

DIVIDEND CAPITAL TRUST INC  
Form DEFM14A  
September 01, 2006  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**DIVIDEND CAPITAL TRUST INC.**

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

**CALCULATION OF FILING FEE**

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Title of Each Class of Securities to Which Transaction Applies	Aggregate Number of Securities	Proposed Maximum Aggregate Value of Transaction(1)	Total Fee Paid(2)
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	<b>to Which Transaction Applies</b>		
Limited Partnership Units of Dividend Capital Operating Partnership LP	15,111,111 Limited Partnership Units	\$ 170,000,000	\$ 34,000

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- (1) Estimated solely for the purpose of computing the amount of the filing fee pursuant to Rule 0-11(c)(1)(i) under the Securities Exchange Act of 1934, as amended.
- (2) Pursuant to Rules 14a-6(i)(1) and 0-11(a)(4) and (c)(1) under the Securities Exchange Act of 1934, as amended, a fee of \$34,000 has been paid herewith, which is equal to 1/50<sup>th</sup> of 1% of the value of the securities to be transferred to security holders in the transaction.

x Fee paid previously with preliminary materials:

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**Table of Contents**

**DIVIDEND CAPITAL TRUST INC.**

**518 17th Street, Suite 1700**

**Denver, Colorado 80202**

September 5, 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of Dividend Capital Trust Inc., a Maryland corporation, to be held on October 6, 2006, at 10:00 a.m., local time, at the Westin Tabor Center, 1672 Lawrence Street, Denver, Colorado 80202 (we refer to the meeting, including any adjournment or postponement, as the **Annual Meeting** ). Enclosed with this letter are the notice setting forth the business to come before the Annual Meeting, the proxy statement and the proxy card. Our 2005 Annual Report was mailed to you on or about April 30, 2006.

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

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

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

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

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

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

In our current externally-advised structure, we do not have any of our own employees. In exchange for the Advisor's services, we pay compensation to the Advisor that includes among other components a base advisory fee, capital raising fees and acquisition fees. In addition, Dividend Capital Advisors Group LLC, the parent

## Table of Contents

company of the Advisor (the **Advisor's Parent**), holds a special series of units of limited partnership interest (the **Special Units**) in our operating partnership, Dividend Capital Operating Partnership LP (our **Operating Partnership**), that entitle it to certain special distribution rights in connection with, among other events, our liquidation or a termination of the advisory agreement with the Advisor.

When we were organized in April 2002, our Board determined that the size and scope of our business operations were insufficient to support the overhead costs associated with a self-advised structure. Accordingly, we contracted with the Advisor to provide all personnel, accounting, administrative and other support services and resources necessary for our business operations. Since then, we have grown rapidly. We held over \$2.8 billion in assets at June 30, 2006. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we expect to hire various individuals associated with the Advisor or its affiliates who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies.

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

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

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

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**Table of Contents**

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

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

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

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

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

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

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**Table of Contents**

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

A proposal to approve the Internalization, which, pursuant to the Contribution Agreement, requires the affirmative vote of the holders of at least a majority of our common shares represented in person or by proxy that are entitled to be and actually are voted at a meeting where a quorum is present (excluding for this purpose common shares beneficially owned by any of the Advisor, the Advisor's Parent or their affiliates) (we refer to this proposal in the accompanying proxy statement as the **Internalization Proposal** ).

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

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

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

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

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

**Table of Contents**

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

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

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

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

Sincerely,

Evan H. Zucker  
*Chief Executive Officer and Secretary*

**Questions and requests for assistance in voting your common shares may be directed to Georgeson Shareholder Communications, which is assisting us with the solicitation of proxies, toll-free at 1-866-295-3663.**

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Table of Contents

**DIVIDEND CAPITAL TRUST INC.**

**518 17th Street, Suite 1700**

**Denver, Colorado 80202**

**Notice of Annual Meeting of Stockholders and Proxy Statement**

**Annual Meeting to be Held on October 6, 2006**

To Our Stockholders:

Notice is hereby given that the 2006 Annual Meeting of Stockholders of Dividend Capital Trust Inc., a Maryland corporation, will be held at 10:00 a.m., local time, on October 6, 2006, at the Westin Tabor Center, 1672 Lawrence Street, Denver, Colorado 80202 (we refer to the meeting, including and any adjournment or postponement, as the **Annual Meeting**) for the following purposes:

1. To elect seven nominees to our board of directors (the **Board**) to hold office until the 2007 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified. This proposal (we refer to this proposal in the accompanying proxy statement as the **Director Proposal**) requires the affirmative vote of holders of a majority of the shares of common stock, par value \$0.01 per share (our **common shares**), present in person or by proxy and entitled to vote at a meeting where a quorum is present.
2. To consider and vote upon a proposal to ratify our selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2006. This proposal (we refer to this proposal in the accompanying proxy statement as the **Accountant Proposal**) requires the affirmative vote of a majority of the votes cast at a meeting where a quorum is present.
3. To consider and vote upon a proposal to approve the acquisition by Dividend Capital Operating Partnership LP (our **Operating Partnership**) of Dividend Capital Advisors LLC, our external advisor that manages our day-to-day activities under the supervision of our Board (the **Advisor**). Pursuant to the Contribution Agreement, dated as of July 21, 2006 (the **Contribution Agreement**), by and among us, our Operating Partnership and Dividend Capital Advisors Group LLC, the parent company of the Advisor (the **Advisor's Parent**), this proposal (we refer to this proposal in the accompanying proxy statement as the **Internalization Proposal**) requires the affirmative vote of the holders of at least a majority of our common shares represented in person or by proxy that are entitled to be and actually are voted at a meeting where a quorum is present (excluding for this purpose common shares beneficially owned by any of the Advisor, the Advisor's Parent or their affiliates). As required by our charter (the **Articles**), the common shares owned by our directors and officers and their respective affiliates are not entitled to be voted on the Internalization Proposal. Pursuant to the Contribution Agreement, the parties propose to accomplish this internalization (the **Internalization**) through the contribution by the Advisor's Parent of the entire outstanding membership interest, and all economic interests, in the Advisor in exchange for aggregate consideration of 15,111,111 units of limited partnership interest (**OP Units**) in our Operating Partnership (the **Internalization Consideration**), which includes the modification of a special series of units of limited partnership interest (the **Special Units**) in our Operating Partnership held by Advisor's Parent into OP Units. **Even if the Internalization Proposal is approved by our stockholders, the Internalization will not be completed unless certain conditions, as set forth in the Contribution Agreement, are satisfied or waived. Any or all of the closing conditions to our performance obligations under the Contribution Agreement may be waived by us in our sole discretion.**
4. To consider and vote upon a proposal to approve an amendment and restatement of our Articles in connection with the proposed Internalization. This proposal (we refer to this proposal in the accompanying proxy statement as the **Pre-Listing Charter Amendment Proposal**) requires the affirmative vote of the holders of at least a majority of our outstanding common shares. The principal purposes of the amendment contemplated by this proposal are to reflect that, following completion of the Internalization, we no longer will be externally advised and to change the name of our company to DCT Industrial Trust Inc. **Even if the Pre-Listing Charter Amendment Proposal is approved by our stockholders, the amendment will not take effect unless the Internalization occurs. Further, if this proposal is approved and the Internalization occurs, this proposal may be implemented regardless of whether the Post-Listing Charter Amendment Proposal described below is approved.**



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**Table of Contents**

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

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

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

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

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

These items of business are described for you in detail in the accompanying proxy statement. We encourage you to read the proxy statement, and the documents attached as appendices hereto, carefully and in their entirety. Only holders of record of our common shares at the close of business on September 1, 2006 will be entitled to receive notice of, and to vote at, the Annual Meeting or at any adjournment or postponement thereof.

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

By Order of the Board of Directors,

Evan H. Zucker

*Chief Executive Officer and Secretary*

September 5, 2006

Denver, Colorado

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**Table of Contents**

**DIVIDEND CAPITAL TRUST INC.**

**518 17th Street, Suite 1700**

**Denver, Colorado 80202**

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**PROXY STATEMENT**

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**General Information**

This proxy statement is furnished by the board of directors (the **Board**) of Dividend Capital Trust Inc., a Maryland corporation, in connection with the solicitation by our Board of proxies to be voted at the 2006 Annual Meeting of Stockholders to be held at 10:00 a.m., local time, on October 6, 2006, at the Westin Tabor Center, 1672 Lawrence Street, Denver, Colorado 80202, and at any adjournment or postponement thereof (such meeting, and any adjournment or postponement thereof, the **Annual Meeting**), for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement. Only holders of record of our shares of common stock, par value \$0.01 per share (our **common shares**), at the close of business on September 1, 2006 (the **Record Date**) will be entitled to receive notice of, and to vote at, the Annual Meeting. This proxy statement and the proxy card are first being mailed on or about September 5, 2006, to stockholders of record as of the Record Date. Our 2005 Annual Report was previously mailed to you on or about April 30, 2006.

As of the Record Date, 150,969,462 of our common shares were outstanding and entitled to vote. Each common share entitles the holder thereof to one vote on each of the matters to be voted upon at the Annual Meeting. Pursuant to our charter (the **Articles**), our directors and officers and their respective affiliates will be prohibited from voting on the Internalization Proposal (as defined below).

