your investment may be subject to additional risks if we make international investments.*

We may purchase properties located in Mexico and Canada. Any such investment could be affected by factors peculiar to the laws and business practices of the jurisdictions in which the properties are located. These laws may expose us to risks that are different from and in addition to those commonly found in the United States. Foreign investments could be subject to the following risks:

changing governmental rules and policies, including changes in land use and zoning laws;

enactment of laws relating to the foreign ownership of real property or mortgages and laws restricting the ability of foreign persons or companies to remove profits earned from activities within the country to the person s or company s country of origin;

variations in currency exchange rates;

adverse market conditions caused by terrorism, civil unrest and changes in national or local governmental or economic conditions;

## **Table of Contents**

the willingness of domestic or foreign lenders to make mortgage loans in certain countries and changes in the availability, cost and terms of mortgage funds resulting from varying national economic policies;

the imposition of unique tax structures and changes in real estate and other tax rates and other operating expenses in particular countries;

general political and economic instability;

our limited experience and expertise in foreign countries relative to our experience and expertise in the United States; and

more stringent environmental laws or changes in such laws.

***Our UPREIT structure may result in potential conflicts of interest.***

Persons holding units in our operating partnership have the right to vote on certain amendments to the Limited Partnership Agreement, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of our shareholders. As general partner of the operating partnership, we will be obligated to act in a manner that is in the best interest of all partners of the operating partnership. Circumstances may arise in the future when the interest of limited partners in the operating partnership may conflict with the interests of our shareholders. For example, the timing and terms of dispositions of properties held by the operating partnership may result in tax consequences to certain limited partners and not to our shareholders. (See "The Partnership Agreement").

## **REAL ESTATE RISKS**

### ***General Real Estate Risks***

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 shareholders;

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.

For these and other reasons, we cannot assure you that we will be profitable or that we will realize growth in the value of our real estate properties. (See Investment Objectives and Criteria Acquisition and Investment Policies ).

***Competition for investments may increase costs and reduce returns.***

We will 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

## **Table of Contents**

other entities engaged in real estate investment activities. Many other competitors have greater financial resources than us and a greater ability to borrow funds to acquire properties. Competition for investments may reduce the number of suitable investment opportunities available to us and may have the effect of increasing acquisition costs reducing the rents we can charge and, as a result, reducing your returns. We believe the current market for acquisitions to be extremely competitive.

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

A property may incur a vacancy either by the continued default of a customer under its lease or the expiration of one of our leases. In addition, certain of the properties we acquire may have some level of vacancy at the time of closing. Certain of our properties may be specifically suited to the particular needs of a customer. We may have difficulty obtaining a new customer for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash available to be distributed to shareholders. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property. (See Investment Objectives and Criteria Acquisition and Investment Policies ).

### ***We are dependent on customers for our revenue.***

Certain of our properties are occupied by a single customer. As a result, the success of those properties will depend on the financial stability of a single customer. Lease payment defaults by customers could cause us to reduce the amount of distributions to shareholders. A default by a customer on its lease payments could force us to find an alternative source of revenue to pay any mortgage loan on the property. In the event of a customer default, we may experience delays in enforcing our rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting our investment and re-leasing our property. If a lease is terminated, we may be unable to lease the property for the rent previously received or sell the property without incurring a loss. (See Investment Objectives and Criteria Terms of Leases and Customer Creditworthiness ).

### ***We may not have funding for future tenant improvements.***

When 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 one or more new customers, we will be required to expend funds to construct new tenant improvements in the vacated space. Substantially all of our net offering proceeds will be invested in real estate properties and therefore, while we intend to manage our cash position or financing availability to pay for any improvements required for re-leasing, we cannot assure you that we will have adequate sources of funding available to us for such purposes in the future.

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

The Advisor will attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, changes in the cost or availability of insurance could expose us to uninsured casualty losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by any such uninsured loss. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future. (See Real Estate Investments Insurance Coverage on Properties ).

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

We may invest some of the net offering proceeds available for investment in the acquisition of raw land upon which we will develop and construct improvements at a fixed contract price. In any such projects we will be subject to risks relating to the builder's ability to control construction costs or to build in conformity with plans, specifications and timetables. The builder's failure to perform may result in legal action by us to rescind the purchase or construction contract or to enforce the builder's obligations. Performance may also be affected or

## **Table of Contents**

delayed by conditions beyond the builder's control. Delays in completion of construction could also give customers the right to terminate preconstruction leases for space at a newly developed project. We may incur additional risks when we make periodic progress payments or other advances to such builders prior to completion of construction. Each of these factors could result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects if they are not fully leased prior to the commencement of construction. Furthermore, the price we agree to for the land will be based on projections of rental income and expenses and estimates of construction costs as well as the fair market value of the property upon completion of construction. If our projections are inaccurate, we may pay too much for the land and fail to achieve our forecast of returns due to the factors discussed above. (See "Investment Objectives and Criteria" Development and Construction of Properties ).

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

Delays we encounter in the selection, acquisition and development of properties could adversely affect your returns. Where properties are acquired prior to the start of construction, it will typically take 8 to 18 months to complete construction and lease available space. Therefore, you could suffer delays in the payment of cash distributions attributable to those particular properties. Our articles of incorporation limits the amount we can invest in unimproved land to 10% of our total assets.

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

We expect to hold the various real properties in which we invest until such time as the Advisor decides that a sale or other disposition is appropriate given our investment objectives. The Advisor, subject to approval of the board, may exercise its discretion as to whether and when to sell a property, and we will have no obligation to sell properties at any particular time, except in the event of a liquidation of our properties in accordance with our articles of incorporation if we do not list our common stock, complete a sale or merger of Dividend Capital Trust in a transaction which provides our shareholders 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. We cannot predict the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure you that we will be able to sell our properties at a profit in the future. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions. (See "Management" The Advisor ).

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

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

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

Loans obtained to fund property acquisitions will generally be secured by first mortgages on such properties. If we are unable to make our debt service payments as required, a lender could foreclose on the



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**Table of Contents**

property or properties securing its debt. This could cause us to lose part or all of our investment which in turn could cause the value of the common stock and the distributions payable to shareholders to be reduced. Certain of our existing and future indebtedness is and may be cross-collateralized and, consequently, a default on this indebtedness could cause us to lose part or all of our investment in multiple properties. (See Investment Objectives and Criteria Borrowing Policies and Related Indebtedness ).

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

In connection with obtaining certain financing, a lender may impose certain restrictions on us which affect our ability to incur additional debt and our ability to make distributions to our shareholders. Loan documents we enter into may contain negative covenants which limit our ability to further mortgage the property, replace the Advisor or impose other limitations. (See Investment Objectives and Criteria Borrowing Policies and Related Indebtedness ).

***If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to make distributions.***

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

***Costs of complying with governmental laws and regulations may adversely affect our income and the cash available for any distributions.***

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Some of these laws and regulations may impose joint and several liability on customers, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. In addition, the presence of hazardous substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings.

Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, our customers' operations, the existing condition of land upon acquisition, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply, and which may subject us to liability in the form of fines or damages for noncompliance. Any material expenditures, fines, or damages we must pay will reduce our ability to make distributions and may reduce the value of your investment.

***If we sell properties and provide financing to purchasers, defaults by the purchasers would adversely affect our cash flows.***

If we decide to sell any of our properties, we presently intend to use our best efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide

## **Table of Contents**

financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to shareholders and result in litigation and related expenses. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our shareholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

***High mortgage rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire and the amount of cash distributions we can make.***

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we run the risk of being unable to refinance such debt when the loans come due, or of being unable to refinance such debt on favorable terms. If interest rates are higher when we refinance such debt, our income could be reduced. We may be unable to refinance such debt at appropriate times, which may require us to sell properties on terms that are not advantageous to us, or could result in the foreclosure of such properties. If any of these events occur, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to you and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

***We may be unable to sell a property if or when we decide to do so.***

The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct such defects or to make such improvements.

In acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions would restrict our ability to sell a property.

***If a sale and leaseback transaction is recharacterized, our financial condition could be adversely affected.***

We may enter into sale and leaseback transactions, where we would purchase a property and then lease the same property back to the person from whom we purchased it. In the event of the bankruptcy of a customer, a transaction structured as a sale and leaseback may be recharacterized as either a financing or a joint venture, either of which outcomes could adversely affect our business.

If the sale and leaseback was recharacterized as a financing, we might not be considered the owner of the property, and as a result we would have the status of a creditor in relation to the customer. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the customer for the amounts owed under the lease, with the claim arguably secured by the property. The customer/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, we could be bound by the new terms, and prevented from foreclosing our lien on the property. These outcomes could adversely affect our cash flow and the amount available for distributions to you.

If the sale and leaseback were recharacterized as a joint venture, we and our customer could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the customer relating to the property. The imposition of liability on us could adversely affect

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**Table of Contents**

our cash flow and the amount available for distributions to our stockholders. (See Federal Income Tax Considerations Sale-Leaseback Transactions ).

*If our customers are highly leveraged, they may have a higher possibility of filing for bankruptcy or insolvency.*

Of our customers that experience downturns in their operating results due to adverse changes to their business or economic conditions, those that are highly leveraged may have a higher possibility of filing for bankruptcy or insolvency. In bankruptcy or insolvency, a customer may have the option of vacating a property instead of paying rent. Until such a property is released from bankruptcy, our revenues would be reduced and could cause us to reduce distributions to shareholders. We may have highly leveraged customers in the future. (See Investment Objectives and Criteria Terms of Leases and Customer Creditworthiness ).

*We may acquire properties with lock-out provisions which may affect our ability to dispose of the properties.*

We may acquire properties through contracts that could restrict our ability to dispose of the property for a period of time. These lock-out provisions could affect our ability to turn our investments into cash and could affect cash available for distributions to you. Lock-out provisions could also impair our ability to take actions during the lock-out period that would otherwise be in the best interest of our shareholders and, therefore, may have an adverse impact on the value of our shares, relative to the value that would result if the lock-out provisions did not exist.

*We have and may in the future acquire interests in corporations, partnerships and limited liability companies that could subject us to additional liabilities and additional risk.*

We have acquired and may continue to acquire interests in corporations, partnerships and limited liability companies that may result in liabilities that we may or may not have been made aware of before the consummation of the acquisition. Such liabilities may include, among other things, tax liabilities, pending or threatening litigation and other risks that may be inherent in the entity being acquired.

**RISKS ASSOCIATED WITH OUR OPERATING PARTNERSHIP S PRIVATE PLACEMENT**

*Our operating partnership s private placement subjects us to liabilities.*

Our operating partnership is currently offering undivided tenancy-in-common interests in real property 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 Internal Revenue 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 to acquire the tenancy-in-common interests from the investors at a later point in time in exchange for limited partnership units in our operating partnership under Section 721 of the Internal Revenue Code. Investors who acquire tenancy-in-common interests pursuant to our operating partnership s private placement may do so seeking certain tax benefits that depend on the interpretation of, and compliance with, extremely technical tax laws and regulations. As the general partner of our operating partnership, we may be subject to liability, from litigation or otherwise, as a result of these transactions, including in the event an investor fails to qualify for any desired tax benefits.

*We have and may continue to acquire co-ownership interests in real property that are subject to certain co-ownership agreements which may affect our ability to operate or dispose of the property or our co-ownership interest.*

We have and may continue to acquire co-ownership interests, especially in connection with our operating partnership s private placement, such as tenancy-in-common interests in real property, that are subject to certain

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## **Table of Contents**

co-ownership agreements. The co-ownership agreements may limit our ability to encumber, lease, or dispose of our co-ownership interest. Such agreements could affect our ability to turn our investments into cash and could affect cash available for distributions to you. The co-ownership agreements could also impair our ability to take actions that would otherwise be in the best interest of our shareholders and, therefore, may have an adverse impact on the value of our shares, relative to the value that would result if the co-ownership agreements did not exist.

Our operating partnership's private placement is discussed in greater detail in the *Investment Objectives and Criteria* *Our Operating Partnership's Private Placement* section of this prospectus.

## **FEDERAL INCOME TAX RISKS**

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

We operate in a manner so as to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2003. Although we do not intend to request a ruling from the Internal Revenue Service as to our REIT status, we have received the opinion dated June 2, 2005 of our special tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP, with respect to our qualification as a REIT. Investors should be aware, however, that opinions of counsel are not binding on the Internal Revenue Service or on any court. The opinion of Skadden, Arps, Slate, Meagher & Flom LLP represents only the view of our counsel based on our counsel's review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income. Skadden, Arps, Slate, Meagher & Flom LLP has no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed in its opinion or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP and our qualification as a REIT will depend on our satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex provisions of the Code for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. The fact that we hold substantially all of our assets through our operating partnership and its subsidiaries further complicates the application of the REIT requirements for us. No assurance can be given that we will qualify as a REIT for any particular year. See *Federal Income Tax Considerations* *General REIT Qualification* and *Federal Income Tax Considerations* *Requirements for Qualification as a REIT*.

If we were to fail to qualify as a REIT in any taxable year for which a REIT election has been made, we would not be allowed a deduction for distributions paid to our shareholders in computing our taxable income and would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at corporate rates. Moreover, unless we were to obtain relief under certain statutory provisions, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. This treatment would reduce our net earnings available for investment or distribution to our shareholders because of the additional tax liability to us for the years involved. As a result of the additional tax liability, we might need to borrow funds or liquidate certain investments on terms that may be disadvantageous to us in order to pay the applicable tax, and therefore we would not be compelled to make distributions under the Code.

### ***To qualify as a REIT, we must meet annual distribution requirements.***

To obtain the favorable tax treatment accorded to REITs, among other requirements, we normally will be required each year to distribute to our shareholders at least 90% of our REIT taxable income, determined without regard to the deduction for distributions paid and by excluding net capital gains. We will be subject to federal income tax on our undistributed taxable income and net capital gain. In addition, if we fail to distribute during each calendar year at least the sum of (a) 85% of our ordinary income for such year, (b) 95% of our capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the sum of (i) the amounts actually distributed by us,

## **Table of Contents**

plus (ii) retained amounts on which we pay income tax at the corporate level. These requirements could cause us to distribute amounts that otherwise would be spent on acquisitions or development of properties and it is possible that we might be required to borrow funds or sell assets to fund these distributions. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid corporate income taxation on the earnings that we distribute, it is possible that we might not always be able to do so.

### ***Legislative or regulatory action could adversely affect our shareholders.***

In recent years, numerous legislative, judicial and administrative changes have been made to the federal income tax laws applicable to investments in REITs and similar entities. Additional changes to tax laws are likely to continue to occur in the future, and we cannot assure you that any such changes will not adversely affect the taxation of a shareholder. Any such changes could have an adverse effect on an investment in our common stock. You are urged to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in common stock.