**Proxy and Voting Procedures**

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

- 1) a proposal to elect the seven nominees named below to our Board, to hold office until the 2007 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified (the **Director Proposal**);
- 2) a proposal to ratify our selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2006 (the **Accountant Proposal**);
- 3) a proposal to approve the acquisition (the **Internalization**) of Dividend Capital Advisors LLC, our external advisor that manages our day-to-day activities under the supervision of our Board (the **Advisor**), by Dividend Capital Operating Partnership LP (our **Operating Partnership**), through the contribution by Dividend Capital Advisors Group LLC, the parent company of the Advisor (the **Advisor's Parent**), of the entire outstanding membership interest, and all economic interests, in the Advisor to our Operating Partnership, in exchange for aggregate consideration of 15,111,111 units of limited partnership interest (**OP Units**) in our Operating Partnership, which includes the modification of a special series of units of limited partnership interest (the **Special Units**) in our Operating Partnership held by the Advisor's Parent into OP Units, pursuant to a Contribution Agreement, dated as of July 21, 2006 (the **Contribution Agreement**), by and among us, our Operating Partnership and the Advisor's Parent (the **Internalization Proposal**). **Even if approved by our stockholders, the Internalization Proposal will not be implemented unless certain other closing conditions to the Internalization, as set forth in the Contribution Agreement, are satisfied. Any or all of the closing conditions to our performance obligations under the Contribution Agreement may be waived by us in our sole discretion;**

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**Table of Contents**

- 4) the approval of an amendment and restatement of our Articles, which will become effective upon consummation of the Internalization, to modify certain provisions to reflect that we have become self-advised and to change the name of our company to DCT Industrial Trust Inc. (the **Pre-Listing Charter Amendment Proposal** ). **Even if approved by our stockholders, this proposal will not be implemented unless the Internalization occurs. Further, if this proposal is approved and the Internalization occurs, this proposal may be implemented regardless of whether the Post-Listing Charter Amendment Proposal described below is approved;**
- 5) the approval of a further amendment and restatement of our Articles, which will become effective upon the future listing or quotation (the **Listing** ) of our existing outstanding common shares on a national securities exchange, including the New York Stock Exchange, Inc. (the **NYSE** ) or The Nasdaq Stock Market, Inc. (the **NASDAQ** ), or an over-the-counter market, to modify certain provisions to conform more closely to the charters of other real estate investment trusts ( **REITs** ) whose securities are publicly traded and listed on the NYSE ( **Listed REITs** ) (the **Post-Listing Charter Amendment Proposal** ). **Even if approved by our stockholders, this proposal will not be implemented unless a Listing occurs and the Pre-Listing Charter Amendment Proposal is approved;**
- 6) the approval and adoption of our 2006 Long-Term Incentive Plan (the **Long-Term Incentive Plan Proposal** ). **If approved, this proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders;** and
- 7) the approval and adoption of our 2006 Incentive Compensation Plan (the **Incentive Compensation Plan Proposal** ). **If approved, this proposal will be implemented regardless of whether the other proposals being considered at the Annual Meeting are approved by our stockholders.**

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

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

**No Appraisal Rights**

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

## Table of Contents

### Proxies

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

A proxy card is enclosed for your use. The proxy card contains instructions for responding either by telephone, by Internet or by mail. Votes cast in person or by proxy at the Annual Meeting will be tabulated and a determination will be made as to whether or not a quorum is present by the inspectors of election appointed for the Annual Meeting. The presence, in person or by proxy, of stockholders entitled to cast at least 50% of the votes entitled to be cast by all stockholders as of September 1, 2006 will constitute a quorum for the transaction of business at the Annual Meeting.

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

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

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

### Solicitation Expenses

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

## **Table of Contents**

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

### **Where to Obtain More Information**

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

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

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

### **Annual Report**

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

### **Important Note**

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

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

**The date of this proxy statement is September 5, 2006.**

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING</u></b>	<b>1</b>
<b><u>SUMMARY OF THE INTERNALIZATION PROPOSAL</u></b>	<b>13</b>
<b><u>RISK FACTORS</u></b>	<b>23</b>
<b><u>SELECTED FINANCIAL DATA OF THE ADVISOR</u></b>	<b>29</b>
<b><u>ADVISOR MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ADVISOR</u></b>	<b>30</b>
<u>Overview</u>	30
<u>Critical Accounting Policies</u>	30
<u>Results of Operations</u>	31
<u>Liquidity and Capital Resources</u>	33
<b><u>PER-SHARE DATA OF THE COMPANY</u></b>	<b>35</b>
<b><u>PROPOSAL I: ELECTION OF DIRECTORS: NOMINEES FOR ELECTION TO OUR BOARD OF DIRECTORS</u></b>	<b>36</b>
<b><u>EXECUTIVE OFFICERS</u></b>	<b>39</b>
<u>BOARD MEETINGS AND DIRECTORS' ATTENDANCE</u>	40
<u>DIRECTORS' ATTENDANCE AT ANNUAL MEETINGS</u>	40
<u>COMMUNICATIONS WITH DIRECTORS</u>	40
<b><u>AUDIT COMMITTEE OF THE BOARD OF DIRECTORS AND RELATED MATTERS</u></b>	<b>41</b>
<u>Audit Committee</u>	41
<u>Independent Registered Public Accountants</u>	41
<u>Audit Committee Report</u>	41
<u>Audit Fees</u>	42
<u>Audit-Related Fees</u>	42
<u>Tax Fees and All Other Fees</u>	42
<u>Audit Committee Pre-Approval</u>	42
<b><u>OTHER COMMITTEES</u></b>	<b>42</b>
<u>Investment Committee</u>	42
<u>Compensation Committee</u>	43
<u>Compensation Committee Interlocks and Insider Participation</u>	43
<u>Nominating and Corporate Governance Committee</u>	43
<b><u>COMPENSATION OF DIRECTORS AND OFFICERS</u></b>	<b>44</b>
<u>Compensation of Directors</u>	44
<u>Executive Officer Compensation</u>	44
<u>Board Compensation Committee Report on Executive Compensation</u>	44
<b><u>EQUITY COMPENSATION PLANS INFORMATION</u></b>	<b>45</b>
<u>Stock Warrants</u>	45
<u>Equity Compensation Plan Table</u>	45

**Table of Contents**

<b><u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u></b>	46
<u>The Internalization</u>	46
<u>Employment Agreements</u>	48
<u>Our Advisor</u>	50
<u>The Dealer Manager</u>	51
<u>The Facilitator</u>	52
<u>New Agreements with Affiliates of the Advisor's Parent</u>	52
<u>Agreements with Certain of Our Directors and Officers</u>	53
<u>Non-Competition Agreements</u>	53
<b><u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u></b>	54
<b><u>PROPOSAL II: THE ACCOUNTANT PROPOSAL</u></b>	55
<u>Ratification of Our Selection of KPMG LLP as Our Independent Registered Public Accounting Firm</u>	55
<b><u>PROPOSAL III: THE INTERNALIZATION PROPOSAL</u></b>	56
<u>Our Company</u>	56
<u>The Advisor and the Advisory Agreement</u>	57
<u>Reasons for Becoming Self-Advised</u>	60
<u>Background of the Internalization Proposal</u>	61
<u>Proceedings of the Special Committee and Our Board</u>	61
<u>Recommendations of the Special Committee and Our Board of Directors</u>	66
<u>Opinion of the Special Committee's Financial Advisor</u>	69
<b><u>DESCRIPTION OF THE INTERNALIZATION</u></b>	77
<u>General</u>	77
<u>Payment of Internalization Consideration</u>	77
<u>Closing</u>	77
<u>Employment/Non-Competition Agreements</u>	78
<u>Registration Rights Agreement</u>	78
<u>Pledge Agreement</u>	78
<u>Conduct of Business Prior to Closing</u>	79
<u>Certain Pre-Closing Covenants</u>	80
<u>Covenants Concerning Post-Closing Employment Arrangements</u>	82
<u>Post-Closing Covenants</u>	82
<u>Conditions to Closing</u>	83
<u>Representations and Warranties</u>	85
<u>Indemnification</u>	87
<u>Appointment of Evan H. Zucker as Representative of the Advisor's Parent and the Advisor</u>	91
<u>Amendment; Waiver; Assignment; Termination</u>	91
<u>Expenses</u>	92
<u>Certain Financial and Other Information Regarding the Internalization</u>	92

**Table of Contents**

<u>Regulatory Matters</u>	93
<u>No Appraisal Rights in Connection with the Internalization</u>	93
<u>Vote Required to Approve the Internalization Proposal</u>	93
<u>Non-Competition Agreements, Employment Agreements and Other Agreements</u>	94
<u>Joint Venture Agreement</u>	97
<u>Indemnification Agreements</u>	97
<u>Common Share Ownership of Certain Beneficial Owners and Management</u>	98
<u>Consequences of Failure to Approve the Internalization or if the Internalization Otherwise Does Not Occur</u>	100
<b><u>PROPOSAL IV: THE PRE-LISTING CHARTER AMENDMENT PROPOSAL</u></b>	<b>101</b>
<u>Introduction</u>	101
<u>Amendments to Our Existing Articles Reflect That We Will Become Self-Advised if the Internalization Proposal Is Approved</u>	101
<u>Amendments to Our Existing Articles Relating to the Dealer Manager's Fees and Commissions</u>	103
<u>Amendments to Our Existing Articles Relating to Amendments</u>	103
<u>Change of Corporate Name</u>	103
<u>Conforming Changes and Other Ministerial Modifications</u>	103
<u>No Appraisal Rights</u>	103
<u>Vote Required</u>	104
<b><u>PROPOSAL V: THE POST-LISTING CHARTER AMENDMENT PROPOSAL</u></b>	<b>105</b>
<u>Introduction</u>	105
<u>Miscellaneous Modifications</u>	110
<u>Conforming Changes and Other Ministerial Modifications</u>	110
<u>No Appraisal Rights</u>	111
<u>Conforming Amendments to Our Bylaws</u>	111
<u>Vote Required</u>	112
<u>The Reverse Stock Split</u>	112
<b><u>PROPOSAL VI: THE LONG-TERM INCENTIVE PLAN PROPOSAL</u></b>	<b>113</b>
<u>Summary of the Plan</u>	113
<u>Awards Under the 2006 Long-Term Incentive Plan</u>	114
<u>Performance Goals</u>	115
<u>Adjustments in General; Certain Change-in-Control Provisions</u>	116
<u>Amendment and Termination</u>	116
<u>Certain U.S. Federal Income Tax Consequences</u>	116
<u>Vote Required</u>	118
<b><u>PROPOSAL VII: THE INCENTIVE COMPENSATION PLAN PROPOSAL</u></b>	<b>119</b>
<u>Summary of the Incentive Compensation Plan</u>	119
<u>Vote Required</u>	120