### ***Recharacterization of transactions under our operating partnership's private placement may result in a 100% tax on income from prohibited transactions, which would diminish our cash distributions to our shareholders.***

The Internal Revenue Service could recharacterize transactions under our operating partnership's private placement such that our operating partnership is treated as the bona fide owner, for tax purposes, of properties acquired and resold by the entity established to facilitate the transaction. Such recharacterization could result in the income realized on these transactions by our operating partnership being treated as gain on the sale of property that is held as inventory or otherwise held primarily for the sale to customers in the ordinary course of business. In such event, such gain would constitute income from a prohibited transaction and would be subject to a 100% tax. If this occurs, our ability to pay cash distributions to our shareholders will be adversely affected.

### ***You may have current tax liability on distributions you elect to reinvest in our common stock.***

If you participate in our distribution reinvestment plan, you will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in common stock to the extent the amount reinvested was not a tax-free return of capital. As a result, you may have to use funds from other sources to pay your tax liability on the amount reinvested.

### ***In certain circumstances, we may be subject to federal and state income taxes as a REIT, which would reduce our cash available for distribution to you.***

Even if we qualify and maintain our status as a REIT, we may be subject to federal income taxes or state taxes. For example, net income from a prohibited transaction will be subject to a 100% tax. In addition, we may not be able to make sufficient distributions to avoid excise taxes. We may also decide to retain certain gains from the sale or other disposition of our property and pay income tax directly on such gains. In that event, our stockholders would be required to include such gains in income and would receive a corresponding credit for their share of taxes paid by us. We may also be subject to state and local taxes on our income or property, either directly or at the level of our operating partnership or at the level of the other companies through which we indirectly own our assets. In addition, any net taxable income earned directly by the taxable REIT subsidiary we utilize to hold fractional tenancy-in-common interests in certain of our properties will be subject to federal and state corporate income tax. Any federal or state taxes we pay will reduce our cash available for distribution to you.

### ***The opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding our status as a REIT does not guarantee our ability to remain a REIT.***

Our special tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP, rendered its opinion dated June 2, 2005 upon commencement of this offering that, commencing with our taxable year ending December 31, 2003, we were organized in conformity with the requirements for qualification as a REIT and our actual and proposed

**Table of Contents**

method of operation has enabled and will enable us to meet the requirements for qualification and taxation as a REIT. This opinion is based upon our representations as to the manner in which we will be owned, invest in assets, and operate, among other things. The validity of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP and our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Skadden, Arps, Slate, Meagher & Flom LLP. Accordingly, no assurances can be given that we will satisfy the REIT requirements in any one taxable year. Also, the opinion of Skadden, Arps, Slate, Meagher & Flom LLP represents counsel's legal judgment based on the law in effect as of the date of the commencement of this offering, is not binding on the Internal Revenue Service or on any court, and could be subject to modification or withdrawal based on future legislative, judicial or administrative changes to the federal income tax laws, any of which could be applied retroactively. Skadden, Arps, Slate, Meagher & Flom LLP has no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed in its opinion or of any subsequent change in applicable law.

***If our operating partnership was classified as a publicly traded partnership under the Code, our status as a REIT and our ability to pay distributions to our shareholders could be adversely affected.***

Our operating partnership is organized as a partnership for federal income tax purposes. Even though our operating partnership will not elect to be treated as an association taxable as a corporation, it may be taxed as a corporation if it is deemed to be a publicly traded partnership. A publicly traded partnership is a partnership whose interests are traded on an established securities market or are considered readily tradable on a secondary market or the substantial equivalent thereof. We believe and currently intend to take the position that our operating partnership should not be classified as a publicly traded partnership because interests in our operating partnership are not traded on an established securities market, and our operating partnership should satisfy certain safe harbors which prevent a partnership's interests from being treated as readily tradable on an established securities market or substantial equivalent thereof. No assurance can be given, however, that the Internal Revenue Service would not assert that our operating partnership constitutes a publicly traded partnership, or that facts and circumstances will not develop which could result in our operating partnership being treated as a publicly traded partnership. If the Internal Revenue Service were to assert successfully that our operating partnership is a publicly traded partnership, and substantially all of our operating partnership's gross income did not consist of the specified types of passive income, our operating partnership would be treated as an association taxable as a corporation and would be subject to corporate tax at the entity level. In such event, the character of our assets and items of gross income would change and would result in a termination of our status as a REIT. In addition, the imposition of a corporate tax on our operating partnership would reduce the amount of cash available for distribution to you. See *Federal Income Tax Considerations* *Federal Income Tax Aspects of Our Partnership*.

***Foreign investors may be subject to Foreign Investment Real Property Tax Act ( FIRPTA ) tax on sale of common shares if we are unable to qualify as a domestically controlled REIT.***

A foreign person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to a tax, known as FIRPTA tax, on the gain recognized on the disposition. Such FIRPTA tax does not apply, however, to the disposition of stock in a REIT if the REIT is a domestically controlled REIT. A domestically controlled REIT is a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by non-U.S. holders. We cannot assure you that we will qualify as a domestically controlled REIT. If we were to fail to so qualify, gain realized by a foreign investor on a sale of our common stock would be subject to FIRPTA tax unless our common stock was traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 5% of the value of our outstanding common stock. See *Federal Income Tax Considerations* *Special Tax Considerations for Non-U.S. Shareholders* *Non-Dividend Distributions*.

**Table of Contents**

**RETIREMENT PLAN RISKS**

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

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

You have analyzed to your satisfaction the question of whether your investment will not produce unrelated business taxable income for the plan or IRA;

Your investment is consistent with your fiduciary obligations under ERISA and the Code;

Your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan's investment policy;

Your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;

Your investment will not impair the liquidity of the plan or IRA;

Your investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code; and

You will be able to value the assets of the plan annually in accordance with ERISA requirements.

For a more complete discussion of the foregoing issues and other risks associated with an investment in our common stock by retirement plans, please see the ERISA Considerations section of this prospectus.

**Table of Contents****ESTIMATED USE OF PROCEEDS**

The following table sets forth our best estimates of how we intend to use the gross proceeds from our offering assuming (i) 72,770,273 shares sold to the public and no shares sold pursuant to our Distribution Reinvestment Plan ( DRIP ), (ii) 72,770,273 shares sold to the public and 11,825,169 shares sold pursuant to our DRIP and (iii) 72,770,273 shares sold to the public and 23,650,339 shares sold pursuant to our DRIP. As of March 31, 2006, we had sold approximately 149.2 million shares in our public offerings, which included approximately 6.2 million shares issued pursuant to our distribution reinvestment plan. The number of distribution reinvestment plan shares sold in the future will depend on the level of continued shareholder participation in the distribution reinvestment plan and the length of time covered by this offering.

	72,770,273 Shares Sold		84,595,442 Shares Sold (Including 11,825,169 Pursuant to DRIP)		96,420,612 Shares Sold (Including 23,650,339 Pursuant to DRIP)	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Gross Proceeds	\$ 764,087,870	100.0%	\$ 882,043,935	100.0%	\$ 1,000,000,000	100.0%
Less Public Offering Expenses:						
Sales Commissions(1)	45,845,272	6.0%	45,845,272	5.2%	45,845,272	4.6%
Dealer Manager Fee(1)	15,281,757	2.0%	15,281,757	1.7%	15,281,757	1.5%
DRIP Servicing Fee(2)			1,241,643	0.1%	2,483,286	0.3%
Organization and Offering Expenses(3)	15,281,757	2.0%	15,281,757	1.7%	15,281,757	1.5%
Amount Available for Investment(4)	\$ 687,679,084	90.0%	\$ 804,393,506	91.2%	\$ 921,107,928	92.1%
Acquisition and Development:						
Acquisition and Advisory Fees(5)	6,876,791	0.9%	8,043,935	0.9%	9,211,079	0.9%
Initial Working Capital Reserve(6)						
Amount Invested in Properties(4)(7)	\$ 680,802,293	89.1%	\$ 796,349,571	90.3%	\$ 911,896,849	91.2%

- (1) The 72,770,273 shares sold includes selling commissions equal to 6.0% of gross offering proceeds for which commissions may be reduced under certain circumstances and a dealer manager fee equal to 2.0% of gross offering proceeds, both of which are payable to the Dealer Manager, an affiliate of the Advisor. The Dealer Manager, in its sole discretion, may re-allow selling commissions to other broker-dealers participating in this offering attributable to the shares sold by them and may re-allow out of its dealer manager fee up to 1.0% of aggregate gross offering proceeds for reimbursement of marketing expenses. Reimbursement will be contingent upon the receipt of an invoice or a similar such statement from participating broker-dealers that demonstrate the actual expenses incurred by such broker-dealers. The maximum amount of reimbursements will be based on such factors as the number of shares sold by participating broker-dealers, the assistance of such participating broker-dealers in marketing the offering and bona fide expenses incurred. The amount of selling commissions may also be reduced under certain circumstances for volume or other discounts. See the Plan of Distribution section of this prospectus for a description of such provisions. The maximum compensation payable to NASD members participating in this offering will not exceed 10% of gross offering proceeds plus a maximum of 0.5% for reimbursement of bona fide due diligence expenses.
- (2) The Dealer Manager will receive a one-time servicing fee of up to 1.0% of the undiscounted selling price of the shares issued pursuant to our distribution reinvestment plan. The Dealer Manager may re-allow all or a portion of this service fee to participating broker-dealers. Neither the sales commission, dealer manager fee nor the reimbursement of organization and offering expenses will be paid on shares issued pursuant to our DRIP.



**Table of Contents**

- (3) Organizational and offering expenses consist of reimbursement of, among other things, the cumulative cost of actual legal, accounting, printing and other accountable offering expenses, including amounts to reimburse the Advisor for marketing, salaries and direct expenses of its employees, employees of its affiliates and others while engaged in registering and marketing the shares, which shall include development of marketing materials and marketing presentations, planning and participating in due diligence and marketing meetings and coordinating generally the marketing process for all of Dividend Capital Trust's public common stock offerings. Of the approximately \$15.3 million maximum organizational and offering expense reimbursement, approximately \$12.7 million of the expenses (or 1.7% of gross offering proceeds assuming we issue no shares pursuant to our Distribution Reinvestment Plan) are anticipated to be used for wholesaling activities and are therefore deemed to be additional underwriting compensation pursuant to NASD Rule 2710. To the extent that the remaining approximately \$2.6 million of organizational and offering expenses are insufficient to cover our cost of administering this offering, such shortfall would serve to reduce the organizational and offering expenses available to provide underwriting compensation. Dividend Capital Trust will be responsible for the payment of all cumulative organizational and offering expenses not to exceed 2.0% of aggregate gross offering proceeds. The Advisor will be obligated to fund all organizational and offering expenses in excess of these limitations. As of March 31, 2006, the Advisor had funded approximately \$29.0 million of offering related costs since inception of Dividend Capital Trust and we had reimbursed the 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.
- (4) Until substantially all of the net offering proceeds are invested in connection with the acquisition and development of properties, substantially all of the net offering proceeds and any working capital reserves of Dividend Capital Trust may be invested in short-term, highly-liquid investments including but not limited to government obligations, bank certificates of deposit, short-term debt obligations, interest-bearing accounts and preferred securities of other REITs. The number of properties we are able to acquire or develop will depend on several factors, including the amount of capital raised in this offering, the extent to which we incur debt or issue limited partnership interests in our operating partnership in order to acquire or develop properties and the purchase price of the properties we acquire or develop. We are not able to estimate the number of properties we may acquire or develop assuming the sale of any particular number of shares. However, in general we expect that the concentration risk of our portfolio of properties will be inversely related to the number of shares sold in this offering.
- (5) Acquisition and advisory fees are defined generally as fees and commissions paid by any party to any person in connection with the purchase, development or construction of properties. We will pay the Advisor acquisition and advisory fees up to a maximum amount of 1.0% of the aggregate purchase price of properties we acquire. The amount in this table is calculated assuming zero leverage. If we utilize debt to acquire our properties this amount would be greater as the acquisition and advisory fee is based upon the purchase price of our properties and not the equity used to purchase such properties.
- (6) Because most of the leases for the properties acquired and to be acquired by us provide, and will likely provide, for customer reimbursement of operating expenses, we do not anticipate that a permanent reserve for maintenance and repairs of real estate properties will be established. However, to the extent that we have insufficient funds for such purposes, we may apply an amount of up to 1.0% of gross offering proceeds for maintenance and repairs of properties. We also may, but are not required to, establish reserves from gross offering proceeds, out of cash flow generated by operating properties or out of net sale proceeds in non-liquidating sale transactions.
- (7) Includes amounts anticipated to be invested in properties, including other third-party acquisition expenses which are included in the total acquisition costs of the properties acquired. For properties that are not acquired these costs are expensed. Third-party acquisition expenses may include legal, accounting, consulting, appraisals, engineering, due diligence, title insurance, closing costs and other expenses related to potential acquisitions regardless of whether the property is actually acquired. Acquisition expenses as a percentage of a property's contract price vary. However, in no event will total acquisition fees and acquisition expenses on a property exceed 6% of the contract price of the property. Furthermore, in no event will the total of all acquisition fees and acquisition expenses paid by the us, including acquisition expenses on properties which are not acquired, exceed 6% of the aggregate contract price of all properties acquired by us.

**Table of Contents**

**RECENT DEVELOPMENTS**

**Sale of Common Stock**

Since February 10, 2003, the date of our initial issuance of common stock, through March 31, 2006 we have raised approximately \$1.4 billion in aggregate net offering proceeds from the sale of our common stock, including the sale of our common stock pursuant to our distribution reinvestment plan, of which approximately \$140.1 million has been raised subsequent to December 31, 2005. These proceeds, net of commissions, fees and reimbursements, together with debt proceeds were used primarily to fund the acquisition of 378 industrial buildings.

On January 23, 2006, we closed the primary offering component of this offering. While we anticipate that the primary offering will be closed for the foreseeable future, we retain the right to recommence the primary offering at any time prior to June 9, 2007. In addition, we will continue to offer shares of common stock through our distribution reinvestment plan.

**Our Operating Partnership's Private Placement**

Since November 26, 2003 through March 31, 2006, we have raised approximately \$228.0 million in gross proceeds from our operating partnership's private placement of tenancy-in-common interests in industrial properties, of which approximately \$50.0 million has been raised subsequent to December 31, 2005. Our operating partnership's private placement is discussed in greater detail in the Investment Objectives and Criteria Our Operating Partnership's Private Placement section of this prospectus.

**Investment in Real Estate**

Consistent with our investment strategy to invest in high-quality, generic distribution warehouses and light industrial properties, since March 31, 2006 through June 15, 2006, we have completed nine property transactions with a total estimated investment of approximately \$777.7 million and representing 103 industrial buildings.