**Table of Contents**

<b><u>DIVIDEND CAPITAL TRUST INC.</u></b>	<b>121</b>
<b><u>BUSINESS</u></b>	<b>121</b>
<u>Overview</u>	121
<u>Corporate Objectives</u>	121
<u>Investment Strategy</u>	122
<u>2005 Acquisition Activity</u>	123
<u>2006 Acquisition Activity Through June 30, 2006</u>	123
<u>Competition</u>	123
<b><u>PROPERTIES</u></b>	<b>123</b>
<u>Target Market Presence and Geographic Diversification</u>	124
<u>Property Types</u>	125
<u>Lease Expirations</u>	125
<u>Customer Diversification</u>	126
<u>Insurance Coverage on Properties</u>	126
<b><u>LEGAL PROCEEDINGS</u></b>	<b>126</b>
<b><u>MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS</u></b>	<b>127</b>
<u>Market Information</u>	127
<u>Distribution Reinvestment Plan</u>	127
<u>Share Redemption Program</u>	128
<u>Distributions</u>	128
<u>Partnership Units</u>	129
<b><u>SELECTED FINANCIAL DATA</u></b>	<b>131</b>
<b><u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	<b>133</b>
<u>Overview</u>	133
<u>Significant Transactions During 2005 and Recent Developments</u>	133
<u>Liquidity and Capital Resources</u>	136
<u>Off-Balance Sheet Arrangements</u>	145
<u>Results of Operations</u>	146
<u>Critical Accounting Policies</u>	155
<b><u>QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK</u></b>	<b>159</b>
<b><u>INVESTMENT OBJECTIVES AND CRITERIA</u></b>	<b>160</b>
<u>General</u>	160
<u>Acquisition and Investment Policies</u>	160
<u>Development and Construction of Properties</u>	162
<u>Acquisition of Properties from the Advisor</u>	162
<u>Terms of Leases and Customer Creditworthiness</u>	162
<u>Joint Venture Investments</u>	162

**Table of Contents**

<u>Borrowing Policies and Related Indebtedness</u>	163
<u>Disposition Policies</u>	164
<u>Investment Limitations</u>	165
<u>Change in Investment</u>	166
<u>OTHER MATTERS</u>	166
<u>PROPOSALS FOR NEXT ANNUAL MEETING</u>	166
<u>AVAILABLE INFORMATION</u>	166
<u>INDEX TO FINANCIAL STATEMENTS</u>	<b>F-1</b>

Appendix A	<u>Contribution Agreement</u>
Appendix B	<u>Opinion of Banc of America Securities LLC</u>
Appendix C-1	<u>Form of Second Articles of Amendment and Restatement</u>
Appendix C-2	<u>Form of Second Articles of Amendment and Restatement Marked to Show Proposed Changes</u>
Appendix D-1	<u>Form of Third Articles of Amendment and Restatement</u>
Appendix D-2	<u>Form of Third Articles of Amendment and Restatement Marked to Show Proposed Changes</u>
Appendix E	<u>Maryland General Corporation Law Rights of Objecting Stockholders</u>
Appendix F	<u>Form of 2006 Long-Term Incentive Plan</u>
Appendix G	<u>Form of 2006 Incentive Compensation Plan</u>

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING**

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

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

*The Director Proposal:* the election of seven nominees to our Board to hold office until the 2007 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified;

*The Accountant Proposal:* the ratification of our selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2006;

*The Internalization Proposal:* the approval of the Internalization;

*The Pre-Listing Charter Amendment Proposal:* the approval of an amendment and restatement of our Articles, which will become effective upon consummation of the Internalization, to modify certain provisions to reflect that we have become self-advised and to change the name of our company to DCT Industrial Trust Inc.;

*The Post-Listing Charter Amendment Proposal:* the approval of a further amendment and restatement of our Articles, which will become effective upon a Listing, to modify certain provisions to conform more closely to the charters of Listed REITs;

*The Long-Term Incentive Plan Proposal:* the approval of our new 2006 Long-Term Incentive Plan;

*The Incentive Compensation Plan Proposal:* the approval of our new 2006 Incentive Compensation Plan; and

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

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

**2. Why has the Internalization been proposed?**

When we were organized in April 2002, our Board determined that the size and scope of our business operations were insufficient to support the overhead costs associated with a self-advised structure. Accordingly, we contracted with the Advisor to provide all personnel, accounting, administrative and other support services and resources necessary for our business operations. Since then, we have grown rapidly. We held over \$2.8 billion in assets at June 30, 2006. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we expect to hire various individuals associated with the Advisor or its affiliates who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies.

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We believe that by completing the Internalization we will enhance the likelihood of a successful Listing; however, we expect that the Internalization will be beneficial to us even if we do not complete a Listing. We believe the Internalization that we are proposing will be accretive over time to our net income per share and our FFO per share because the reduction in our operating costs that will result from eliminating the advisory and other fees we otherwise would continue to pay to the Advisor will more than offset the dilutive effect of the issuance of additional OP Units pursuant to the Internalization and the direct employee and related expenses we

## Table of Contents

will incur. However, there can be no assurance that these reductions in operating costs will be realized. We also believe that the kinds of equity-based compensation arrangements we will enter into with the members of our senior management team effective upon the closing of the Internalization will better align their interests with those of our stockholders than the current arrangements (under which many of those members of management have indirect interests in the equity or net cash flow of the Advisor).

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

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

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

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

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

Although approval of the Internalization Proposal by our stockholders is not required by our Articles or the Maryland General Corporation Law (the **MGCL** ), we made such approval a condition to closing under the Contribution Agreement. We are seeking your approval of the Internalization Proposal because we believe it is

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**Table of Contents**

appropriate to request our stockholders to approve the Internalization Proposal in light of the importance of the Internalization and because some of our directors and officers have material financial interests in the Internalization. It is also a condition to closing stated in the Contribution Agreement.

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

**3. Why don't we terminate the Advisory Agreement with the Advisor and hire another external advisor instead of pursuing the Internalization?**

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

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

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

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## Table of Contents

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

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

#### **4. What is the effect of the Internalization?**

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

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

**Table of Contents**

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

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

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

review, consider and evaluate any proposals that may be made with respect to any business combination transaction involving the acquisition by us of the Advisor or its business;

if the Special Committee deemed it appropriate, negotiate the terms and conditions of any such proposal (including price, form and structure) and of any and all agreements in respect of such a transaction;

if the Special Committee deemed it appropriate, reject any proposal that may be made with respect to such a transaction;

if the Special Committee deemed it appropriate, make and publish recommendations to our Board and our stockholders in respect of any transaction or proposal with respect thereto; and

select and retain, at our expense, such legal, financial and other advisors or agents as the Special Committee deems necessary or appropriate to assist it in the performance of its duties and the exercise of its powers.

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





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**Table of Contents**

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

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

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

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

ownership of an interest in the Advisor or its Affiliates (as defined below),

employment by the Advisor or its Affiliates,

service as an officer or director of the Advisor or its Affiliates,

performance of services, other than as a director, for us,

service as a director or trustee of more than three REITs advised by the Advisor, or

maintenance of a material business or professional relationship with the Advisor or any of its Affiliates.

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

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

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

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

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

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

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

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**Table of Contents**

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

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

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

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

**8. What vote is required to approve the Internalization?**

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

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

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

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

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

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**Table of Contents**

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

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

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

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

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

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

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

## **Table of Contents**

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

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

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

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

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

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

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

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

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

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

## **Table of Contents**

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

### **14. How does our Board recommend that I vote on each of these various proposals at the Annual Meeting?**

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

### **15. Who is entitled to vote at the Annual Meeting?**

Only holders of record of our common shares at the close of business on September 1, 2006, the Record Date for the Annual Meeting, will be entitled to vote at the Annual Meeting.

### **16. How many shares can vote at the Annual Meeting?**

As of the Record Date, 150,969,462 of our common shares were outstanding and entitled to vote. Each common share entitles the holder thereof to one vote on each of the matters to be voted upon at the Annual Meeting. All of our directors and officers and their Affiliates owned, directly or indirectly, common shares as of the Record Date, and these directors and officers had the power to vote, as determined by the rules of the SEC, less than 0.1% of our outstanding common shares.

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

### **17. What is a quorum at the Annual Meeting?**

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

### **18. If my shares are held in street name by my broker, will my broker vote my shares for me?**

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

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**Table of Contents**

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

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

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

**20. How will the proxies be voted?**

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

the approval of the Director Proposal;

the approval of the Accountant Proposal;

the approval of the Internalization Proposal;

the approval of the Pre-Listing Charter Amendment Proposal;

the approval of the Post-Listing Charter Amendment Proposal;

the approval of the Long-Term Incentive Plan Proposal; and

the approval of the Incentive Compensation Plan Proposal.

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



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

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

**Table of Contents**

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

**22. Whom should I call with questions about the Internalization or the other proposals being voted on at the Annual Meeting?**

You should call our proxy solicitor, Georgeson Shareholder Communications, at 1-866-295-3663 (toll-free).

**Table of Contents**

**SUMMARY OF THE INTERNALIZATION PROPOSAL**

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

***The Internalization Proposal***

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

***Parties to the Internalization***

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

**Dividend Capital Operating Partnership LP** Our Operating Partnership was formed under Delaware law in April 2002 to acquire, own and lease properties on our behalf. We hold substantially all of our assets in our Operating Partnership or in subsidiary entities in which our Operating Partnership owns an interest. We are the sole general partner of our Operating Partnership, which means we have the exclusive power to manage and conduct the business of our Operating Partnership. As of June 30, 2006, we held 149,598,403 OP Units and owned approximately 97% of our Operating Partnership. The Advisor currently owns 20,000 OP Units and the Advisor's Parent currently owns 10,000 Special Units. See Proposal III The Internalization Proposal Our Company. In the Internalization, we will acquire and redeem the 20,000 OP Units presently owned by the Advisor and the 10,000 Special Units held by the Advisor's Parent will be modified into a portion of the 15,111,111 OP Units being issued in connection with the Internalization, pursuant to an amendment to our Operating Partnership's partnership agreement.

**Dividend Capital Advisors Group LLC** The Advisor's Parent was formed under Colorado law in April 2002 as a holding company to hold the entire outstanding membership interest, and all economic interests, in the Advisor. Our day-to-day operations are managed by the Advisor through the authority delegated to it under our Articles and the Advisory Agreement and pursuant to the policies established

**Table of Contents**

by our Board. We originally entered into the current Advisory Agreement with the Advisor effective November 21, 2003 and this agreement has been renewed for successive one-year periods, most recently as of February 28, 2006. Under the terms of the Advisory Agreement, the Advisor finds, presents and recommends to us investment opportunities, structures our acquisition and development transactions, acquires and develops properties on our behalf, arranges for financing and refinancing of properties, enters into leases and service contracts for our properties and provides daily management and various other administrative functions. See Proposal III The Internalization Proposal The Advisor and the Advisory Agreement.

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

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

***Background of the Internalization***

Our Board has been evaluating whether we should convert from our current external advisory structure to a self-advised structure in order to obtain the financial and other benefits described elsewhere in this proxy statement. Since our inception, our day-to-day operations have been managed by the Advisor under the supervision of our Board, pursuant to the terms and conditions of an advisory agreement with the Advisor. We have grown rapidly since our inception and held over \$2.8 billion in assets at June 30, 2006. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we expect to hire various individuals associated with the Advisor or its affiliates who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide

**Table of Contents**

us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies.

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

***Principal Reasons for the Internalization***

We believe that a self-advised structure will have several advantages, including the following:

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

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

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

**Table of Contents**

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

***Certain Charter Restrictions Inapplicable***

We are proposing in the Pre-Listing and Post-Listing Charter Amendment Proposals to eliminate from our Articles restrictions on transactions between us and our Affiliates (we explain who our Affiliates are in the answer to Question 6, above) which, in addition to requiring disinterested director approval, require that an affiliated transaction be fair and reasonable to us and our stockholders, that the terms of such transaction be at least as favorable as the terms of any comparable arm's-length transactions known to our directors and that, if an acquisition is involved, the total consideration not be in excess of the appraised value of the property being acquired. Because the elimination of these general restrictions will not be effective before a Listing, these provisions, to the extent they otherwise would be applicable, will not affect the approvals required for the Internalization or the other related transactions contemplated by the Contribution Agreement. **If the Pre-Listing Charter Amendment Proposal is not approved by our stockholders at the Annual Meeting, we may be required to consummate the Internalization if the conditions to the Internalization have been satisfied or waived and if permitted by applicable law. See Proposal IV The Pre-Listing Charter Amendment Proposal and Proposal V The Post-Listing Charter Amendment Proposal.**

***Opinion of the Special Committee's Financial Advisor***

In connection with the Internalization, Banc of America Securities LLC ( **Banc of America Securities** ), the Special Committee's financial advisor, delivered to the Special Committee a written opinion, dated July 21, 2006, as to the fairness, from a financial point of view and as of the date of Banc of America Securities' opinion, to us of the consideration to be paid by us pursuant to the Contribution Agreement. For purposes of its opinion, Banc of America Securities evaluated the 15,111,111 OP Units issuable pursuant to the Contribution Agreement as having an aggregate value of \$170.0 million, which was the aggregate value agreed upon by the Special Committee and the Advisor's Parent in their negotiation of the terms of the Internalization. The full text of the written opinion, dated July 21, 2006, of Banc of America Securities, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as **Appendix B** to this proxy statement and is incorporated by reference in its entirety into this document. You are encouraged to read the opinion carefully in its entirety. **Banc of America Securities provided its opinion to the Special Committee to assist the Special Committee in its evaluation, from a financial point of view, of the**

**Table of Contents**

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

***Interests of Certain of Our Directors and Officers***

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

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

**Table of Contents**

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

***Our Management Following the Internalization***

Each of Thomas Wattles, our Chairman and a director, James Cochran, our Chief Investment Officer and, following the Internalization, our President, Daryl Mechem, our Managing Director, Matthew Murphy, a senior vice president, and Michael Ruen, a senior vice president, has expressed his current intention to continue to serve in such role(s) after the closing date and has executed an Employment Agreement with us, effective as of the closing date of the Internalization. Evan Zucker will resign as Chief Executive Officer, President, Secretary and a director and James Mulvihill will resign as Treasurer and Chief Financial Officer, respectively, and each of them will enter into a non-competition agreement (the **Non-Competition Agreements** ) with us, effective as of the closing date of the Internalization. Following the Internalization, Philip Hawkins will be our Chief Executive Officer. See Proposal I: Election of Directors: Nominees for Election to Our Board of Directors and Proposal III The Internalization Proposal Description of the Internalization Non-Competition Agreements, Employment Agreement and Other Agreements.

***Employment Agreements***

We have entered into the Employment Agreements containing, among other things, non-compete provisions with the following key individuals associated with the Advisor or its affiliates, effective as of the closing date of the Internalization: Thomas Wattles, James Cochran, Daryl Mechem, Matthew Murphy, Michael Ruen and Philip Hawkins, who, upon consummation of the Internalization, will become our new chief executive officer and a director. See Proposal III The Internalization Proposal Description of the Internalization Non-Competition Agreements, Employment Agreements and Other Agreements.

***Non-Competition Agreements***

We will enter into the Non-Competition Agreements with Evan Zucker who will, upon consummation of the Internalization, resign as our Chief Executive Officer, President, Secretary and a director, and James Mulvihill, who will, upon consummation of the Internalization, resign as our Treasurer and Chief Financial Officer, effective as of the closing date of the Internalization. The Non-Competition Agreements to be entered into by Messrs. Zucker and Mulvihill generally restrict their ability to engage in various activities in North America in respect of industrial real estate for three years. The agreements contain certain exceptions, including a provision that Messrs. Zucker and Mulvihill can provide various services to Dividend Capital Total Realty Trust Inc. ( **DCTRT** ) and other related entities so long as the



**Table of Contents**

exclusivity provisions of the Joint Venture Agreement described below that prohibit such entities from investing in industrial real estate in certain major markets in which we currently operate otherwise than in partnership with us remain in effect. Messrs. Zucker and Mulvihill will no longer be bound by the non-competition provisions if we default in our obligation to nominate a designee of the Advisor's Parent to our Board in each of 2007, 2008 and 2009. See Proposal III The Internalization Proposal Description of the Internalization Non-Competition Agreements, Employment Agreements and Other Agreements.

***Pledge and Security Agreement***

At or prior to the closing date of the Internalization, we will enter into a pledge and security agreement with the Advisor's Parent with respect to the pledge of the Internalization Consideration and certain other assets by the Advisor's Parent to secure its indemnification obligations under the Contribution Agreement (the **Pledge Agreement**). See Proposal III The Internalization Proposal Description of the Internalization Pledge Agreement.

***Registration Rights Agreement***

We have granted registration rights to the Advisor's Parent, and to its permitted transferees, in respect of the registration of any common shares issued in exchange for the OP Units issued in the Internalization, which require us, under certain circumstances, to register those shares under the Securities Act of 1933 (the **Securities Act**), as amended. See Proposal III The Internalization Proposal Description of the Internalization Registration Rights Agreement.

***Joint Venture Agreement***

We have entered into a Joint Venture Agreement (the **Joint Venture Agreement**) with DCTRT and one of DCTRT's wholly-owned subsidiaries. The Joint Venture Agreement provides that one or more additional affiliated entities of DCTRT may also become parties to the agreement and establishes a series of joint ventures that, subject to certain exceptions and conditions, will be the exclusive vehicles used by DCTRT, its wholly-owned subsidiary and, if applicable, such affiliated entities to invest in industrial real estate assets in our current major markets through the end of 2008. We will be required to provide minimum amounts of investment opportunities to these joint ventures. We will act as the managing member of these entities, subject to the approval of major decisions by DCTRT, its wholly-owned subsidiary and, if applicable, such affiliated entities, and will receive certain fees and, if performance criteria are met, promote payments. See Proposal III The Internalization Proposal Description of the Internalization Joint Venture Agreement.

***Additional New Agreements with Divided Capital Affiliated Companies***

The Contribution Agreement provides that, upon the closing of the Internalization, we will enter into new agreements, including the Transitional Services Agreement with DC Services and a license agreement (the **License Agreement**) with the Advisor's Parent. Pursuant to the Transitional Services Agreement, we will receive

**Table of Contents**

enumerated services necessary to operate the Advisor's business for a one-year period (or such shorter time as we may determine) by arranging for a continuation of existing resource-sharing arrangements among the Advisor, other affiliates of the Advisor's Parent and us, until we are able to arrange to internally provide such services. These resources include IT services, human resources, payroll, accounts payable and certain other services. The maximum monthly amount payable under this agreement is approximately \$71,600.

The License Agreement will provide for use of the Dividend Capital name without payment of any fees for a period of one year, subject to earlier termination in connection with our material breach of the License Agreement, a change of control of us or our bankruptcy or insolvency.

See also Proposal I Election of Directors: Nominees for Election to Our Board of Directors Certain Relationships and Related Transactions New Agreements with Affiliates of the Advisor's Parent.