***OCMI Portfolio***

On April 13, 2006, we acquired a portfolio of seven properties totaling approximately 1.9 million rentable square feet (collectively referred to as the OCMI portfolio). Of these seven properties, four are located in Minneapolis, Minnesota; two are located in Plainfield, Indiana; and one is located in Columbus, Ohio. Upon acquisition the OCMI portfolio was 100% leased and occupied. The OCMI portfolio was acquired from an unrelated third-party for a total investment of approximately \$95.8 million, which includes an acquisition fee of approximately \$1.0 million paid to our advisor.

***PC Portfolio***

On May 19, 2006, we acquired a portfolio of ten operating properties totaling approximately 2.7 million rentable square feet located in Columbus, Ohio (collectively referred to as the PC portfolio). Upon acquisition this portfolio was 82.7% leased and occupied. The PC portfolio was acquired from an unrelated third-party for a total investment of approximately \$107.8 million, which includes an acquisition fee of approximately \$1.1 million paid to our advisor.

***Cal TIA Acquisition***

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

**Table of Contents**

estimated cost of approximately \$500.7 million (which includes an acquisition fee of \$4.9 million that is payable to our 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. These debt proceeds consisted of borrowings from our senior unsecured revolving credit facility in the amount of \$112.0 million and the issuance of \$275.0 million of unsecured debt, as described more fully below.

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 30 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 (the date of acquisition).

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
<b>Total Portfolio</b>	<b>78</b>	<b>7,870,055</b>	<b>92.2%</b>	<b>7,252,948</b>

The following table sets forth a schedule of expiring leases of Cal TIA by annualized rental revenue as of June 9, 2006 (in thousands):

Year	Annual Future Minimum Rents of Expiring Leases(1)	Percent of Portfolio
2006	\$ 18,356	15%
2007	28,817	23%
2008	22,733	18%
2009	17,935	15%
2010	11,525	9%
Thereafter	24,241	20%
<b>Total</b>	<b>\$ 123,607</b>	<b>100%</b>

(1) These amounts represent the current minimum rental amounts excluding reimbursements for certain operating expenses. The amount of revenue reporting for purposes of complying with GAAP may be different due to certain non-cash GAAP adjustments.

As of June 9, 2006, no single tenant occupied 10% or more of the rentable square footage of Cal TIA. These properties will be subject to competition from similar properties within their market areas and their economic performance could be affected by changes in local economic conditions. Our management believes that the properties are adequately covered by insurance.



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## **Table of Contents**

We acquired the portfolio of 78 buildings and the land parcel referred to above from an unrelated joint venture between TIAA-CREF and RREEF. Specifically, the purchase agreement names the following subsidiaries of the joint venture as the sellers: (i) Cabot Industrial Venture A, LLC, (ii) Cabot Industrial Venture B, LLC, (iii) CW Industrial Venture A, LLC, (iv) Cabot Industrial Venture A Texas, LP and (v) Cabot Industrial Venture B Texas, LP. The purchase price was determined through negotiations between the sellers and our advisor. The total cost of the portfolio may increase by additional costs which have not yet been finally determined. We do not expect any additional costs to be material.

In connection with our acquisition of Cal TIA, on June 9, 2006, we issued to affiliates of ING Investment Management LLC \$275.0 million of unsecured debt maturing on June 9, 2008. The underlying notes bear interest at LIBOR plus 0.73% and require monthly payments of interest until maturity at which time the outstanding balance is due. Pursuant to the note purchase agreement, we have the option to prepay, at any time more than six months after the date such notes were issued, all or part of the outstanding principal balance of such notes. These notes contain various covenants (including financial covenants with respect to debt service coverage and unsecured and secured consolidated leverage) and if we breach any of these covenants, or fail to pay interest or principal on these notes when due, the holders of such notes could accelerate the due date of the entire amount borrowed.

As of June 15, 2006, our portfolio consisted of 372 industrial buildings located in 22 of our 26 target markets. The combined investment in these properties totals approximately \$2.7 billion (including acquisition fees paid to our advisor).

### **Proposed Internalization Transaction**

On April 13, 2006, a special committee of our board of directors comprised of all of our independent directors was formed to review, consider, evaluate and negotiate any proposals that may be made with respect to a possible business combination transaction with our advisor in order to facilitate any future listing or quotation of our common stock. The special committee and members of the advisor's management have since been negotiating a proposed contribution agreement pursuant to which, the entire outstanding membership interest, and all economic interests, in our advisor would be contributed by Dividend Capital Advisors Group LLC, our advisor's parent company, to our operating partnership for consideration comprised of limited partnership units in our operating partnership. Certain of our directors and officers and their respective affiliates collectively own and/or control our advisor's parent company.

The special committee has engaged independent legal and financial advisors and expects to receive a fairness opinion from its financial advisor stating that any consideration to be paid by us in the advisor acquisition will be fair, from a financial point of view, to us. In the event that the terms of the advisor acquisition are finalized between the parties and approved by the special committee, the special committee would recommend the advisor acquisition to our board of directors for its approval and, upon such approval, it is currently contemplated that the transaction would be submitted to our shareholders for approval.

As of the date of this prospectus, no agreement has been entered into with respect to the acquisition and there can be no guarantee that an agreement will in fact be agreed to by the parties. Even if an agreement is signed, it is currently contemplated that the closing of the advisor acquisition would be subject to a number of conditions, including the approval of the transaction by the affirmative vote of the holders of at least a majority of the shares at a duly constituted meeting of our shareholders, and there could be no guarantee that an acquisition would be consummated.

Were such an acquisition to be consummated, our advisor would become our wholly-owned subsidiary, we would enter into employment agreements with certain of our advisor's employees and we would become a fully-integrated, self-administered and self-advised REIT. As a result, we would no longer pay the fees to our advisor nor would we be subject to certain of the risks and conflicts of interests relating to our advisor that are described herein.

**Table of Contents****SUMMARY FINANCIAL DATA**

The following table sets forth selected financial data relating to our historical financial condition and results of operations for the three months ended March 31, 2006 and 2005 and for the periods ended December 31, 2005, 2004, 2003 and 2002. The table also sets forth selected financial data relating to the balance sheets as of March 31, 2006 and 2005 and December 31, 2005, 2004, 2003 and 2002. Certain amounts presented for the 2004, 2003 and 2002 fiscal years and for the 2005 fiscal quarter have been reclassified to conform to the presentation for the 2005 fiscal year and the 2006 fiscal quarter. Since this information is only a summary, you should refer to the Financial Statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations sections for additional information. The amounts in the table are in thousands except for per share information.

	For the Three Months			For the Year Ended		
	Ended March 31, 2006	2005	2005	December 31, 2004	2003	2002(1)
<b>Operating Data:</b>						
Rental revenue	\$ 46,680	\$ 19,602	\$ 122,446	\$ 34,690	\$ 2,645	\$
Institutional capital management fees	52					
Total revenue	46,732	19,602	122,446	34,690	2,645	
Real estate taxes	6,481	2,435	15,315	3,830	231	
Operating expenses	4,462	2,384	13,455	3,375	135	
Depreciation and amortization	24,492	12,350	71,023	19,273	1,195	
General and administrative expenses	730	728	3,004	2,372	412	213
Asset management fees, related party	3,518	1,179	8,901	1,525		
Total expenses	39,683	19,076	111,697	30,375	1,974	213
Equity in earning (loss) of unconsolidated joint ventures	(53)					
Gain from disposition of real estate interests	3,988		2,285			
Interest expense, including amortization	(11,681)	(3,718)	(28,712)	(5,978)	(385)	
Interest and other income	2,462	610	3,193	1,407	61	
Total Other Income (Expense)	(5,284)	(3,108)	(23,234)	(4,570)	(324)	
Net income (loss) before minority interest	1,765	(2,582)	(12,486)	(255)	347	(213)
Minority interest	(190)		(526)			(200)
Net income (loss)	\$ 1,955	\$ (2,582)	\$ (11,960)	\$ (255)	\$ 347	\$ (13)
<b>Per Share Data:</b>						
Basic earning (loss) per common share	\$ 0.01	\$ (0.03)	\$ (0.12)	\$ (0.01)	\$ 0.09	\$ (63.56)
Diluted earnings (loss) per common share	\$ 0.01	\$ (0.03)	\$ (0.12)	\$ (0.01)	\$ 0.09	\$ (63.56)
Common share distributions declared	\$ 22,950	\$ 11,744	\$ 62,292	\$ 24,263	\$ 2,452	\$
Weighted average common shares outstanding:						
Basic	145,402	74,421	97,333	37,908	3,987	
Diluted	147,315	74,441	97,774	37,928	4,007	
<b>Balance Sheet Data:</b>						
	As of March 31, 2006	2005	2005	As of December 31, 2004	2003	2002
Net investment in real estate	\$ 1,913,052	\$ 820,290	\$ 1,904,411	\$ 732,202	\$ 150,633	\$
Total assets	\$ 2,275,718	\$ 1,002,935	\$ 2,057,695	\$ 784,808	\$ 156,608	\$ 751
Total liabilities	\$ 951,716	\$ 305,300	\$ 869,307	\$ 203,593	\$ 49,782	\$ 761
Total shareholders' equity	\$ 1,257,204	\$ 697,634	\$ 1,132,811	\$ 581,214	\$ 106,824	\$ (11)
Minority interest	\$ 66,798	\$ 1	\$ 55,577	\$ 1	\$ 1	\$ 1
Number of common shares outstanding	149,154	81,320	133,207	67,720	12,470	2

(1) Covers the period from inception (April 12, 2002) to December 31, 2002.



**Table of Contents**

**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**

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. In order to provide capital for these investments, we have sold our common stock 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 this offering and, as a result, we have stopped raising capital through the sale of our common stock. However, we will continue to raise significant amounts of capital collectively through our operating partnership's private placement, through our distribution reinvestment plan 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 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 limited partnership 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.



## **Table of Contents**

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 July 2006 for a total estimated cost of approximately \$16.5 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 the audited consolidated financial statements). On April 1, 2006, we purchased the remaining interests in the Cabot Partnership for approximately \$40.4 million.

On October 27, 2005, in connection with our operating partnership's private placement, we issued 570,950 limited partnership 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 million senior secured revolving credit facility such that it is now a \$250 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 limited partnership 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 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 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 this offering. While we anticipate that the primary offering will be closed for the foreseeable future, we retain the right to recommence the primary offering at any time prior to June 9, 2007. In addition, we will continue to offer shares of common stock through our distribution reinvestment plan.

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 these transactions, our ownership of the Fund is 20% and our Partner's ownership is 80%.

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## **Table of Contents**

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.

On March 22, 2006, in connection with our operating partnership's private placement, we issued approximately 1.3 million limited partnership 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 our 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. (See "Recent Developments - Investment in Real Estate").

## **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 our 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 ability of our 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 distribution reinvestment plan 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 stock;



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**Table of Contents**

Proceeds from our distribution reinvestment plan; 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 distribution reinvestment plan 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 shares of common stock, 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. We may also conduct additional public offerings or recommence the primary offering component of this 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 million and \$57 million, respectively (see Note 3 Debt to the 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.

## **Table of Contents**

### ***Public Offerings***

On April 15, 2002, we filed an S-11 registration statement with the SEC covering our first public offering of our common stock. 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 stock was 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 distribution reinvestment plan 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 shares of common stock were issued to investors. In April 2004, we completed our first public offering and sold approximately 25.5 million shares of our common stock for gross proceeds of approximately \$254.4 million, which includes shares issued pursuant to our distribution reinvestment plan.

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 stock 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 distribution reinvestment plan 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 shares of our common stock for gross proceeds of approximately \$302.8 million, which includes shares issued pursuant to our distribution reinvestment plan.

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 stock was 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 distribution reinvestment plan. On June 24, 2005, we concluded our third public offering having sold approximately 40.7 million shares of our common stock for gross proceeds of approximately \$424.7 million, which includes shares issued pursuant to our distribution reinvestment plan.

This 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. This prospectus covers a maximum of \$1,000,000,000 in shares of our common stock 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 distribution reinvestment plan at \$9.975 per share. On January 23, 2006, we closed the primary offering component of this offering. While we anticipate that the primary offering will be closed for the foreseeable future, we retain the right to recommence our primary offering at any time prior to June 9, 2007. In addition, we will continue to offer shares pursuant our distribution reinvestment plan. As of March 31, 2006, we had sold approximately 54.0 million shares for gross proceeds of approximately \$560.7 million in connection with this offering.

As of March 31, 2006, 149,154,163 shares of common stock 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 limited partnership units. Although we have closed the primary offering component of this offering, we will continue to offer shares through our distribution reinvestment plan. 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, our operating partnership's private placement, our distribution reinvestment plan and cash flow from operations. We may also conduct additional public offerings or recommence the primary offering component of this offering.

## **Table of Contents**

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 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 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 (see below).

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. As described above, we closed the primary offering component of this 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.

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 our 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 our advisor approximately \$13.3 million, \$10.9 million and \$3.3 million, respectively. We did not reimburse our 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 stock. 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 complete like-kind exchange transactions under Section 1031 of the Internal Revenue 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 limited partnership units in our operating partnership under Section 721 of the Internal Revenue Code.

Our operating partnership pays certain up-front fees and reimburses certain related expenses to our advisor, the Dealer Manager and the Facilitator for raising capital through our operating partnership's private placement. Our 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 our 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 our advisor, of up to 1.5% of the gross equity proceeds raised through the private placement.

**Table of Contents**

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
<b>Total</b>	<b>\$198,621</b>

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 our 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 limited partnership 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 limited partnership 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 limited partnership 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

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**Table of Contents**

the exercise of these options, our operating partnership issued an aggregate of approximately 1.7 million limited partnership units valued at approximately \$18.3 million to acquire such tenancy-in-common interests (see Note 8 Our Partnership's Private Placement to the audited consolidated financial statements).

***Financing***

*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 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 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 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 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 the 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*



**Table of Contents**

*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

**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 the 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 the 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 the audited consolidated financial statements).

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**Table of Contents**

***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 million.

***Distributions***

The payment of distributions is determined by our board of directors and may be adjusted at its discretion at any time. In December 2005, our board of directors set the 2006 distribution level at an annualized \$0.64 per share or limited partnership unit. The distribution was set by our board of directors 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 of directors 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.

Our board of directors 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 distribution reinvestment plan, \$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 shares of our common stock 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

**Table of Contents**

were satisfied through the issuance of approximately 631,000 shares of our common stock pursuant to our distribution reinvestment plan 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 distribution reinvestment plan, \$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 shares of our common stock, 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 shares of common stock are not listed on a national securities exchange or traded on an over-the-counter market, stockholders of Dividend Capital Trust or holders of limited partnership 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 Description of Securities 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 shares of common stock, 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 shares of common stock, 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):

Contractual Obligations	Total	Payments due by Period			
		Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Long-Term Debt	\$ 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

(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.