***Indemnification***

In the Contribution Agreement, we and the Advisor's Parent have agreed to indemnification obligations covering damages arising from certain matters following the closing of the Internalization (the **Closing**). See Proposal III The Internalization Proposal Description of the Internalization Indemnification.

***Closing***

The closing of the Internalization will occur three business days following the satisfaction or waiver of the conditions to the Internalization set forth in the Contribution Agreement (other than conditions that by their nature are to be satisfied at the closing of the Internalization), or on such other date as we and the Advisor's Parent may mutually agree (the **Closing Date**). See Proposal III The Internalization Proposal Description of the Internalization Closing.

***Board Nominations***

In the Contribution Agreement, we have agreed to cause an individual designated by the Advisor's Parent to be nominated for election to our Board at our annual stockholders' meetings to be held in 2007, 2008 and 2009, in each case to serve a one-year term. The obligation terminates if at any time the persons who at the time of the Internalization are the beneficial owners of the Advisor's Parent, together with the employees being transferred to us in the Internalization, collectively beneficially own (directly or indirectly) less than 5,000,000 of the 15,111,111 OP Units issued in the Internalization. The initial representative of the Advisor's Parent will be James Mulvihill.

***Business of the Advisor Pending the Internalization***

The Contribution Agreement requires that, subject only to specified exceptions, until the Closing, the Advisor's Parent must (i) cause the

**Table of Contents**

Advisor to conduct its business in the ordinary course consistent with past practice, (ii) use commercially reasonable efforts to preserve substantially intact the present organization of the Advisor, (iii) use commercially reasonable best efforts to keep available the services of the present officers and employees of the Advisor or its affiliates, (iv) use commercially reasonable efforts to preserve the Advisor's relationships with others having business dealings with the Advisor and (v) not engage in certain actions specified in the Contribution Agreement. See Proposal III The Internalization Proposal Description of the Internalization Conduct of Business Prior to Closing.

***Conditions of the Internalization***

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

***Termination***

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

***Regulatory Matters***

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

***No Appraisal Rights with Respect to the Internalization***

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

***U.S. Federal Income Tax Considerations***

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

***Accounting Treatment***

The Internalization will be accounted for primarily as costs incurred in connection with terminating the Advisory Agreement which will be

**Table of Contents**

treated as an expense when incurred. See Proposal III The Internalization Proposal Description of the Internalization Certain Financial and Other Information Regarding the Internalization Accounting Treatment.

***Risk Factors***

There are a number of risks associated with the Internalization that you should consider before returning your proxy. See Risk Factors.

***Board Recommendation***

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

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**Table of Contents**

**RISK FACTORS**

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

changes in local and national real estate market conditions and general economic conditions, including extended U.S. military combat operations abroad and the potential for terrorist attacks and the occurrence or perceived likelihood of the occurrence of certain contagious diseases or pandemics such as SARS or Bird Flu ;

availability of capital from short-term borrowings; availability of proceeds from future equity offerings; or our ability to obtain additional long-term financing on satisfactory terms;

our ability to continue to identify suitable investments;

our ability to consummate the transactions contemplated under existing and future agreements;

failure of closing conditions to be satisfied and/or to secure certain third-party consents in connection with certain transactions;

changes in the structure of pending transactions;

whether the Pre-Listing Charter Amendment Proposal and the Internalization Proposal are approved and whether the Internalization is consummated;

our ability to List;

the inability to acquire properties that meet our investment objectives;

our ability to continue to qualify as a REIT and to make payments which are necessary, including distributions, to maintain such qualification;

changes in interest rates and financial and capital markets;

legislative or regulatory changes, including changes to laws governing the taxation of REITs;

changes in generally accepted accounting principles, policies and guidelines and/or their application to us;

changes in our business or strategic objectives;

stockholders electing to participate in the DRP;

requirements relating to the offering of equity securities; and

such other risk factors as may be discussed herein and in other reports on file or subsequently filed with the SEC.

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

**Table of Contents****Certain of Our Directors and Officers Have Potential Conflicts of Interest.**

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

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

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

In the Contribution Agreement, we agreed that at the Closing we will enter into a registration rights agreement (the **Registration Rights Agreement**) with the Advisor's Parent in respect of any common shares acquired or otherwise owned by or issuable to the Advisor's Parent or its permitted transferees upon exchange of the OP Units issued in the Internalization. The Registration Rights Agreement requires us, on up to two occasions, on demand of the Advisor's Parent or its permitted transferees as a group, to prepare and file a registration statement within 45 days of the demand that covers the resale of the shares specified in the demand, and to use our commercially reasonable efforts to cause the registration statement to become effective if it is not automatically effective on filing. We are not required to file a registration statement unless the shares covered by the registration statement have a maximum aggregate offering price of at least \$25.0 million (unless the registration statement covers all remaining registrable shares). This demand registration right is exercisable any

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**Table of Contents**

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

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

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

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

**We May Compete with Our Affiliates for Properties.**

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



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**Table of Contents**

to acquire in order to avoid bidding against an Affiliate. While certain of our Affiliates have agreed not to engage in activities within North America relating to the ownership, acquisition, development or management of industrial properties until the third anniversary of the Closing Date, such agreements are subject to certain exceptions.

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

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

**We May Invest With Our Affiliates.**

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

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

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

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

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

In our current externally-advised structure, we do not directly employ any employees. As a result of the Internalization, we will directly employ persons who are currently associated with the Advisor or its affiliates and will establish a new defined contribution retirement plan for our employees. As of June 30, 2006, the Advisor and its affiliates who provided services to us had approximately 100 employees or consultants,

## **Table of Contents**

approximately 50 of whom will become our employees as of the Closing Date. The individuals not becoming our employees generally had roles dealing with capital raising activities and our Operating Partnership's private placement. As their employer, we will be subject to those potential liabilities that are commonly faced by employers, such as workers disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances and we will bear the costs of the establishment and maintenance of such plans.

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

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

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

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

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

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

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

The selling price of our common shares in our most recent continuous public offering was \$10.50 per share. We closed the primary component of this offering on January 23, 2006. However, we continue to sell shares under our DRP based on a value of \$10.50 per share. As described elsewhere in this proxy statement, the Special Committee negotiated the amount of the Internalization consideration by first negotiating an aggregate price expressed in dollars (\$170.0 million) and then agreeing upon the value per OP Unit to be used in deciding the number of OP Units that would represent \$170.0 million in value (\$11.25 per OP Unit). Since at present there is

**Table of Contents**

no active trading market for our common shares or our OP Units, there is no objective way to precisely value the OP Units that the Advisor's Parent will receive in the Internalization. If we complete a Listing in the near future, the prices at which our common shares trade following the Listing will provide a more objective indication of the value of each OP Unit received by the Advisor's Parent. If the fair market value of the 15,111,111 OP Units to be received by the Advisor's Parent in the Internalization proves to be greater than \$11.25 per OP Unit, the Advisor's Parent will have received consideration worth more than \$170.0 million for the Advisor. Conversely, if the fair market value of those OP Units proves to be less than \$11.25 per OP Unit, the Advisor's Parent will have received consideration worth less than \$170.0 million. Neither party has the right to terminate the Contribution Agreement due to a change in the fair market value of our common shares. If we pursue and complete a Listing, our common shares may trade in the public market at a price different from \$11.25 per share.

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

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

**Table of Contents****SELECTED FINANCIAL DATA OF THE ADVISOR**

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

The following table sets forth selected financial data relating to the Advisor's historical financial condition and results of operations for the periods ended 2005, 2004, 2003 and 2002 (the year of inception), as well as the six months ended June 30, 2006 and 2005. You should read the following selected financial data of the Advisor in conjunction with Advisor Management's Discussion and Analysis of Financial Condition and Results of Operations of the Advisor and the Advisor's (i) audited balance sheet as of December 31, 2005, and the related statements of operations, member's equity, and cash flows for the year then ended, together with the related notes thereto, and (ii) unaudited balance sheet as of June 30, 2006, and the related statements of operations, member's equity, and cash flows for the six months then ended, in each case included elsewhere in this proxy statement.

	For the Six Months			For the Year Ended December 31,		
	Ended June 30, 2006	2005	2005	2004	2003	2002
<b>OPERATING DATA:</b>						
<b>Revenue:</b>						
Acquisition fees	\$ 10,155,805	\$ 2,793,173	\$ 11,068,758	\$ 6,358,733	\$ 4,354,528	\$
Asset management fees	7,815,123	2,703,130	8,901,015	1,525,193		
Private placement fees	2,927,674	986,135	3,626,127	761,271	126,587	
Interest and other income	594,957	59,511	97,597	142,293	10,833	
<b>Total revenue</b>	<b>21,493,559</b>	<b>6,541,949</b>	<b>23,693,497</b>	<b>8,787,490</b>	<b>4,491,948</b>	
<b>Expenses:</b>						
Payroll and payroll-related	4,131,640	2,951,439	6,556,353	4,156,137	2,435,907	
General & administrative	2,082,324	2,201,623	4,804,345	2,334,908	1,809,164	
Depreciation and amortization	143,092	96,951	216,835	134,098	31,955	
Asset management fee	87,303		733,792			
<b>Total expenses</b>	<b>6,444,359</b>	<b>5,250,012</b>	<b>12,311,325</b>	<b>6,625,143</b>	<b>4,277,026</b>	
<b>Net Income</b>	<b>\$ 15,049,200</b>	<b>\$ 1,291,938</b>	<b>\$ 11,382,172</b>	<b>\$ 2,162,347</b>	<b>\$ 214,922</b>	<b>\$</b>
<b>CASH FLOW DATA:</b>						
Net cash provided by (used in) operating activities	\$ 6,472,207	\$ 2,290,854	\$ 17,536,479	\$ 4,253,992	\$ (1,619,491)	\$ (3,896,361)
Net cash used in investing activities	\$ (328,980)	\$ (21,774)	\$ (929,382)	\$ (456,705)	\$ (392,077)	\$ (260,485)
Net cash provided by (used in) financing activities	\$ (10,100,000)	\$ (3,500,000)	\$ (13,850,000)	\$ (3,960,411)	\$ 4,199,455	\$ 4,260,956
	<b>As of June 30,</b>			<b>As of December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>BALANCE SHEET DATA:</b>						
Total Assets	\$ 11,230,649	\$ 7,019,567	\$ 8,072,810	\$ 9,090,369	\$ 10,715,989	\$ 4,518,018
Total Liabilities	\$ 1,872,008	\$ 3,350,360	\$ 3,663,369	\$ 6,713,100	\$ 10,501,067	\$ 4,518,018
Total Member's Equity	\$ 9,358,641	\$ 3,669,207	\$ 4,409,441	\$ 2,377,269	\$ 214,922	\$

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**Table of Contents**

**ADVISOR MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ADVISOR**

The Advisor management's discussion and analysis of financial condition and results operations of the Advisor consists of comparisons of the operating results of the Advisor for the six months ended June 30, 2006 and 2005 and for the years ended December 31, 2005, 2004 and 2003.

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

**Overview**

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

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

**Critical Accounting Policies**

***General***

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

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

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**Table of Contents*****Revenue Recognition***

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

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

***Property and Equipment***

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

***Results of Operations******Comparison of the Six Months Ended June 30, 2006 to the Six Months Ended June 30, 2005***

*Revenues.* The Advisor's total revenues increased by approximately \$15.0 million, or 228.5%, to approximately \$21.5 million during the six months ended June 30, 2006 as compared to approximately \$6.5 million during the same period in 2005, primarily due to significantly increased asset management and private placement fee revenue in 2006 versus 2005. Acquisition fees increased by approximately \$7.4 million, or 263.6%, to approximately \$10.2 million in 2006 from approximately \$2.8 million in 2005, as a result of the acquisition of approximately \$923.0 million of properties by the Trust during the six months ended June 30, 2006 versus only \$287.8 million of properties during the same period in 2005. Asset management fees increased by approximately \$5.1 million, or 189.1%, to approximately \$7.8 million during the six months ended June 30, 2006 from approximately \$2.7 million during the same period in 2005, primarily due to (i) significantly more assets under management due to the acquisition of 248 properties by the Trust after June 30, 2005, and (ii) asset management fees for the 25 properties acquired by the Trust during the six months ended June 30, 2005 being higher for the six months ended June 30, 2006 than for the same period in 2005 as these properties were under management for a full six months. Private placement fees increased by approximately \$1.9 million, or 196.9%, to approximately \$2.9 million during the six months ended June 30, 2006 from approximately \$1.0 million during the same period in 2005, due to increased capital being raised pursuant to the private placement program. Interest and other income increased by approximately \$535,000, to approximately \$595,000 for the six months ended June 30, 2006 from approximately \$60,000 for the same period in 2005, primarily due to fees of approximately \$367,000 earned in 2006 for financing services associated with the closing of the Trust's initial institutional fund.

*Expenses.* The Advisor's total expenses increased by approximately \$1.2 million or 22.7%, to approximately \$6.4 million during the six months ended June 30, 2006, as compared to \$5.3 million during the same period in 2005. Payroll and payroll-related expenses increased by approximately \$1.2 million or 40.0%, to approximately \$4.1 million during the six months ended June 30, 2006, from approximately \$3.0 million during the same period in 2005, primarily due to a substantial increase in general business activities resulting in the hiring of additional employees. General and administrative expenses decreased by approximately \$119,000 or 5.4%, to approximately

**Table of Contents**

\$2.1 million for the six months ended June 30, 2006, from approximately \$2.2 million for the same period in 2005, primarily due to a decrease in legal expenses offset by an increase in general business activities resulting from hiring more employees, increased acquisition activity and significantly more assets under management during the six months ended June 30, 2006, as compared to the same period in 2005. Depreciation and amortization expense increased by approximately \$46,000, or 47.6%, to approximately \$143,000 during the six months ended June 30, 2006, from approximately \$97,000 during the same period in 2005, primarily as a result of additional fixed assets being placed in service subsequent to June 30, 2005.

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

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

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

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

*Revenues.* The Advisor's total revenues increased by approximately \$4.3 million, or 95.6%, to approximately \$8.8 million during the year ended December 31, 2004 as compared to approximately \$4.5 million during the same period in 2003, primarily due to significantly increased acquisition and asset management fee revenue in 2004 versus 2003. Acquisition fees increased by approximately \$2.0 million, or 46.0%, to approximately \$6.4 million in 2004 from approximately \$4.4 million in 2003, as a result of the acquisition of approximately \$603.4 million of properties by the Trust in 2004 versus approximately \$151.8 million of properties in 2003. The Advisor earned asset management fees of approximately \$1.5 million in 2004, as it reached and exceeded the threshold of \$170.0 million of assets under management during April of 2004. No asset management fees were earned in 2003. Private placement fees increased by approximately \$635,000, or 501.4%, to approximately \$761,000 in 2004 from approximately \$127,000 in 2003, due to increased capital being raised

**Table of Contents**

pursuant to the private placement program. Interest and other income increased by approximately \$131,000, or 1,213.6%, to approximately \$142,000 in 2004 from approximately \$11,000 in 2003, primarily as a result of interest earned on higher average note receivable balances in 2004 as compared to 2003 and as a result of revenue received in 2004 from affiliated companies for the use of certain of the Advisor's property and equipment.

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

**Liquidity and Capital Resources**

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

***Cash Flows for the Six Months Ended June 30, 2006***

The Advisor's cash and cash equivalents decreased by approximately \$4.0 million to approximately \$929,000 during the six months ended June 30, 2006. The decrease in cash and cash equivalents was comprised primarily of cash used in financing activities offset by cash provided by operations.

Cash provided by operating activities of \$6.5 million was primarily comprised of (i) net income of \$15.0 million reduced by (ii) a net increase in accounts receivable of approximately \$6.9 million primarily related to acquisition fees that were earned in June 2006 and paid in July 2006. Cash used in investing activities of approximately \$329,000 was comprised primarily of an increase in fixed assets and cash used in financing activities of \$10.1 million was comprised of distributions made to the Advisor's Parent.

***Cash Flows for the Year Ended December 31, 2005***

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

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



**Table of Contents**

***Cash Flows for the Year Ended December 31, 2004***

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

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

**Table of Contents****PER-SHARE DATA OF THE COMPANY**

The following tabulation reflects the historical net income, book value and distributions per share of our common shares in comparison with the *pro forma* net income, book value and distributions per share after giving effect to certain property acquisitions and the proposed Internalization. The Advisor is structured as a single-member limited liability company and, as such, does not have shares or share equivalents outstanding. For the year ended December 31, 2005 and for the six months ended June 30, 2006, the Advisor recognized net income of approximately \$11.4 million and \$15.0 million, respectively. The information presented in this tabulation should be read in conjunction with the *pro forma* combined financial statements and the separate financial statements of the respective companies and the notes thereto that accompany this proxy statement.

	<b>Six Months Ended June 30, 2006</b>	<b>Year Ended December 31, 2005</b>
<b>Net Income:</b>		
Historical	\$ 0.00	\$ (0.12)
<i>Pro forma</i> property acquisitions	\$ (0.11)	\$ (0.38)
<i>Pro forma</i> property acquisitions and Internalization	\$ (0.08)	\$ (0.30)
<b>Distributions:</b>		
Historical	\$ 0.32	\$ 0.64
<i>Pro forma</i> property acquisitions and Internalization	\$ 0.32	\$ 0.64
<b>Book Value:</b>		
Historical	\$ 8.32	\$ 8.50
<i>Pro forma</i> property acquisitions and Internalization	\$ 7.31	\$ 7.27

**Table of Contents****PROPOSAL I:****ELECTION OF DIRECTORS:****NOMINEES FOR ELECTION TO OUR BOARD OF DIRECTORS**

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

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

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

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

Name	Age	Position	Position Held Since
Thomas G. Wattles	54	Chairman and Director	2003
Evan H. Zucker	41	Chief Executive Officer, President, Secretary and Director	2002
James R. Mulvihill	42	Treasurer, Chief Financial Officer and Director	2002
Phillip R. Altinger	44	Director*	2006
Tripp H. Hardin, III	45	Director*	2002
John C. O. Keeffe	46	Director*	2002
Bruce L. Warwick	68	Director*	2005

\* Independent Director

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

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

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

*Thomas G. Wattles*, age 54, is the Chairman, and director of Dividend Capital Trust and a consultant to the Advisor. Mr. Wattles also served as our Chief Investment Officer from March 2003 to September 2005. Mr. Wattles is a principal of both Dividend Capital Group LLC and Black Creek Capital, LLC, both of which he

**Table of Contents**

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 DCTR. From March 1997 and May 1998, Mr. Wattles served as Chairman of ProLogis Trust (NYSE:PLD), and served as Co-Chairman and Chief Investment Officer from November 1993 to March 1997. Mr. Wattles was a Managing Director of Security Capital Group Incorporated and served in various capacities including Chief Investment Officer from January 1991 to December 2002. Mr. Wattles is also currently a director of Regency Centers Corporation (NYSE:REG) and chairs its Investment Committee and is a member of its Audit Committee. Mr. Wattles holds a Bachelor's degree and an M.B.A. degree from Stanford University.

*Evan H. Zucker*, age 41, is the Chief Executive Officer, President, Secretary and a director of Dividend Capital Trust. Mr. Zucker is also a consultant to the Advisor. Mr. Zucker is a principal of Black Creek Capital, LLC, a Denver-based real estate investment firm which he co-founded in 1993. In addition, since April 2005, Mr. Zucker has been a manager of Dividend Capital Total Advisors Group LLC, which owns the advisor of DCTR. Mr. Zucker has been active in real estate acquisition, development and redevelopment activities since 1989, and as of June 30, 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 \$4.0 billion. Mr. Zucker served as the President and as a director of American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) from 1993 through 1997, and as a director of Keystone Property Trust from 1997 through 1999. Mr. Zucker had co-founded American Real Estate Investment Corp. in 1993, which was an industrial, office and logistics REIT and was acquired by ProLogis Trust (NYSE:PLD) in August 2004. Mr. Zucker graduated from Stanford University with a Bachelor's degree in Economics.