**Table of Contents****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).

Market	As of March 31,				As of March 31,			
	2006	2005			2006	2005		
	Number of Buildings	Historical Cost	Gross Leasable Area	Occupancy(1)	Number of Buildings	Historical Cost	Gross Leasable Area	Occupancy(1)
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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**Table of Contents**

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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 U.S. generally accepted accounting principles ( 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 our 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.

**Table of Contents****Description of the Three Months Ended March 31, 2006 Compared 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).

	<b>Three Months Ended March 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>\$ Change</b>
<b>Rental Revenues:</b>			
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
<b>Total rental revenue</b>	<b>46,680</b>	<b>19,602</b>	<b>27,078</b>
<b>Rental Expenses</b>			
Same store	4,473	4,680	(207)
2006 acquisitions and dispositions	521	68	453
2005 acquisitions	5,948	71	5,877
Development	1		1
<b>Total property expenses</b>	<b>10,943</b>	<b>4,819</b>	<b>6,124</b>
<b>Net Operating Income(1)</b>			
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
<b>Total property net operating income</b>	<b>35,737</b>	<b>14,783</b>	<b>20,954</b>
<b>Other Income</b>			
Institutional capital management fees	52		52
Gain on disposition of real estate interests	3,988		3,988
Interest income	2,462	610	1,852
<b>Total other income</b>	<b>6,502</b>	<b>610</b>	<b>5,892</b>
<b>Other Expenses</b>			
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
<b>Total other expenses</b>	<b>40,474</b>	<b>17,975</b>	<b>22,499</b>
Minority Interest	190		190
<b>Net income (loss)</b>	<b>\$ 1,955</b>	<b>\$ (2,582)</b>	<b>\$ 4,537</b>

(1) See Note 12 Segment Information to the unaudited consolidated financial statements for further discussion of net operating income.

## **Table of Contents**

### *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.

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 our 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.

**Table of Contents**

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)
<b>Target Markets:</b>								
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%				
<b>Non-Target Market:</b>								
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
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 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.

(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



**Table of Contents**

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.

**Description of the Year Ended December 31, 2005 Compared 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).

	<b>Year Ended December 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>\$ Change</b>
<b>Rental Revenue</b>			
Same store	\$ 15,219	\$ 14,537	\$ 682
2005 acquisitions	47,861		47,861
2004 acquisitions	58,718	20,140	38,578
<b>Total rental revenue</b>	<b>121,798</b>	<b>34,677</b>	<b>87,121</b>
<b>Rental Expenses</b>			
Same store	3,125	3,047	78
2005 acquisitions	10,479		10,479
2004 acquisitions	15,166	4,158	11,008
<b>Total rental expenses</b>	<b>28,770</b>	<b>7,205</b>	<b>21,565</b>
<b>Net Operating Income(1)</b>			
Same store	12,094	11,490	604
2005 acquisitions	37,382		37,382
2004 acquisitions	43,552	15,982	27,570
<b>Total net operating income</b>	<b>93,028</b>	<b>27,472</b>	<b>65,556</b>
<b>Other Income</b>			
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)
<b>Total other income</b>	<b>6,126</b>	<b>1,421</b>	<b>4,705</b>
<b>Other Expenses</b>			
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
<b>Total other expenses</b>	<b>111,640</b>	<b>29,148</b>	<b>82,492</b>
Minority Interest	526		526
<b>Net loss</b>	<b>\$ (11,960)</b>	<b>\$ (255)</b>	<b>\$ (11,705)</b>

(1) See Note 18 Segment Information to the 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



## **Table of Contents**

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.

### *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 our advisor an asset management fee equal to 0.75% per annum of the total undepreciated cost of properties we own in excess of \$170 million (see Note 13 Related Party Transactions to the 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.

**Table of Contents****Description of the Year Ended December 31, 2004 Compared 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	2003	\$ Change
<b>Rental Revenue</b>			
2004 acquisitions	\$ 20,140	\$	\$ 20,140
2003 acquisitions	14,537	2,645	11,892
Total rental revenue	34,677	2,645	32,032
<b>Rental Expenses</b>			
2004 acquisitions	4,158		4,158
2003 acquisitions	3,047	367	2,680
Total rental expenses	7,205	367	6,838
<b>Net Operating Income(1)</b>			
2004 acquisitions	15,982		15,982
2003 acquisitions	11,490	2,278	9,212
Total net operating income	27,472	2,278	25,194
<b>Other Income</b>			
Interest and other income	876	61	815
Gain on hedges	545		545
Total other income	1,421	61	1,360
<b>Other Expenses</b>			
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 the 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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## **Table of Contents**

### *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 our advisor the aforementioned 0.75% asset management fee in March 2004 (see Note 13 Related Party Transactions to the 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 on-going 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

## **Table of Contents**

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 our 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 shareholders, lenders and others in their evaluation of us.

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## **Table of Contents**

### ***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



**Table of Contents**

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.

**Table of Contents**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 shareholders 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 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.

**Table of Contents**

**MANAGEMENT**

**General**

We operate under the direction of our board of directors, the members of which are accountable to us and our shareholders as fiduciaries. The board is responsible for the management and control of our affairs. The board has retained the Advisor, subject to the board's approval and oversight, to manage our day-to-day affairs and the acquisition and disposition of our investments. Our initial articles of incorporation were reviewed and ratified by our board of directors, including our independent directors, at their initial meeting. Our shareholders approved certain amendments to our articles of incorporation at a special meeting of shareholders held on November 21, 2003.

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

Pursuant to our bylaws and the Maryland General Corporation Law, each director will serve until the next annual meeting of shareholders or until his successor has been duly elected and qualified. Our 2005 annual meeting was held on June 14, 2005, primarily to re-elect our then current board members. Over 90% of the shareholders present, in person or by proxy, at the meeting voted and approved the reelection of our then current board members to serve until the next annual meeting of shareholders in 2006. Although the number of directors may be increased or decreased, a decrease shall not have the effect of shortening the term of any incumbent director.

Our board of directors 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, the 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.

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

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

in the case of a director who is not an independent director (affiliated director), by a vote of a majority of the remaining affiliated directors, unless there are no remaining affiliated directors, in which case by a majority vote of the remaining directors; or

in the case of an independent director, by a vote of a majority of the remaining independent directors, unless there are no remaining independent directors, in which case by a majority vote of the remaining directors.

If at any time there are no independent or affiliated directors in office, these successor directors shall be elected by the shareholders. Each director will be bound by the articles of incorporation and the bylaws.

Our directors are not required to devote all of their time to our business and are only required to devote the time to our affairs as their duties require. Our directors will meet quarterly or more frequently if necessary. In

## **Table of Contents**

general, we do not expect that our directors will be required to devote a substantial portion of their time to discharge their duties as our directors. Consequently, in the exercise of their fiduciary responsibilities, our directors will be relying heavily on the Advisor. Our board is empowered to fix the compensation of all officers that it may select and may pay compensation to independent directors for services rendered to us in any other capacity.

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

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

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

The success of the Advisor in generating opportunities that meet our investment objectives;

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

Additional revenues realized by the Advisor and its affiliates through their relationships with us;

The quality and extent of service and advice furnished by the Advisor;

The performance of our real estate properties, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and

The quality of our real estate properties in relationship to the investments generated by the Advisor or its affiliates for the account of other clients.

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

## **Committees of the Board of Directors**

Our entire board of directors considers all major decisions concerning our business. However, our board has established an Investment Committee, Audit Committee and a Compensation Committee so that issues arising in these areas can be addressed in more depth and with greater frequency than may be possible with a full board meeting.

### ***Investment Committee***

The Investment Committee's primary function is to review, evaluate and ultimately vote to approve acquisitions or developments proposed by the Advisor of up to \$25 million. Proposed acquisitions or developments in excess of \$25 million require approval by the board of directors,

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including a majority of the independent directors. The Investment Committee is required to include three directors, at least two of whom must be independent directors, and is currently comprised of Tripp H. Hardin, John C. O'Keefe and Thomas G. Wattle.

**Table of Contents*****Audit Committee***

The Audit Committee meets on a regular basis (and meets at least once annually) throughout the year as necessary. The Audit Committee's primary function is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the shareholders and others, the system of internal controls which management has established, and the audit and financial reporting process all in accordance with our Audit Committee Charter. The Audit Committee is comprised of five directors, three of whom shall be independent directors. The Audit Committee is currently comprised of Phillip R. Altinger, Tripp H. Hardin, John C. O'Keeffe, Bruce L. Warwick and Thomas G. Wattles.

***Compensation Committee***

Our board of directors has established a Compensation Committee to administer our Employee Option Plan, as described below. The Compensation Committee is comprised of three directors, two of whom shall be independent directors. The primary function of the Compensation Committee is to administer the granting of stock options to selected employees of the Advisor and our property manager based upon recommendations from the Advisor, and to set the terms and conditions of such options in accordance with the Employee Option Plan. The Compensation Committee is currently comprised of Phillip R. Altinger, James R. Mulvihill and Bruce L. Warwick.

**Directors and Executive Officers**

The directors and executive officers of Dividend Capital Trust, their ages, their positions and offices and the periods during which they have served as such are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Position Held Since</b>
Thomas G. Wattles	54	Chairman and Director	2003
Evan H. Zucker	41	Chief Executive Officer, President, Secretary and Director	2002
James R. Mulvihill	41	Chief Financial Officer and Director	2002
Phillip R. Altinger	43	Director*	2006
Tripp H. Hardin	45	Director*	2002
John C. O'Keeffe	46	Director*	2002
Bruce L. Warwick	68	Director*	2005
James D. Cochran	45	Chief Investment Officer	2005
Daryl H. Mechem	45	Managing Director	2005
Matthew T. Murphy	42	Senior Vice President	2005

\* Independent Director

*Thomas G. Wattles*, age 54, is the Chairman, and director of Dividend Capital Trust, a manager of our advisor and a manager of our property manager. 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 our affiliate Dividend Capital Total Realty Trust Inc. From November 1993 to March 1997, Mr. Wattles served as Co-Chairman and Chief Investment Officer of ProLogis (NYSE:PLD), and served as Chairman between March 1997 and May 1998. Mr. Wattles was a Managing Director of Security Capital Group Incorporated ( Security Capital Group ) and was with Security Capital Group in various capacities including Chief Investment Officer from January 1991 to December 2002. Mr. Wattles is a director of Regency Centers Corporation (NYSE:REG) and chairs its Investment Committee. Mr. Wattles holds a Bachelor's degree and an MBA 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 manager of both our advisor and our property manager. Mr. Zucker is a

**Table of Contents**

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 our affiliate Dividend Capital Total Realty Trust Inc. 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. In 1993 Mr. Zucker co-founded American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) which was an industrial, office and logistics REIT and was acquired by ProLogis (NYSE:PLD) in August 2004. Mr. Zucker served as the President and as a director of American Real Estate Investment Corp. from 1993 through 1997 and as a director of Keystone Property Trust from 1997 through 1999. Mr. Zucker graduated from Stanford University with a Bachelor's degree in Economics.

*James R. Mulvihill*, age 41, is the Treasurer, Chief Financial Officer and a director of Dividend Capital Trust. Mr. Mulvihill is also a manager of both our advisor and our property manager. 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 our affiliate Dividend Capital Total Realty Trust Inc. 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. In 1993 Mr. Mulvihill co-founded American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) which was an industrial, office and logistics REIT and was acquired by ProLogis (NYSE:PLD) in August 2004. Mr. Mulvihill served as its Chairman and as a director from 1993 through 1997 and as a director of Keystone Property Trust from 1997 through 2001. 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 43, is an independent director of Dividend Capital Trust. Mr. Altinger has extensive experience in public and private equity and debt financings, mergers and acquisitions, and investment banking. Most recently 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 M&A transactions. Prior to joining Seagate, Mr. Altinger served in numerous senior financial positions at companies including Rio Hotel and Casino, Inc., a casino/hotel, Volpe Brown Whelan & Company, an investment bank, and Salomon Brothers, also an investment bank. Mr. Altinger received MBA and Bachelor's degrees in Mechanical Engineering and Economics from Stanford University.

*Tripp H. Hardin*, age 45, is an independent director of Dividend Capital Trust. Mr. Hardin is a Principal of Trammell Crow Krombach Partners, and 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.

*John C. O'Keeffe*, age 46, is an independent director of Dividend Capital Trust. Mr. O'Keeffe has been active in the construction industry since 1983. He has been associated with Wm. Blanchard Co., a construction management firm located in Springfield, NJ, since 1987. 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.

## **Table of Contents**

*Bruce L. Warwick*, age 68, is an independent director of Dividend Capital Trust. Mr. Warwick has been active in real estate construction activities since 1961 and 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. Mr. Warwick received a Bachelor of Arts Degree from Colgate University in 1960.

*James D. Cochran*, age 45, is the Chief Investment Officer of Dividend Capital Trust. Mr. Cochran is also a Managing Director of our advisor and is responsible for capital deployment. He has 20 years of experience in real estate. He most recently spent 10 years with ProLogis where he was a 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 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. from the University of California, Davis and a M.B.A. from The Anderson School at UCLA.

*Daryl H. Mechem*, CCIM, age 45, is the Managing Director of Dividend Capital Trust. Mr. Mechem is also a Senior Vice President of our advisor and is responsible for property operations. Prior to joining us, 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 of 1999, First Vice President in 2001 and Senior Vice President in January of 2003.

*Matthew T. Murphy*, age 42, is a senior vice president of Dividend Capital Trust. Mr. Murphy is also the Senior Vice President of Finance and Controller of our advisor and our property manager. Mr. Murphy has been active in the accounting functions in connection with real estate companies since 1989. Prior to joining our advisor in May 2003, 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 holds a Bachelor's degree in Accounting from Colorado State University.

There is no family relationship between our directors or executive 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 the board of directors. If a director was also an officer of Dividend Capital Trust, no separate compensation was paid for services rendered as a director. In addition, we have reserved 300,000 shares of common stock for future issuance upon the exercise of stock options granted to the independent directors pursuant to our Independent Director Option Plan (as discussed below).

## **Compensation of Executive Officers**

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



## **Table of Contents**

Our executive officers are all employees of our advisor. 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 our advisor and other affiliated companies.

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.

### **Compensation Committee Interlocks and Insider Participation**

During 2005, the following directors served on our compensation committee: (1) Robert F. Masten, (2) Bruce L. Warwick, (3) James R. Mulvihill, and (4) Lars O. Soderberg. Mr. Mulvihill also served as our Treasurer and Chief Financial Officer.

### **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.

### **Independent Director Option Plan**

We have adopted an independent director stock option plan which we will use in an effort to attract and retain qualified independent directors (the **Independent Director Option Plan**). As of March 31, 2006, we had granted and outstanding 80,000 non-qualified stock options to purchase 80,000 shares of common stock pursuant to the Independent Director Option Plan. Each independent director receives 10,000 options upon becoming a member of our board of directors. We intend to issue options to purchase 5,000 shares to each independent director then in office on the date of each annual shareholder's meeting. Options may not be granted under the Independent Director Option Plan at any time when the grant would cause the total number of options outstanding under the Independent Director Option Plan and the Employee Option Plan to collectively exceed 10% of our issued and outstanding shares.