*James R. Mulvihill*, age 42, is the Treasurer, Chief Financial Officer and a director of Dividend Capital Trust. Mr. Mulvihill is also a consultant to the Advisor. Mr. Mulvihill is a principal of Black Creek Capital, LLC, a Denver-based real estate investment firm which he co-founded in 1993. In addition, since April 2005, Mr. Mulvihill has been a manager of Dividend Capital Total Advisors Group LLC, which owns the advisor of DCTR. 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 June 30, 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 \$4.0 billion. Mr. Mulvihill served as the Chairman and as a director of American Real Estate Investment Corp. (known as Keystone Property Trust, NYSE:KTR) from 1993 through 1997, and as a director of Keystone Property Trust from 1997 through 1999. Mr. Mulvihill had co-founded American Real Estate Investment Corp. in 1993, which was an industrial, office and logistics REIT and was acquired by ProLogis Trust (NYSE:PLD) in August 2004. Prior to co-founding Black Creek Capital, Mr. Mulvihill served as Vice President of the Real Estate Banking and Investment Banking Groups of Manufacturer's Hanover and subsequently Chemical Bank. Mr. Mulvihill holds a Bachelor's degree from Stanford University in Political Science.

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

*Tripp H. Hardin*, age 45, is an Independent Director of Dividend Capital Trust. Mr. Hardin is a Principal of Trammell Crow Krombach Partners, and has been associated with them or their predecessor company since

**Table of Contents**

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

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

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

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

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

**Table of Contents****EXECUTIVE OFFICERS**

Our executive officers all serve at the pleasure of our Board. Our executive officers 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	42	Treasurer, Chief Financial Officer and Director	2002
James D. Cochran	45	Chief Investment Officer	2005
Daryl H. Mechem	45	Managing Director	2005
Matthew T. Murphy	42	Senior Vice President	2005
Michael J. Ruen	40	Senior Vice President	2005

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

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

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

*Matthew T. Murphy*, age 42, is a senior vice president of Dividend Capital Trust and is responsible for accounting, financial reporting and treasury. Mr. Murphy is also the Controller of the Advisor. Prior to joining the Advisor in May 2003, since February 1998, Mr. Murphy was a Vice President and Controller of Pritzker Residential, LLC, a privately-owned, fully-integrated multi-family real estate investment company. Prior to joining Pritzker, Mr. Murphy served in various positions with Security Capital Group and its affiliates, including Archstone-Smith Trust and ProLogis. Prior to joining Security Capital Group, Mr. Murphy was a staff accountant with Coopers and Lybrand. Mr. Murphy has been active in the accounting functions in connection with real estate companies since 1992. Mr. Murphy holds a Bachelor's degree in Accounting from Colorado State University.

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**Table of Contents**

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

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

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

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

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

**BOARD MEETINGS AND DIRECTORS ATTENDANCE**

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

**DIRECTORS ATTENDANCE AT ANNUAL MEETINGS**

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

**COMMUNICATIONS WITH DIRECTORS**

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

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**Table of Contents**

**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS AND RELATED MATTERS**

**Audit Committee**

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

**Independent Registered Public Accountants**

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

**Audit Committee Report**

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

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

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

**AUDIT COMMITTEE**

*/s/ Phillip R. Altinger, Member*

*/s/ Tripp H. Hardin, Member*

*/s/ John C. O'Keefe, Member*

*/s/ Bruce L. Warwick, Member*

*/s/ Thomas G. Wattles, Member*





## **Table of Contents**

### **Audit Fees**

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

### **Audit-Related Fees**

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

### **Tax Fees and All Other Fees**

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

### **Audit Committee Pre-Approval**

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

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

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

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

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

## **OTHER COMMITTEES**

### **Investment Committee**

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

## **Table of Contents**

### **Compensation Committee**

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

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

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

### **Nominating and Corporate Governance Committee**

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

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

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

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

Stockholders may recommend individuals to our Board for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials. Assuming

## **Table of Contents**

that appropriate biographical and background material has been provided on a timely basis, our Board will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

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

## **COMPENSATION OF DIRECTORS AND OFFICERS**

### **Compensation of Directors**

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

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

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

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

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

### **Executive Officer Compensation**

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

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

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

### **Board Compensation Committee Report on Executive Compensation**

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

**Table of Contents****EQUITY COMPENSATION PLANS INFORMATION****Stock Warrants**

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

The Dealer Manager may retain or re-allow these warrants to broker-dealers that participated in the offering, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The holder of a soliciting dealer warrant is entitled to purchase one common share from us at a price of \$12.00 per share beginning on the first anniversary of the effective date of the offering in which such warrants were issued and ending five years after the effective date of such offering. Subject to certain exceptions, a soliciting dealer warrant may not be transferred, assigned, pledged or hypothecated for a period of one year following the effective date of the relevant public offering. Exercise of the soliciting dealer warrants is governed by the terms and conditions detailed in the warrant purchase agreement.

**Equity Compensation Plan Table**

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

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

- (1) Represents our Independent Director Option Plan, of which 70,000 of the authorized 300,000 options are outstanding, and our Employee Option Plan, of which 107,500 of the authorized 750,000 options are outstanding.
- (2) The weighted average exercise price of outstanding options issued under the Independent Director Option Plan is calculated as the greater of (1) \$12.00 per share or (2) the fair market value of the shares on the date they are granted. The weighted average exercise price of outstanding options issued under the Employee Option Plan is calculated as the greater of (1) \$11.00 per share or (2) the fair market value of the shares on the date they are granted.
- (3) Represents dealer warrants owned by our dealer manager and certain participating broker dealers, of which 2,199,855 warrants were issued in September 2005.
- (4) The weighted average exercise price of outstanding warrants is calculated as \$12 per share, the price at which the holder of a warrant is entitled to purchase one common share.

**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

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

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

**The Internalization**

***Contribution Agreement***

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

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

**Table of Contents**

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

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

**Registration Rights Agreement**

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

## Table of Contents

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

### ***Pledge Agreement***

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

### **Employment Agreements**

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

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



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**Table of Contents**

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

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

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

## **Table of Contents**

### **Our Advisor**

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

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

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

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

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

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

During the year ended December 31, 2005, the Advisor incurred approximately \$8.6 million of offering costs and we reimbursed the Advisor approximately \$13.3 million for such costs, which includes unreimbursed costs from prior periods. These costs are reflected in equity as offering costs when such reimbursement obligations are incurred. As of December 31, 2005, the un-reimbursed amount of offering costs incurred by the Advisor, since inception (April 12, 2002), was approximately \$451,000. As described in Management's Discussion and Analysis of Financial Condition and Results of Operations, we closed the primary offering component of our fourth public offering on January 23, 2006 and, as of June 30, 2006, we had reimbursed the Advisor for all of the then existing un-reimbursed offering costs.

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

## **Table of Contents**

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

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

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

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

The Advisor currently owns 20,000 OP Units of our Operating Partnership, for which it contributed \$200,000. The Advisor may not sell any of these OP Units during the period it serves as the Advisor. We serve as the general partner of our Operating Partnership and currently own 200 general partnership units for which we contributed \$2,000. As of December 31, 2005, we owned 133,206,784 OP Units, or approximately 99% of our Operating Partnership. The Advisor's Parent owns 10,000 Special Units, for which it contributed \$1,000. Such Special Units will be modified into a portion of the 15,111,111 OP Units being issued in connection with the Internalization, pursuant to an amendment to our Operating Partnership's partnership agreement. The resale of any shares by our affiliates is subject to the provisions of Rule 144 promulgated under the Securities Act, which rule limits the number of shares that may be sold at any one time and the manner of such resale.

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

## **The Dealer Manager**

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

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

We have entered into a separate agreement with the Dealer Manager pursuant to which we have paid a dealer manager fee of up to 1.5% of the gross equity proceeds raised through our Operating Partnership's private

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## **Table of Contents**

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

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

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

### **The Facilitator**

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

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

### **New Agreements with Affiliates of the Advisor's Parent**

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

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

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

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## Table of Contents

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

*Joint Venture Agreement.* We have entered into the Joint Venture Agreement with DCTRT and one of DCTRT's wholly-owned subsidiaries. The Joint Venture Agreement provides that one or more additional affiliated entities of DCTRT may also become parties to the agreement and establishes a series of joint ventures that, subject to certain exceptions, will serve as the exclusive vehicles through which DCTRT, its wholly-owned subsidiary and, if applicable, such affiliated entities will acquire industrial real estate assets in certain major markets in which we currently operate until the end of 2008, so long as we introduce a certain minimum amount of potential acquisition opportunities and we do not otherwise materially breach this agreement. However, if (and only for so long as) these exclusivity provisions are not in effect, Mr. Zucker and Mr. Mulvihill will be prohibited under their respective Non-Competition Agreement with us from directly or indirectly participating in certain activities in respect of industrial real estate on behalf of either DCTRT or other related entities. See Proposal I Election of Directors: Nominees for Election to Our Board of Directors Certain Relationships and Related Transactions Non-Competition Agreements.

### **Agreements with Certain of Our Directors and Officers**

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

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

### **Non-Competition Agreements**

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

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

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

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

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**Table of Contents**

constitute more than 20% of the fair market value of all real estate owned, acquired, developed or managed by such entity;

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

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

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

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

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

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

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

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

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

**Table of Contents**

**PROPOSAL II:**

**THE ACCOUNTANT PROPOSAL**

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

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

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

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

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**Table of Contents**

**PROPOSAL III:**

**THE INTERNALIZATION PROPOSAL**

**Our Company**

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

Our Operating Partnership was formed under Delaware law in April 2002 to acquire, own and lease properties on our behalf. We hold substantially all of our assets in our Operating Partnership or in subsidiary entities in which our Operating Partnership owns an interest. We are the sole general partner of our Operating Partnership, which means we have the exclusive power to manage and conduct the business of our Operating Partnership. As of June 30, 2006, we held 149,598,403 OP Units and owned approximately 97% of our Operating Partnership. The Advisor currently owns 20,000 OP Units and the Advisor's Parent currently owns 10,000 Special Units.

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

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

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

Our corporate objectives are:

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

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

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



## **Table of Contents**

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

### **The Advisor and the Advisory Agreement**

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

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

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

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

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

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

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

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

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

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

The Advisor has certain contractual responsibilities to us and our stockholders pursuant to the Advisory Agreement. Many of the services to be performed by the Advisor in managing our day-to-day activities are summarized below. This summary is provided to illustrate the material functions which the Advisor performs for us and it is not intended to include all of the services which may be provided to us by third parties. Under the terms of the Advisory Agreement, the Advisor undertakes to use its best efforts to present to us investment opportunities consistent with our investment policies and objectives as adopted by our Board. In its performance of this undertaking, the Advisor, either directly or indirectly by engaging an affiliate, subject to the authority of our Board:

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

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

**Table of Contents**

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

Arranges for financing and refinancing of properties;

Enters into leases and service contracts for the properties acquired;

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

Provide daily management and other various administrative functions.

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

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

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

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

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

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

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

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

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

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

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

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**Table of Contents**

properties before depreciation, or (ii) 25% of our net income, which is defined as our total revenues less total expenses for any given period excluding depreciation and bad debt. Such operating expenses do not include amounts payable out of capital contributions which may be capitalized for tax and/or accounting purposes such as the acquisition and advisory fees payable to the Advisor. To the extent that operating expenses payable or reimbursable by us exceed this limit and the Independent Directors determine that the excess expenses were justified based on unusual and nonrecurring factors which they deem sufficient, the Advisor may be reimbursed in future years for the full amount of the excess expenses, or any portion thereof, but only to the extent the reimbursement would not cause our operating expenses to exceed the limitation in any year. Within 60 days after the end of any of our fiscal quarters for which total operating expenses for the four consecutive fiscal quarters then ended exceed the limitation, there will be sent to the stockholders a written disclosure, together with an explanation of the factors the Independent Directors considered in arriving at the conclusion that the excess expenses were justified.

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

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

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

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

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

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

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

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

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



## **Table of Contents**

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

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

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

### **Reasons for Becoming Self-Advised**

When we were organized in April 2002, our Board determined that the size and scope of our business operations were insufficient to support the overhead costs associated with a self-advised structure. Accordingly, we contracted with the Advisor to provide all personnel, accounting, administrative and other support services and resources necessary for our business operations. Since then, we have grown rapidly. We held over \$2.8 billion in assets at June 30, 2006. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we expect to hire various individuals associated with the Advisor or its affiliates who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies.

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

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

## **Table of Contents**

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

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

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

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

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

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

### **Background of the Internalization Proposal**

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

### **Proceedings of the Special Committee and Our Board**

The Advisory Agreement between the Advisor and us provides for successive one-year renewals upon mutual consent of the parties and requires our directors to evaluate the performance of the Advisor before renewing the Advisory Agreement. At a meeting of the Board held on February 28, 2006, the members of the Board discussed the renewal of the Advisory Agreement (which then was scheduled to expire in February 2006) and evaluated the Advisor's performance. The members of the Board then engaged in a broader discussion of strategic considerations. They noted that our Articles require us to either complete a Listing or to begin a liquidation by February 2013. The directors also noted that, while they believed our external advisory arrangements had served us well in the early years of our operations by providing cost-efficient management and



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**Table of Contents**

advisory services, our recent growth has resulted in the fees payable under the Advisory Agreement (which generally are based on our size) now likely exceeding the costs that we would incur if we were self-advised. At the meeting, representatives from an investment bank (which was not Banc of America Securities LLC, the financial advisor to the Special Committee in connection with the Internalization) made a presentation regarding prevailing capital markets conditions and likely market receptivity for a Listing by us. The investment bank's representatives stated that, in their view, a Listing would be better received if we were self-advised than if we remained externally advised. After considering and discussing these issues, the Board resolved to further analyze whether and how we might convert from being externally-advised to being self-advised. Mr. Zucker, who indirectly holds a substantial interest in the Advisor's Parent, advised the Board that he believed the owners of the Advisor's Parent would be willing to consider an internalization transaction, if the parties could agree on mutually-acceptable terms. The other members of the Board agreed that this approach could be beneficial to us and should be explored.

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

review, consider and evaluate any proposals made with respect to any business combination transaction involving an internalization;

negotiate the terms and conditions of any such proposal (including price, form, and structure) and of any and all definitive agreements in respect of such a transaction, if the Special Committee deems it appropriate or advisable to do so;

reject any proposal that may be made with respect to such a transaction;

make recommendations to our Board and stockholders with respect to any proposal; and

select and retain such legal, financial and other advisors and agents as the Special Committee deems necessary or appropriate to assist it in the performance of its duties and the exercise of its powers.

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

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

## Table of Contents

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

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

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

Following the April 24, 2006 meeting, representatives of the Special Committee's legal and financial advisors conducted due diligence in respect of the Advisor on behalf of the Special Committee. The results of those due diligence efforts were discussed at meetings of the Special Committee held on May 1, 2006, June 23, 2006, June 27, 2006 and July 21, 2006.

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

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

## Table of Contents

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

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

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

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

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

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

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**Table of Contents**

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

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

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

## **Table of Contents**

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

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

### **Recommendations of the Special Committee and Our Board of Directors**

#### ***Special Committee Recommendation; Reasons for Recommendation***

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

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

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

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

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

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

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



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**Table of Contents**

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

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

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

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

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

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

the belief of the Special Committee that the Internalization would be accretive to net income per share and FFO per share in 2007. The Special Committee also took into account, without assigning relative weights to, the following factors. Although the Special Committee viewed these as potentially negative factors with respect to the Internalization Proposal, the Special Committee believed these factors were outweighed by the positive factors set forth above:

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





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**Table of Contents**

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

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

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

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

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

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

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

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

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

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



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**Table of Contents**

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

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

***Board of Directors Recommendation***

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

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

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

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

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

**Opinion of the Special Committee's Financial Advisor**

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

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

**Table of Contents**

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

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

For purposes of its opinion, Banc of America Securities:

reviewed certain publicly available financial statements and other business and financial information of DCT and certain publicly available business information relating to the Advisor;

reviewed certain internal financial statements and other financial and operating data concerning DCT and the Advisor prepared by management;

reviewed certain financial forecasts relating to DCT and the Advisor prepared by management;

reviewed and discussed with the Special Committee, DCT's management and the Advisor's senior executives the organizational and management structure of DCT and information relating to certain cost savings and other benefits expected by management to result from the Internalization through the elimination of management fees (referred to in this section as cost savings) currently payable by DCT to the Advisor pursuant to the Advisory Agreement;

discussed the past and current operations, financial condition and prospects of DCT and the Advisor with members of the Special Committee, DCT's management and the Advisor's senior executives;

reviewed the purchase prices paid by third party investors in prior offerings of our common shares as reflected in our publicly filed reports;

reviewed the potential pro forma financial impact of the Internalization on our future financial performance, including the potential effect on our estimated FFO per share;

compared the financial performance of DCT and the Advisor, respectively, with that of certain publicly traded companies Banc of America Securities deemed relevant;

compared certain financial terms of the Internalization to financial terms, to the extent publicly available, of certain other transactions Banc of America Securities deemed relevant;

participated in discussions and negotiations among the Special Committee, the Advisor's representatives and their respective advisors;

reviewed the Contribution Agreement and certain related documents;

reviewed the Advisory Agreement; and

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

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

## Table of Contents

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

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

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

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

**Table of Contents****Financial Analyses Relating to the Advisor**

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

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

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

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

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

**Table of Contents**

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

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

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

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

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

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

<b>Implied Enterprise Value Reference Range for the Advisor</b>		<b>DCT Consideration</b>
\$144,000,000	\$196,000,000	\$ 170,000,000



**Table of Contents****Financial Analyses Relating to DCT**

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

in the case of development assets and developable land, by applying a 20% premium to the cost of those assets; and

in the case of other assets and liabilities, based on book values as of March 31, 2006 (as adjusted, in the case of debt, for acquisition financing in the second quarter of 2006) and estimated values per management.

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

<b>Implied Per Share Equity Reference Range for DCT</b>	<b>Assumed Per Unit Value of OP Units in Internalization</b>
\$8.87 \$11.61	\$11.25

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

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

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

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

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

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**Table of Contents**

***Pro Forma Accretion/Dilution Analysis***

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

one-time transaction-related expenses;

elimination of asset management fees previously paid to the Advisor by DCT;

payment of acquisition fees to DCT by joint venture partners which were previously paid to the Advisor;

incremental general and administrative and interest expense; and

capitalization of certain leasing and development expenses.

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

***Miscellaneous***

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

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

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



**Table of Contents**

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

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

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

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**Table of Contents**

**DESCRIPTION OF THE INTERNALIZATION**

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

**General**

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

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

**Payment of Internalization Consideration**

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

**Closing**

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

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

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

**Table of Contents**

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

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

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

*Joint Venture Agreement.* We have entered into the Joint Venture Agreement with DCTRT and one of DCTRT's wholly-owned subsidiaries. The Joint Venture Agreement provides that one or more additional affiliated entities of DCTRT may also become parties to the agreement and establishes a series of joint ventures that, subject to certain