A total of 300,000 shares are authorized and reserved for issuance under the Independent Director Option Plan. If the number of outstanding shares is changed into a different number or kind of shares or securities through a reorganization or merger in which Dividend Capital Trust is the surviving entity, or through a combination, recapitalization or otherwise, an appropriate adjustment will be made in the number and kind of shares that may be issued pursuant to exercise of the options. A corresponding adjustment to the exercise price of the options granted prior to any change will also be made. Any such adjustment, however, will not change the total payment, if any, applicable to the portion of the director options not exercised, but will change only the exercise price for each share. Options granted under the Independent Director Option Plan shall lapse on the first to occur of (1) the tenth anniversary of the date we grant them, (2) the removal of the independent director for cause, or (3) three months following the date the independent director ceases to be a director for any reason other than death or disability. Options may be exercised by payment of cash or through the delivery of fully-paid common stock. Options granted under the Independent Director Option Plan are generally exercisable in the case of death or disability for a period of one year after death or the disabling event. No option may be granted or exercised if such grant or exercise would jeopardize our status as a REIT under the Code or otherwise violate the ownership and transfer restrictions imposed under our articles of incorporation. The independent directors may not sell, pledge, assign or transfer their options other than by will or the laws of descent or distribution.

Upon the dissolution or liquidation of Dividend Capital Trust, upon our reorganization, merger or consolidation with one or more corporations as a result of which we are not the surviving corporation or upon sale of all or substantially all of our properties, the Independent Director Option Plan will terminate, and any

## **Table of Contents**

outstanding options will terminate and be forfeited. The board of directors may provide in writing in connection with any such transaction for any or all of the following alternatives:

For the assumption by the successor corporation of the options granted or the replacement of the options with options covering the stock of the successor corporation, or a parent or subsidiary of such corporation, with appropriate adjustments as to the number and kind of shares and exercise prices;

For the continuance of the Independent Director Option Plan and the options by such successor corporation under the original terms; or

For the payment in cash or shares of common stock in lieu of and in complete satisfaction of such options.

### **Employee Option Plan**

We have adopted an employee stock option plan (the "Employee Option Plan"). The Employee Option Plan is designed to enable Dividend Capital Trust, the Advisor and our property manager to obtain or retain the services of employees (not to include any person who is a sponsor or affiliate of Dividend Capital Trust) considered essential to our long-range success and the success of the Advisor and our property manager by offering such employees an opportunity to participate in the growth of Dividend Capital Trust through ownership of our common stock. The Employee Option Plan will be administered by the Compensation Committee, which is authorized to grant non-qualified stock options (the "Employee Options") to selected employees of the Advisor and our property manager. All grants of Employee Options will be based upon the recommendation of the Advisor and subject to the absolute discretion of the Compensation Committee and applicable limitations of the Employee Option Plan. Employee Options may not be granted under the Employee Option Plan at any time when the grant would cause the total number of options outstanding under the Employee Option Plan and the Independent Director Option Plan to exceed 10% of our issued and outstanding shares. A total of 750,000 shares are authorized and reserved for issuance under the Employee Option Plan. The Compensation Committee shall set the term of the Employee Options in its discretion, which shall not exceed ten years. The Compensation Committee shall set the period during which the right to exercise an Employee Option vests. No Employee Option may be issued or exercised, however, if such issuance or exercise would jeopardize our status as a REIT under the Code or otherwise violate the ownership and transfer restrictions imposed under our articles of incorporation. In addition, no Employee Option may be sold, pledged, assigned or transferred by an employee in any manner other than by will or the laws of descent or distribution. As of March 31, 2006, 358,500 Employee Options had been granted to purchase 358,500 shares of common stock to employees of the Advisor and its affiliates.

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

### **Limited Liability and Indemnification of Directors, Officers and Others**

Our organizational documents limit the personal liability of our shareholders, directors and officers for monetary damages to the fullest extent permitted under the current Maryland General Corporation Law. In addition, we have obtained directors and officers liability insurance. The Maryland General Corporation Law

## Table of Contents

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

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

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

With respect to any criminal proceeding, the director or officer had reasonable cause to believe his act or omission was unlawful. Any indemnification or any agreement to hold harmless is recoverable only out of our assets and not from the shareholders. Indemnification could reduce the legal remedies available to us and the shareholders against the indemnified individuals, however.

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

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

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

Our directors, the Advisor or its affiliates were acting on our behalf or performing services for us;

In the case of affiliated directors, the Advisor or its affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking indemnification;

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

The indemnification or agreement to hold harmless is recoverable only out of our net assets and not from the shareholders. On April 13, 2006, we entered into new indemnification agreements with each member of our board of directors. Each of these agreements provide that we will indemnify the relevant indemnitee against, and advance certain expenses relating to, liabilities incurred in the performance of such indemnitee's duties on our behalf to the fullest extent permitted under applicable law and our articles of incorporation and clarifies the procedures and presumptions that will apply if such indemnitee seeks such indemnification or advancement of expenses.

We have agreed to indemnify and hold harmless the Advisor and its affiliates performing services for us from specific claims and liabilities arising out of the performance of their obligations under the Advisory Agreement. As a result, we and our shareholders may be entitled to a more limited right of action than we would otherwise have if these indemnification rights were not included in the Advisory Agreement. Notwithstanding any provision of the Maryland General Corporation Law or our organizational documents, we may not indemnify or hold harmless the Advisor, its affiliates or any of their respective officers, directors, partners or employees in any manner that would be inconsistent with the REIT Guidelines adopted by the North American Securities Administrators Association.

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

**Table of Contents**

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

There has been a successful adjudication on the merits of each count involving alleged securities law violations;

Such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or

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

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

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

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

**The Advisor**

Certain of our officers and directors also actively participate in management of the Advisor. The Advisor has certain contractual responsibilities to Dividend Capital Trust and its shareholders pursuant to the Advisory Agreement. The Advisor's address is Dividend Capital Advisors LLC, 518 17th Street, Suite 1700, Denver, CO 80202. The Advisor is collectively managed by the following individuals:

John A. Blumberg	James D. Cochran	Matthew T. Murphy	Bonnie B. Micus
James R. Mulvihill	Teresa L. Corral	Michael J. Ruen	
Thomas G. Wattles	W. Jeffrey Jones	Gregory D. Skirving	
Evan H. Zucker	Daryl H. Mechem	Mark W. Bowen	

*John A. Blumberg*, age 47, is a manager of both Dividend Capital Advisors and Dividend Capital Property Management. In addition, since April 2005, Mr. Blumberg has Chairman and a director of our affiliate Dividend Capital Total Realty Trust Inc. Mr. Blumberg is a principal of both Dividend Capital Group LLC and Black Creek Capital, LLC, a Denver-based real estate investment firm which he co-founded in 1993. He is also a co-founder and Chief Executive Officer of Mexico Retail Partners ( MRP ). MRP, a joint venture between an affiliate of Black Creek Capital and Equity International Properties, is a fully-integrated retail real estate company that acquires, develops and manages retail properties throughout Mexico. Mr. Blumberg has been active in real estate acquisition, development and redevelopment activities since 1993 and as of March 31, 2006 with Mr. Zucker and Mr. Mulvihill has overseen directly, or indirectly through affiliated entities, the acquisition, development, redevelopment, financing and sale of approximately various real estate projects with an aggregate value in excess of approximately \$3.2 billion. Prior to co-founding Black Creek Capital, Mr. Blumberg was president of JJM Investments, which owned 113 shopping center properties in Texas. During the 12 years prior to joining JJM, Mr. Blumberg served in various positions with Manufacturer's Hanover Real Estate, Inc., Chemical Bank and Chemical Real Estate, Inc., most recently as President of Chemical Real Estate, Inc. and its predecessor company, Manufacturer's Hanover Real Estate, Inc. In this capacity Mr. Blumberg oversaw real estate investment banking, merchant banking and loan syndications. Mr. Blumberg holds a Bachelor's degree from the University of North Carolina at Chapel Hill.

**Table of Contents**

*James R. Mulvihill*, age 41, is the Treasurer, Chief Financial Officer and a director of Dividend Capital Trust. Mr. Mulvihill is also a manager of both our advisor and our property manager. 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 our affiliate Dividend Capital Total Realty Trust Inc. 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. In 1993 Mr. Mulvihill co-founded American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) which was an industrial, office and logistics REIT and was acquired by ProLogis (NYSE:PLD) in August 2004. Mr. Mulvihill served as its Chairman and as a director from 1993 through 1997 and as a director of Keystone Property Trust from 1997 through 2001. 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.

*Thomas G. Wattles*, age 54, is the Chairman, and director of Dividend Capital Trust, a manager of our advisor and a manager of our property manager. 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 our affiliate Dividend Capital Total Realty Trust Inc. From November 1993 to March 1997, Mr. Wattles served as Co-Chairman and Chief Investment Officer of ProLogis (NYSE:PLD), and served as Chairman between March 1997 and May 1998. Mr. Wattles was a Managing Director of Security Capital Group Incorporated ( Security Capital Group ) and was with Security Capital Group in various capacities including Chief Investment Officer from January 1991 to December 2002. Mr. Wattles is a director of Regency Centers Corporation (NYSE:REG) and chairs its Investment Committee. Mr. Wattles holds a Bachelor s degree and an MBA 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 manager of both our advisor and our property manager. 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 our affiliate Dividend Capital Total Realty Trust Inc. 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. In 1993 Mr. Zucker co-founded American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) which was an industrial, office and logistics REIT and was acquired by ProLogis (NYSE:PLD) in August 2004. Mr. Zucker served as the President and as a director of American Real Estate Investment Corp. from 1993 through 1997 and as a director of Keystone Property Trust from 1997 through 1999. Mr. Zucker graduated from Stanford University with a Bachelor s degree in Economics.

*James D. Cochran*, age 45, is the Chief Investment Officer of Dividend Capital Trust. Mr. Cochran is also a Managing Director of our advisor and is responsible for capital deployment. He has 20 years of experience in real estate. He most recently spent 10 years with ProLogis where he was a 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

## **Table of Contents**

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. from the University of California, Davis and a M.B.A. from The Anderson School at UCLA.

*Teresa L. Corral*, age 42, is a Vice President and Senior Due Diligence Officer of the Advisor. Ms. Corral has been active in acquisition and development due diligence, underwriting, transaction closings for institutional real estate since 1987. Prior to joining the Advisor in May 2003, Ms. Corral served in various positions with Clayton, Williams, and Sherwood, Inc. and its affiliates, including CWS Communities Trust, a private REIT whose majority shareholder was affiliated with Security Capital Group and JPI, a privately owned multi-family real estate investment company. Ms. Corral holds a Bachelor's degree in business administration and economics from St. Mary's College of California.

*W. Jeffrey Jones*, age 35, is a Vice President and Due Diligence officer of the Advisor. Prior to joining the Advisor in April 2004, Mr. Jones served as a Vice President in the due diligence and acquisitions group at ProLogis, where he was responsible for financial feasibility analysis and risk assessment of industrial real estate transactions within the U.S. and Mexico. Prior to joining ProLogis, Mr. Jones served as a revenue accountant for Associated Natural Gas, Inc. Mr. Jones holds a B.S. in accounting and business administration from the University of Kansas.

*Daryl H. Mechem*, CCIM, age 45, is the Managing Director of Dividend Capital Trust. Mr. Mechem is also a Senior Vice President of our advisor and is responsible for property operations. Prior to joining us, 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 of 1999, First Vice President in 2001 and Senior Vice President in January of 2003.

*Matthew T. Murphy*, age 42, is a senior vice president of Dividend Capital Trust. Mr. Murphy is also the Senior Vice President of Finance and Controller of our advisor and our property manager. Mr. Murphy has been active in the accounting functions in connection with real estate companies since 1989. Prior to joining our advisor in May 2003, 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 holds a Bachelor's degree in Accounting from Colorado State University.

*Michael J. Ruen*, age 40, is a Senior Vice President and a Regional Director of Acquisitions of the Advisor. He has 15 years of experience in real estate and most recently spent 9 years with ProLogis in various positions. At ProLogis, Mr. Ruen was 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 responsible for various institutional account activities including general brokerage. Mr. Ruen has a BS from the University of Alabama and an MBA from Georgia State University.

*Gregory D. Skirving*, age 59, is a Vice President and a Regional Director of Acquisitions of the Advisor, and is responsible for identifying and advising on investment opportunities in the central United States, including Texas. He has been directly involved in industrial real estate for over 25 years. From 1998 to 2003, Mr. Skirving was Vice President and Global Services Officer for ProLogis (NYSE:PLD). Mr. Skirving served as Senior Vice President and Global Services Officer for Meridian Industrial Trust from 1996 to 1998, when Meridian was

## **Table of Contents**

acquired by ProLogis. From 1990 to 1996, Mr. Skirving was Executive Vice President and Partner with Trammell Crow Corporate Services, where he led TCC's entry into their corporate real estate outsourcing services platform. From 1982 to 1990, Mr. Skirving was Partner and Chief Operating Officer for Reynolds Properties, a Denver based developer of suburban office and industrial buildings, and planned business parks. Mr. Skirving graduated from Arizona State University with a Bachelor of Science Degree in Economics.

*Mark W. Bowen*, age 42, is a Vice President and Senior Due Diligence Officer of the Advisor. Mr. Bowen has been active in real estate and finance for over 18 years, in both the private and institutional sectors. He most recently spent three years with the Laramar Group, a privately held multifamily company, where he was a partner and served as a member on the investment committee as well as directed the acquisitions and capital raising activities in the western half of the U.S. Prior to joining Laramar, Mr. Bowen spent 15 years with General Electric Corporation in various positions, the most recent of which was as the West Director of Joint Ventures. Other positions held at General Electric included, Regional Manager of structured debt and capital markets as well as equity, Manager of the Denver District office, which he opened, National Portfolio Manager, where he managed approximately \$3.2 billion in assets, Investment Manager and Credit Officer. Mr. Bowen holds a Bachelor's degree in Management and Finance from Colorado State University.

*Bonnie B. Micus*, CPM, CCIM, age 59, is a Vice President and Director of Property Management for the Advisor and is responsible for the oversight of all property management activities and third party property management companies. Ms. Micus has over 20 years of real estate experience in property management and leasing in various property types, including, office, industrial, retail and multi-family. Prior to joining the Advisor, Ms. Micus worked for a national pension fund advisor, Lowe Enterprises Realty Group, where she oversaw the management operations for the Rocky Mountain region. Prior to joining Lowe Enterprises Realty Group, Ms. Micus worked for MONY's management subsidiary ARES as Vice President Director of Property Management. Ms. Micus received her Bachelor's degree from the University of New York at Albany, and holds the CPM and CCIM designations from the Institute of Real Estate Management.

## **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 the board of directors. In its performance of this undertaking, the Advisor, either directly or indirectly by engaging an affiliate other than our property manager, shall, subject to the authority of the board:

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

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

Acquire and develop properties on our behalf in compliance with our investment objectives and policies;

Arrange for financing and refinancing of properties;

Enter into leases and service contracts for the properties acquired;

Evaluate, recommend to the board and, at the direction of the Board, execute suitable strategies for providing our shareholders the opportunity to liquidate their ownership of our common stock, whether as a result of the listing of our shares, the merger or sale of Dividend Capital Trust, the sale of any or all properties, or otherwise; and

Provide daily management and other various administrative functions.





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**Table of Contents**

The term of the current Advisory Agreement ends on February 28, 2007 and may be renewed by our board of directors 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 have and will continue to engage in other business ventures and, as a result, their resources will not be dedicated exclusively to our business. However, pursuant to the Advisory Agreement, the Advisor must devote sufficient resources to our business operations to discharge its obligations. The Advisor may assign the Advisory Agreement to an affiliate other than our property manager 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 shall be determined in the sole discretion of the Advisor, subject at all times to such board approval.

We will 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 Dividend Capital Trust, preparing the Securities and Exchange Commission registration statement, 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; provided, however, that no reimbursement shall be 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 (1) 2% of our average invested assets, which generally consists of the average book value of our real estate properties before reserves for depreciation, or (2) 25% of our net income, which is defined as our total revenues less total expenses for any given period excluding reserves for depreciation and bad debt. Such operating expenses do not include amounts payable out of capital contributions which 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

**Table of Contents**

consecutive fiscal quarters then ended exceed the limitation, there shall be sent to the shareholders a written disclosure, together with an explanation of the factors the independent directors considered in arriving at the conclusion that the excess expenses were justified.

The Advisor and its affiliates will be paid fees in connection with services provided to us. (See Management Management Compensation ). In the event the Advisory Agreement is terminated, 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.

**Holdings of Common Stock and Partnership Units**

The following table sets forth information as of June 15, 2006 regarding the number and percentage of our common shares beneficially owned by: (i) each director; (ii) each executive officer; (iii) all directors and executive officers as a group; and (iv) any person known to us to be the beneficial owner of more than 5% of the shares issued and outstanding.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class(2)
Thomas G. Wattles (Chairman and Director)	61,408(3)	*
Evan H. Zucker (Chief Executive Officer, President, Corporate Secretary and Director)	31,245(4)	*
James R. Mulvihill (Chief Financial Officer and Director)	30,967(5)	*
Tripp H. Hardin (Director)	11,305(6)	*
Bruce L. Warwick (Director)	12,352(7)	*
John C. O. Keefe (Director)	9,101(8)	*
Phillip R. Altinger (Director)	8,000(9)	*
James D. Cochran (Chief Investment Officer)	5,503	*
Daryl H. Mechem (Managing Director)	2,751	*
Matthew T. Murphy (Senior Vice President)	1,035	*
All directors and officers as a group (10 persons)	133,667(10)	*

\* 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 limited partnership 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 15, 2006, 150,269,296 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 limited partnership 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 20,000 limited partnership units owned by our advisor, which is indirectly majority owned and/or controlled by John A. Blumberg, Thomas I. Florence, Mr. Mulvihill, Mr. Wattles and Mr. Zucker and their affiliates.
- (4) Comprised of 240 shares held through a company which is majority owned and controlled by Mr. Zucker's spouse, as to which Mr. Zucker disclaims beneficial ownership, 11,005 shares held through a trust for the



**Table of Contents**

benefit of Mr. Zucker and his spouse and 20,000 limited partnership units owned by our advisor, which is indirectly majority owned and/or controlled by Messrs. Blumberg, Florence, Mulvihill, Wattles and Zucker and their affiliates.

- (5) Comprised of 10,967 shares held through a trust for the benefit of Mr. Mulvihill and his spouse and 20,000 limited partnership units owned by our advisor, which is indirectly majority owned and/or controlled by Messrs. Blumberg, Florence, Mulvihill, Wattles and Zucker and their affiliates.
- (6) Includes 8,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after June 15, 2006.
- (7) Includes 2,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after June 15, 2006.
- (8) Includes 8,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after June 15, 2006.
- (9) Includes 2,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after June 15, 2006.
- (10) The 20,000 limited partnership units held beneficially by Messrs. Wattles, Zucker and Mulvihill by virtue of their indirect majority ownership and/or control, together with Messrs. Blumberg and Florence and the affiliates of such individuals, of our advisor are counted once for purposes of calculating the shares beneficially owned by all directors and executive officers as a group.

The Advisor currently owns 20,000 limited partnership 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. Dividend Capital Trust, which serves as the general partner of our operating partnership, currently owns 200 general partnership units for which it contributed \$2,000. Dividend Capital Trust, as of March 31, 2006, owned approximately 149.2 million limited partnership units or approximately 98% of our operating partnership. Dividend Capital Advisors Group LLC, the parent of the Advisor, owns all of the 10,000 Special Units in our operating partnership currently outstanding, for which it contributed \$1,000. Dividend Capital Advisors Group LLC is indirectly majority owned and/or controlled by Messrs. Blumberg, Florence, Mulvihill, Wattles and Zucker and their affiliates. An affiliate of the Advisor also owns 200 shares of Dividend Capital Trust, which it acquired upon the initial formation of Dividend Capital Trust. The Dealer Manager owns 2,060,514 warrants, each of which entitles the Dealer Manager to purchase one share of our common stock for \$12. The Dealer Manager is owned by Dividend Capital Securities Group LLLP, in which Mark Quam and Messrs. Blumberg, Florence, Mulvihill, Wattles and Zucker and/or their affiliates indirectly own limited partnership interests and which is controlled by Mr. Quam and Charles Murray. The resale of any shares by our affiliates is subject to the provisions of Rule 144 promulgated under the Securities Act of 1933, which rule limits the number of shares that may be sold at any one time and the manner of such resale.

Although the Advisor and its affiliates generally are not prohibited from acquiring our common stock, the Advisor has no options or warrants to acquire shares and has no current plans to acquire shares. The affiliate of the Advisor which owns outstanding shares has agreed to abstain from voting any shares it now owns or hereafter acquires in any vote for the election of directors or any vote regarding the approval or termination of any contract with the Advisor or any of its affiliates.

In January 2005, in connection with our third public offering, members of our board of directors, managers of our advisor, our advisor's senior management team and/or each of their respective affiliates collectively purchased in excess of \$1.0 million of our common stock.

## **Table of Contents**

### **Affiliated Companies**

#### ***Property Manager***

As of March 31, 2006, all of our properties were managed by third party property managers. However, in the future some or all of our properties may be managed and leased by Dividend Capital Management Company LLC, our property manager. Our property manager is an affiliate of the Advisor. Our property manager is currently managed and directed by John A. Blumberg, James R. Mulvihill, Thomas G. Wattles and Evan H. Zucker. (See the **Conflicts of Interest** section of this prospectus). The backgrounds of Messrs. Blumberg, Mulvihill, Wattles and Zucker are described above in the **Management The Advisor** section of this prospectus.

Our property manager was organized in April 2002 to provide leasing and management services. For properties managed by our property manager we will pay our property manager property management and leasing fees not exceeding the lesser of: (A) 3.0% of gross revenues or (B) 0.6% of the net asset value of the properties (excluding vacant properties) managed, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as (1) the aggregate of the fair market value of all properties managed by our property manager (excluding vacant properties), minus (2) our aggregate outstanding debt associated with the managed properties (excluding debts having maturities of one year or less). In addition, we may pay our property manager a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (which may in certain markets be equal to the first month's rent).

In the event our property manager assists a customer with tenant improvements, a separate fee may be charged to the customer and paid by the customer. This fee will not exceed 5% of the cost of the tenant improvements. Our property manager will only provide these services if the provision of the services does not cause any of our income from the applicable property to be treated as other than rents from real property for purposes of the applicable REIT requirements described in the **Federal Income Tax Considerations** section of this prospectus.

Our property manager will derive all of its income from the property management and leasing services it performs for us. Our property manager may hire, direct and establish policies for employees who will have direct responsibility for the operations of each property managed, which may include but not be limited to on-site managers and building and maintenance personnel. Certain employees of our property manager may be employed on a part-time basis and may also be employed by the Advisor, Dealer Manager or certain companies affiliated with them. Our property manager may also direct the purchase of equipment and supplies and will supervise all maintenance activity. The management fees to be paid to our property manager will cover, without additional expense to us, all of our property manager's general overhead costs.

The principal office of our property manager is located at 518 17th Street, Suite 1700, Denver, Colorado 80202. Generally, if our property manager is not engaged to manage our properties, we will employ unaffiliated third party property managers to perform the day-to-day property management tasks.

#### ***Dealer Manager***

Dividend Capital Securities LLC, our dealer manager, is a member firm of the National Association of Securities Dealers, Inc. ( **NASD** ). The Dealer Manager was organized in December 2001 for the purpose of participating in and facilitating the distribution of our common stock. Dividend Capital Securities acted as our dealer manager for our previous offerings and acts as the dealer manager for the offering by our operating partnership of its limited partnership units. Prior to these offerings, Dividend Capital Securities had not participated in any private or public securities transactions.

**Table of Contents**

The Dealer Manager will provide certain sales, promotional and marketing services to Dividend Capital Trust in connection with the distribution of the shares offered pursuant to this prospectus. It may, but does not currently expect to, sell a limited number of shares at the retail level. (See Plan of Distribution and Management Management Compensation ).

The Dealer Manager is an affiliate of both the Advisor and our property manager (See Conflicts of Interest ). The Dealer Manager is collectively managed by the following individuals:

Thomas I. Florence  
Francis P. Gaffney  
Thomas E. Pellowe

Charles Murray  
Phillip Perrone  
John A. Norris

*Thomas I. Florence*, age 43, is a manager of the Dealer Manager and a principal of Dividend Capital Group LLC, both of which he joined in June of 2003. Mr. Florence has over 18 years of experience in the financial services industry. Prior to joining the Dealer Manager he was a Managing Director at Morningstar Inc. with oversight responsibility of the 800 person company operating in 13 countries. In addition, he founded and was President of Morningstar Investment Services, an investment advisory firm managing portfolios for the clients of investment advisors. Prior to Morningstar, Mr. Florence was a Senior Vice President at Pilgrim Baxter and Associates responsible for managing a distribution organization with over \$25 billion in assets under management. Prior to Pilgrim Baxter, he held management positions at Fidelity Investments. Mr. Florence holds a Bachelor's degree from the Pennsylvania State University and is a graduate of Northwestern University's Kellogg Management Institute.

*Charles Murray*, age 43, is the President of the Dealer Manager. Mr. Murray has over 18 years of experience in the financial services industry. Prior to joining the Dealer Manager, Mr. Murray was a Senior Managing Director for Spencer Trask Ventures, Inc., where he was responsible for their sales and marketing efforts. Prior to Spencer Trask Ventures, Mr. Murray held various senior management positions with Oppenheimer Funds, Inc. from June 1986 through October 2001. Most recently, Mr. Murray was a Senior Vice President and corporate spokesperson responsible for representing the company at national and regional sales conferences and developing presentations for all sales and marketing campaigns. From January 1998 until December 2000, Mr. Murray was a Senior Vice President and a Director of Sales with responsibility for the company's national and regional brokerage distribution channel. From March 1996 until December 1997, he served as a Senior Vice President and as Eastern Division Sales Manager, in which capacity he was responsible for 50% of the firm's gross sales volume and managed a team of 20 regional sales managers. From June 1986 until September 1990, he held various senior management positions, in which he developed business strategies for increasing sales. Mr. Murray holds a Bachelor's degree in Economics from Saint Peter's College, Jersey City, New Jersey.

*Francis P. Gaffney*, age 49, is Senior Vice President and Director of Operations of the Dealer Manager. Prior to joining the Dealer Manager, Mr. Gaffney worked at Founders Asset Management as Senior Vice President of Operations where he was responsible for a variety of functions including portfolio accounting, information technology, its transfer agency and shareholder services. Mr. Gaffney has been active in the financial services industry since 1992. Mr. Gaffney holds a MBA and a BA in psychology from the State University of New York at Albany.

*Thomas E. Pellowe*, age 37, is Senior Vice President and Director of National Accounts of the Dealer Manager. Mr. Pellowe has been active in the financial services industry since 1990. Prior to joining the Dealer Manager, Mr. Pellowe served in various positions with INVESCO Funds Group, most recently as Vice President, National Accounts Manager, where he was responsible for all distribution and strategic relationships in the broker-dealer intermediary marketplace. Mr. Pellowe holds a Bachelor's degree in Economics and Finance from Bentley College, Waltham, Massachusetts.

## **Table of Contents**

*Phillip Perrone*, age 48, is the Vice President and Chief Compliance Officer of the Dealer Manager. Prior to joining our dealer manager, Mr. Perrone spent six years with Oppenheimer Funds, Inc., where he served as a Compliance Manager, ensuring adherence to a comprehensive set of federal, state and company-enforced rules and regulations. Prior to that, he spent eight years conducting audits of brokerage firms across six states and conducting special investigations for the National Association of Securities Dealers. His career began more than 20 years ago as Assistant Vice President and Operations Manager for Kidder, Peabody & Company, Inc. Mr. Perrone holds a Bachelor's degree in business administration/finance from Regis University, Denver, Colorado.

*John A. Norris*, age 45, is the Senior Vice President and National Sales Manager of the Dealer Manager. Prior to joining the Dealer Manager, Mr. Norris served as managing director and national sales manager for Scudder Investments, where he directed the field sales and national account activities through the independent broker/dealer channel. Mr. Norris has over 21 years of experience in the financial services industry, and holds a Bachelor's degree and an MBA from Southern Illinois University in Carbondale, Illinois.

### **Management Decisions of the Advisor**

John A. Blumberg, James R. Mulvihill, Thomas G. Wattles and Evan H. Zucker will have control and 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 of directors, the negotiations for these investments, and the property management and leasing of these properties. The Advisor will attempt to invest in commercial real estate properties, consisting primarily of high-quality, generic distribution warehouses and light industrial properties net leased to creditworthy corporate customers.

### **Management Compensation**

Based on a price of \$10.50 per share, the sections below summarize and disclose all of the compensation and fees, including reimbursement of expenses, to be paid by Dividend Capital Trust to our advisor, our property manager and the dealer manager. Our advisor and our property manager are controlled collectively by Messrs. Blumberg, Mulvihill, Wattles and Zucker and the Dealer Manager is controlled collectively by Messrs. Quam and Murray. The estimated maximum dollar amount of each fee assumes the sale of 72,770,273 shares to the public and the sale of 23,650,339 shares pursuant to our distribution reinvestment plan. The sections below also summarize the amounts distributable with respect to the Special Units in the Partnership that have been issued to Dividend Capital Advisors Group LLC, the parent of the Advisor.

### **Organizational and Offering Stage**

#### ***Sales Commissions***

Payable to the Dealer Manager

Estimated maximum amount of \$45,845,272

A sales commission of up to 6.0% of gross offering proceeds (all or substantially all of which we expect to be re-allowed or paid to participating broker-dealers).

#### ***Dealer Manager Fee***

Payable to the Dealer Manager

Estimated maximum amount of \$15,281,757



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Up to 2.0% of gross offering proceeds. The Dealer Manager, in its sole discretion, may re-allow a portion of its dealer manager fee of up to 1.0% of aggregate gross offering proceeds for reimbursement of marketing expenses. Reimbursement will be contingent upon the receipt of an invoice or a similar such

## **Table of Contents**

statement from participating broker-dealers that demonstrate the actual expenses incurred by such broker-dealers. The maximum amount of reimbursements will be based on such factors as the number of shares sold by participating broker-dealers, the assistance of such participating broker-dealers in marketing the offering and bona fide expenses incurred.

### ***Distribution Reinvestment Plan Servicing Fee***

Payable to the Dealer Manager

Estimated maximum amount of \$2,483,286

Servicing fee up to 1% of the undiscounted selling price of the shares issued pursuant to our distribution reinvestment plan (all or substantially all of which we expect to be re-allowed or paid to participating broker-dealers).

### ***Reimbursement of Organization and Offering Expenses***

Payable to the Advisor or its affiliates

Estimated maximum amount of \$15,281,757

Up to 2.0% of aggregate gross offering proceeds. All organization and offering expenses (excluding selling commissions and the dealer manager fee) that are advanced by the Advisor or its affiliates will be reimbursed by Dividend Capital Trust based on the amount of aggregate gross offering proceeds. Of the approximately \$15.3 million maximum organizational and offering expense reimbursement, approximately \$12.7 million of the expenses (or 1.7% of gross offering proceeds assuming we issue no shares pursuant to our Distribution Reinvestment Plan) are anticipated to be used for wholesaling activities and are therefore deemed to be additional underwriting compensation pursuant to NASD Rule 2710. To the extent that the remaining approximately \$2.6 million of organizational and offering expenses are insufficient to cover our cost of administering this offering, such shortfall would serve to reduce the organizational and offering expenses available to provide underwriting compensation.

### **Acquisition and Development Stage**

#### ***Acquisition Fees***

Payable to the Advisor or its affiliates

Estimated maximum amount of \$18,422,159 in connection with this offering (assumes that 72,770,273 shares are sold to the public and 23,650,339 shares are sold pursuant to our distribution reinvestment plan in this offering, that approximately \$921,107,928 of net offering proceeds and an equal amount of debt financing are used to purchase future properties and that we do not acquire properties with cash provided by operating activities, issuing new shares or limited partnership interests, which would increase the acquisition and advisory 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.

#### **Operational Stage**

*Asset Management Fee*

Payable to the Advisor or its affiliates

Estimated annual maximum amount of \$13,816,619 in connection with properties acquired pursuant to this offering (assumes 72,770,273 shares are sold to the public and 23,650,339 shares are sold pursuant to our distribution reinvestment plan, total net offering proceeds of \$921,107,928 and an equal amount of debt financing are used to acquire properties)

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**Table of Contents**

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, including properties acquired prior to or after this offering.

***Property Management and Leasing Fee***

Payable to our property manager

Maximum amount will depend on operations

For the management and leasing of our properties, we may pay our property manager property management and leasing fees equal to up to 3.0% of gross revenues with respect to each property (or such other percentage of gross revenues that we consider reasonable, taking into account the going rate of compensation for managing similar properties in the same locality, the services rendered and other relevant factors); provided, however, that aggregate property management and leasing fees payable to our property manager may not exceed the lesser of: (A) 3.0% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by Dividend Capital Trust, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as (1) the aggregate of the fair market value of all properties owned by Dividend Capital Trust (excluding vacant properties), minus (2) the aggregate outstanding debt of Dividend Capital Trust (excluding debts having maturities of one year or less). In addition, we may pay our property manager a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arms length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area.

***Real Estate Commissions***

Payable to the Advisor or its affiliates

Maximum amount will depend on property sales

In connection with the sale of properties (which shall include 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 the Partnership have received 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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Footnote to Management Compensation:

- (1) If the Advisory Agreement is terminated, then the properties owned by Dividend Capital Trust will be appraised and any deferred real estate commissions shall be deemed to have been earned to the extent the appraised value of the properties plus total distributions paid to partners of the Partnership exceeds, in the aggregate, 100% of their net capital contributions plus a 7% cumulative non-compounded annual pre-tax return on their gross capital contributions. Any such deferred real estate commissions shall be promptly paid to the Advisor after termination of the Advisory Agreement.



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**Table of Contents**

***Special Units in the Partnership***

Held by Dividend Capital Advisors Group LLC, the parent of the Advisor.

Amounts distributable with respect to the Special Units prior to redemption of the Special Units will depend on operations and the amount of net sales proceeds from property dispositions. The amount distributable with respect to the Special Units upon their redemption normally will depend on amounts previously distributed to other partners and the net value of our operating partnership's assets.

In general, the holder of the Special Units will be entitled to receive 15% of specified distributions made after other partners of the Partnership, including Dividend Capital Trust, 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. After we and the Partnership's investors, other than the holder of the Special Units, have received, in the aggregate, cumulative distributions from operating income, sales proceeds or other sources 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 will receive 15% of the net sales proceeds received by the Partnership on the dispositions of its assets and dispositions of real property held by joint ventures or partnerships in which the Partnership owns an interest. It is possible that certain of our shareholders would receive more or less than the 7% cumulative non-compounded annual pre-tax return on their net contributions described above prior to the commencement of distributions to the Special Units holder.

The Special Units will be redeemed by the Partnership for cash upon the earlier of the listing of our common stock or 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. Upon the listing of our common stock or the termination or non-renewal of the Advisory Agreement by the Advisor for good reason or by the general partner of the Partnership other than for cause (each as defined in the Advisory Agreement) or in connection with a transaction involving us pursuant to which a majority of our directors are replaced or removed, the redemption price will be the amount that would have been distributed with respect to the Special Units in accordance with the preceding paragraph if the Partnership sold all of its assets for their then fair market values (as determined by an appraisal of the Partnership's investments in the case of a termination or non-renewal of the Advisory Agreement), paid all of its liabilities and distributed any remaining amount to partners in liquidation of our operating partnership.

Except as described above, the Special Units shall not be entitled to receive any redemption or similar payment from Dividend Capital Trust or the Partnership.

***Dividend Capital Trust may not reimburse any entity for operating expenses that would cause operating expenses to be in excess of the greater of 2% of our average invested assets or 25% of our net income for the year. Operating Expenses for these purposes include aggregate expenses of every character paid or incurred by Dividend Capital Trust other than the expenses of raising capital (such as organizational and offering expenses), interest payments, taxes, non-cash expenditures such as depreciation and amortization, property acquisition fees and property acquisition expenses.***

As of the date of this prospectus, there is no contractual agreement between us and the Advisor with respect to the advisory fee structure or other arrangements in the event the shares become listed on a national securities exchange or traded on an over-the-counter market, although we continue to evaluate and consider various transactions designed to effect a liquidity event for our shareholders, including internalizing our advisor to facilitate the future quotation or listing of our common stock, and the optimal timing of such transactions. However, we cannot assure you that any such liquidity transaction will be consummated or what the terms of such a liquidity transaction will be.

In the event that a transaction involving the internalization of our advisor is not consummated prior to or in connection with our listing, if at any time the shares become listed on a national securities exchange or traded on

**Table of Contents**

an over-the-counter market, we will negotiate in good faith with the Advisor a fee structure appropriate for an entity with a perpetual life. Our articles of incorporation requires that a majority of the independent directors approve any new fee structure that is negotiated with the Advisor. In negotiating a new fee structure, the independent directors shall consider all of the factors they deem relevant, including but not limited to:

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

The success of the Advisor in generating opportunities that meet our investment objectives;

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

Additional revenues realized by the Advisor and its affiliates through their relationships with us;

The quality and extent of service and advice furnished by the Advisor;

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

The quality of our portfolio in relationship to the investments generated by the Advisor or its affiliates for the account of other clients; and

The quality and make-up of our advisor's management team, their familiarity with our portfolio of properties and their ongoing real estate relationships.

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

The Advisor and its affiliates will also be reimbursed only for the actual cost of goods, services and materials used for or by Dividend Capital Trust. The Advisor may be reimbursed for the administrative services necessary to the prudent operation of Dividend Capital Trust provided that the reimbursement shall be at the lower of the Advisor's actual cost or the amount Dividend Capital Trust would be required to pay to independent parties for comparable administrative services in the same geographic location. We will not reimburse the Advisor or its affiliates for services for which they are entitled to compensation by way of a separate fee.

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

**Table of Contents**

**CONFLICTS OF INTEREST**

We are subject to various conflicts of interest arising out of our relationship with the Advisor and its affiliates, including conflicts related to the compensation arrangements between the Advisor and its affiliates and Dividend Capital Trust (see Management Management Compensation ) and conflicts related to the interests in the Partnership held by the Advisor and its parent. (See The Partnership Agreement ). The independent directors have an obligation to function on our behalf in all situations in which a conflict of interest may arise and will have a fiduciary obligation to act on behalf of the shareholders. These conflicts include, but are not limited to, the following:

**Interests in Other Real Estate Programs**

Other than its activities related to its status as Advisor to Dividend Capital Trust, the Advisor presently has no interest in other real estate programs. Certain affiliates of the Advisor are presently, and plan in the future to continue to be, involved with real estate programs and activities which are unrelated to Dividend Capital Trust. Present activities of these affiliates generally include investments in the ownership, acquisition, development and management of commercial real estate located in various markets in North America, the ownership, acquisition, development and management of multifamily, condominium, golf and residential community properties primarily located in the Denver, Colorado and New York metropolitan areas and the ownership and management of various other real estate assets primarily located in Denver, Colorado. In particular, one of these affiliates acts as advisor to Dividend Capital Total Realty Trust Inc. and a related fund comprised generally of high net worth investors with similar investment objectives in connection with their investment in high-quality office, industrial, retail, multifamily and other real property types, as well as real estate related securities.

**Other Activities of the Advisor and its Affiliates**

Certain affiliates of the Advisor are presently, and plan in the future to continue to be, involved in non-real estate activities. These activities presently include the ownership, management and operation of CapEx, LP, a \$60 million private equity and mezzanine debt fund which invests in and provides capital to non-real estate operating companies, as well as the direct ownership, management and operation of various other non-real estate operating companies.

**Competition**

Conflicts of interest will exist to the extent that we may acquire properties in the same geographic areas where properties owned by other programs affiliated with the Advisor are located. In such a case, a conflict could arise in the leasing of properties in the event that Dividend Capital Trust and a related entity were to compete for the same customers in negotiating leases, or a conflict could arise in connection with the resale of properties in the event that Dividend Capital Trust and a related entity were to attempt to sell similar properties at the same time. (See Risk Factors Investment Risks ). Conflicts of interest may also exist at such time as Dividend Capital Trust or our affiliates managing property on our behalf seek to employ developers, contractors or building managers. The Advisor will seek to reduce conflicts relating to the employment of developers, contractors or building managers by making prospective employees aware of all such properties seeking to employ such persons. In addition, the Advisor will seek to reduce conflicts which may arise with respect to properties available for sale or rent by making prospective purchasers or customers aware of all such properties. However, these conflicts cannot be fully avoided in that the Advisor may establish differing compensation arrangements for employees at different properties or differing terms for re-sales or leasing of the various properties.

The following chart shows the ownership structure of certain Dividend Capital entities that are affiliated with the Advisor. Dividend Capital Securities Group LLLP, Dividend Capital Management Group LLC and



**Table of Contents**

Dividend Capital Advisors Group LLC are presently each indirectly majority owned by one or more of the following: John Blumberg, Thomas Florence, James Mulvihill, Mark Quam, Thomas Wattles, Evan Zucker and/or their affiliates. Dividend Capital Advisors Group LLC has issued and may further issue, and Dividend Capital Management Group LLC has not issued as of the date of this prospectus but may in the future issue, equity interests or derivatives thereof to certain of their employees or other unaffiliated individuals, consultants or other parties. However, none of such transactions are expected to result in a change in control of these entities.

**Affiliated Dealer Manager**

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

**Affiliated Property Manager**

Our property manager is affiliated with the Advisor and a number of the members and managers of the Advisor and our property manager may overlap. As a result, we might not always have the benefit of independent

## **Table of Contents**

property management to the same extent as if the Advisor and our property manager were unaffiliated and did not share any employees or managers. (See Management Affiliated Companies ).

### **Lack of Separate Representation**

Clifford Chance US LLP serves as securities counsel to Dividend Capital Trust, the Advisor, the Dealer Manager and our property manager in connection with this offering and may continue to do so in the future. Clifford Chance US LLP also serves as counsel to certain affiliates of the Advisor in matters unrelated to this offering. Moyer White LLP serves as special securities counsel to Dividend Capital Trust, the Advisor and the Dealer Manager in connection with this offering and may continue to do so in the future. Skadden, Arps, Slate, Meagher & Flom LLP serves as special tax counsel to Dividend Capital Trust. Skadden, Arps, Slate, Meagher & Flom LLP has also served as counsel to certain affiliates of the Advisor in matters unrelated to this offering. There is a possibility that in the future the interests of the various parties may become adverse. In the event that a dispute were to arise between Dividend Capital Trust and the Advisor, the Dealer Manager, our property manager or any of their affiliates, separate counsel for such parties would be retained as and when appropriate.

### **Joint Ventures with Affiliates of the Advisor**

Subject to approval by our board of directors and the separate approval of our independent directors, we may enter into joint ventures or other arrangements with third parties, including affiliates of the Advisor, to acquire, develop and own properties. (See Investment Objectives and Criteria Joint Venture Investments ). In particular, we may enter into such agreements with Dividend Capital Total Realty Trust Inc., and/or a related fund comprised generally of high net worth investors with similar investment objectives, with respect to certain industrial properties. The Advisor and its affiliates may have conflicts of interest in determining which of such entities should enter into any particular joint venture agreement. The venture partner may have economic or business interests or goals which are or which may become inconsistent with our business interests or goals. In addition, should any such joint venture be consummated, the Advisor may face a conflict in structuring the terms of the relationship between our interests and the interest of the affiliated venture partner and in managing the joint venture. Since the Advisor will make investment decisions on behalf of Dividend Capital Trust, agreements and transactions between the Advisor's affiliates and us as venture partners with respect to any such joint venture will not have the benefit of arm's length negotiation of the type normally conducted between unrelated parties. (See Risk Factors Investment Risks ).

### **Fees and Other Compensation to the Advisor**

A transaction involving the purchase and sale of properties may result in the receipt of commissions, fees and other compensation by the Advisor and its affiliates and partnership distributions to the Advisor and its affiliates, including acquisition and advisory fees, the dealer manager fee, property management and leasing fees, real estate brokerage commissions, and participation in non-liquidating net sale proceeds. However, certain fees and distributions (but not expense reimbursements) payable to the Advisor and its affiliates relating to the sale of properties are subordinated to the return to the shareholders or partners of our operating partnership of their capital contributions plus cumulative non-compounded annual returns on such capital. Subject to oversight by the board of directors, the Advisor has considerable discretion with respect to all decisions relating to the terms and timing of all transactions. Therefore, the Advisor may have conflicts of interest concerning certain actions taken on our behalf, particularly due to the fact that such fees and other amounts will generally be payable to the Advisor and its affiliates regardless of the quality of the properties acquired or the services provided to Dividend Capital Trust. (See Management Compensation and The Partnership Agreement ).

Every transaction we enter into with the Advisor or its affiliates is subject to an inherent conflict of interest. The board may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by or disagreement with an affiliate or in invoking powers, rights or options pursuant to any agreement between us and any affiliate. A majority of the independent directors who are otherwise disinterested in the transaction

## **Table of Contents**

must approve each transaction between us and the Advisor or any of its affiliates as being fair and reasonable to us and on terms and conditions no less favorable to us than those available from unaffiliated third parties.

### **Certain Conflict Resolution Procedures**

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

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

We will not purchase or lease properties in which the Advisor or its affiliates or any director has an interest without a determination by a majority of the directors not otherwise interested in the transactions (including a majority of the independent directors) that such transaction is competitive and commercially reasonable to Dividend Capital Trust. Further, in no event will we acquire any such property at an amount in excess of its appraised value. We will not sell or lease properties to the Advisor or its affiliates or to our directors unless a majority of the directors not otherwise interested in the transactions (including a majority of the independent directors) determine the transaction is fair and reasonable to Dividend Capital Trust.

We will not make any loans to the Advisor or its affiliates or to our directors. In addition, the Advisor and its affiliates and our directors will not make loans to us or to joint ventures in which we are a venture partner for the purpose of acquiring properties. Any loans made to us by the Advisor or its affiliates or by our directors 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 Dividend Capital Trust than comparable loans between unaffiliated parties. The Advisor and its affiliates shall be entitled to reimbursement, at cost, for actual expenses incurred by them on behalf of Dividend Capital Trust or joint ventures in which we are a joint venture partner, subject to the limitation on reimbursement of operating expenses to the extent that they exceed the greater of 2% of our average invested assets or 25% of our net income, as described in the Management The Advisory Agreement section of this prospectus.

In the event that an investment opportunity becomes available which, in the discretion of the Advisor, is suitable, under all of the factors considered by the Advisor, for Dividend Capital Trust, then the Advisor shall present the opportunity to the board of directors of Dividend Capital Trust. In determining whether or not an investment opportunity is suitable for more than one program, the Advisor, subject to approval by the board of directors, shall examine, among others, the following factors as they relate to Dividend Capital Trust and each other program: the cash requirements of each program; the effect of the acquisition both on diversification of each program's investments by type of commercial property and geographic area, and on diversification of the customers of its properties; the policy of each program relating to leverage of properties; the anticipated cash flow of each program; the income tax effects of the purchase on each program; the size of the investment; and the amount of funds available to each program and the length of time such funds have been available for investment.

If a subsequent development, such as a delay in the closing of a property or a delay in the construction of a property, causes any such investment, in the opinion of our board of directors and the Advisor, to be more appropriate for a program other than the program that committed to make the investment, the Advisor may determine that another program affiliated with the Advisor or its affiliates may make the investment. Our board of directors has a duty to ensure that the method used by the Advisor for the allocation of the acquisition of

properties by two or more affiliated programs seeking to acquire similar types of properties shall be reasonable.

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**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Our Advisor**

Our day-to-day activities are managed by our advisor, an affiliate, under the terms and conditions of the Advisory Agreement. Our advisor is considered a related party as it is indirectly majority owned and/or controlled by Messrs. Blumberg, Florence, Mulvihill, Wattles and Zucker and their affiliates. Collectively, these individuals have primary responsibility for the management decisions of our advisor and certain of its affiliates, including the selection of investment properties to be recommended to our board of directors, the negotiations for these investments and the property management and leasing of these properties.

Our advisor and its affiliates are paid fees in connection with services provided to us and is entitled to reimbursement for certain expenses. In the event the Advisory Agreement is terminated, our 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 our advisor or its affiliates for services for which our advisor or its affiliates are entitled to compensation in the form of a separate fee.

We pay certain acquisition and asset management fees to our 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 million. In March 2004, we reached the cumulative threshold of \$170 million in properties and all subsequent acquisitions have been and will continue to be subject to a reduced acquisition fee of 1.0%. During the twelve months ended December 31, 2005, 2004 and 2003, our advisor earned approximately \$11.1 million, \$6.4 million and \$4.4 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 twelve months ended December 31, 2005 and 2004, we incurred asset management fees of \$8.9 million and \$1.5 million, respectively. We did not incur asset management fees for the twelve months ended December 31, 2003.

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 stock. Such offering costs include but are not limited to actual legal, accounting, printing and other expenses attributable to organizing Dividend Capital Trust, 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 (see below).

During the twelve months ended December 31, 2005, 2004 and 2003, our advisor incurred approximately \$8.6 million, \$8.3 million and \$7.7 million of offering costs, respectively. During the twelve months ended December 31, 2005, 2004 and 2003, we reimbursed our advisor approximately \$13.3 million, \$10.9 million and \$3.3 million, respectively. As described in Management's Discussion and Analysis of Financial Condition and Results of Operations, we closed the primary offering component of this 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 operating partnership's private placement (the private placement is described in more detail under Investment Objectives and Criteria Our Operating Partnership's Private Placement). However, our operating partnership is obligated to pay our advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised

## **Table of Contents**

through our operating partnership's private placement. During the twelve months ended December 31, 2005, 2004 and 2003, our operating partnership incurred approximately \$2.3 million, \$521,000 and \$54,000, 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 twelve months ended December 31, 2005, 2004 and 2003, we have reimbursed approximately \$511,000, \$327,000 and \$96,000, respectively, for such expenses.

As of December 31, 2005, 2004 and 2003, we owed our advisor approximately \$624,000, \$576,000 and \$87,000, respectively, for various fees and reimbursements as described above. The total compensation paid to our advisor during 2005, 2004 and 2003, exclusive of reimbursements, was approximately \$20.0 million, \$8.0 million and \$4.4 million, respectively.

Our advisor currently owns 20,000 limited partnership units of our operating partnership, for which it contributed \$200,000. Our advisor may not sell any of these units during the period it serves as our 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 approximately 133,206,784 limited partnership units or over 98% of our operating partnership. The parent of our advisor owns 10,000 Special Units, for which it contributed \$1,000. An affiliate of our advisor also owns 200 shares of our common stock, which it acquired upon our initial formation. 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 our advisor and its affiliates generally are not prohibited from acquiring our common shares, our advisor has no options or warrants to acquire shares and has no current plans to acquire shares. The affiliate of our advisor which owns outstanding shares has agreed to abstain from voting any shares it now owns or hereafter acquires in any vote for the election of directors or any vote regarding the approval or termination of any contract with our advisor or any of its affiliates.

## **Our Property Manager**

As of December 31, 2005, all of our properties were managed by third party property managers. However, in the future some or all of our properties may be managed and leased by our property manager pursuant to the Property Management Agreement described below. Our property manager is an affiliate of our advisor. Our property manager is indirectly majority owned and/or controlled by John A. Blumberg, Thomas I. Florence, James R. Mulvihill, Thomas G. Wattles and Evan H. Zucker and their affiliates.

We have entered into a Property Management Agreement with our property manager pursuant to which we will pay certain property management and leasing fees to our property manager. The amount of such fees shall not exceed the lesser of 3% of the gross revenues or 0.6% of the net asset value (as defined in the property management agreement) of the properties we own. We may also pay a separate fee for the one-time lease-up of newly-constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions. As of December 31, 2005, we had not paid our property manager any property management or leasing fees.

## **Our Dealer Manager**

Our public and private offerings are managed by our dealer manager under the terms of certain dealer manager agreements. Our dealer manager is considered a related party as it is owned by Dividend Capital Securities Group LLLP, in which Mr. Mark Quam and Messrs. Blumberg, Florence, Mulvihill, Wattles, and Zucker and their affiliates indirectly own limited partnership interests. Our dealer manager is controlled by Messrs. Murray and Quam.

## **Table of Contents**

We have entered into a Dealer Manager Agreement with our dealer manager pursuant to which we will pay a dealer manager fee of up to 2.0% of gross offering proceeds raised pursuant to our public offerings to our dealer manager as compensation for managing the offering. Our dealer manager may re-allow a portion of such fees to broker-dealers who participate in the offering. We will also pay up to a 6% sales commission of gross offering proceeds raised pursuant to our public offerings of common stock. As of December 31, 2005, all sales commissions had been re-allowed to participating broker-dealers. For the twelve months ended December 31, 2005, 2004 and 2003, we incurred approximately \$49.9 million, \$42.5 million and \$11.2 million, respectively, payable to our dealer manager for dealer manager fees and sales commissions.

We have also entered into a dealer manager agreement with our dealer manager pursuant to which we will pay a dealer manager fee of up to 1.5% of the gross equity proceeds raised through our operating partnership's private placement. We will also pay our dealer manager a sales commission up to 5.0% of the gross equity proceeds raised through our operating partnership's private placement. As of December 31, 2005, substantially all of the sales commissions were re-allowed to participating broker-dealers who are responsible for affecting sales. For the twelve months ended December 31, 2005, 2004 and 2003, we incurred up front fees of approximately \$7.6 million, \$1.7 million and \$175,000, respectively, payable to our dealer manager for dealer manager fees and sales commissions.

Pursuant to our first and second public offerings, our 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 our dealer manager representing all of the warrants our dealer manager earned in connection with our first and second public offerings. For the twelve months ended December 31, 2004 and 2003, our dealer manager had earned approximately 1,701,000 and 499,000 soliciting dealer warrants, respectively. No warrants were offered in connection with our third public offering and there are no warrants being offered in connection with this offering. During the twelve months ended December 31, 2005, our dealer manager did not earn any soliciting dealer warrants as all shares sold during such period were in connection with our third public offering and this offering.

As of December 31, 2005, we owed our dealer manager approximately \$1.4 million in relation to the fees described above.

## **Our Facilitator**

Our facilitator is responsible for the facilitation of transactions associated with our operating partnership's private placement. Our facilitator is considered a related party as it is indirectly majority owned and/or controlled by Messrs. Quam, Blumberg, Florence, Mulvihill, Wattles, and Zucker and their affiliates.

We pay our facilitator up to 1.5% of the gross equity proceeds raised through our operating partnership's private placement for transaction facilitation. During the twelve months ended December 31, 2005, 2004 and 2003, we incurred approximately \$1.8 million, \$379,000 and \$41,000, respectively, payable to our facilitator for such fees.

## **Table of Contents**

### **INVESTMENT OBJECTIVES AND CRITERIA**

#### **General**

We invest in commercial real estate properties consisting primarily of high-quality, generic distribution warehouses and light industrial properties that are net leased to creditworthy corporate customers. These facilities will generally be located in the top 26 distribution and logistics markets in 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 investment objectives are:

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

To manage risk in order to preserve, protect and return our shareholders' capital contributions; and

To ultimately list our common stock 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 shareholders 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 shareholders; if we do not complete such a transaction or obtain such listing of the shares by February 2013, our articles of incorporation require us to begin selling our properties and other assets and distribute the net proceeds to our shareholders.

We cannot assure you that we will attain these objectives or that our capital will not decrease. We may not change our investment objectives, except upon approval of shareholders holding a majority of the shares. Decisions relating to the purchase or sale of properties will be made by the Advisor, subject to approval by the board of directors. See "Management" for a description of the background and experience of the directors and executive officers.

We continue to evaluate and consider various transactions designed to effect a liquidity event for our shareholders, including internalizing our advisor to facilitate the future quotation or listing of our common stock, and the optimal timing of such transactions. In determining whether to pursue a listing of our common stock, a merger of Dividend Capital Trust with a publicly traded company or a sale of our properties, the Advisor and the board of directors will evaluate the relative advantages and disadvantages of each such alternative. We may retain the services of an unaffiliated investment banking firm to assist us in evaluating these alternatives. In order to satisfy the requirements contained in our articles of incorporation, a merger or sale transaction must provide our shareholders with a combination of cash and/or securities of a publicly traded company and a listing must result in our common stock being listed on a national securities exchange or the Nasdaq National Market.

#### **Investment Strategy**

We have developed and implemented a comprehensive investment strategy which includes the following four principal components:

1. Selection of target markets and submarkets;
2. Focus primarily on generic bulk distribution and light industrial facilities;
3. Achievement of portfolio diversification in terms of markets, customers, industry exposure and lease rollovers; and

4. Emphasis on creditworthy national, regional and local customers.



## **Table of Contents**

### ***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 distribution and logistics markets in 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.

### ***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.

	<b>Bulk Distribution</b>	<b>Light Industrial</b>
Building size (square feet)	150,000 to 1 million	75,000 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% 25%
Primary use	Distribution	Distribution/Light Assembly

### ***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 five percent 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.

***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

## **Table of Contents**

customers. Furthermore, our objective is to invest in high-quality real estate which is leased to creditworthy customers which operate nationally, regionally, or locally.

As of March 31, 2006, our consolidated portfolio represented approximately 40.7 million square feet of rentable distribution space and there were no customers that occupied more than 5% of our total rentable square feet.

### **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 U.S. industrial markets. 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 Investment Objectives and Criteria Terms of Leases and Customer Creditworthiness ).

We will seek to invest in properties that will satisfy one of our primary objectives of providing cash distributions to our shareholders. 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 distribution reinvestment plan, 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 Dividend Capital Total Realty Trust Inc. and a related fund comprised generally of high net worth investors with similar investment objectives, or other persons. (See Investment Objectives and Criteria Joint Venture Investments ). 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 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 Internal Revenue Service 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. (See Federal Income Tax Considerations Sale-Leaseback Transactions ). Although we are not limited as to the geographic area where we may conduct our operations, we presently intend to invest in properties located primarily in the United States.

## Table of Contents

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 the board of directors and/or the 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 shareholders; 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;

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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 shareholders;

Changes in operating expenses;

Changes in governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws;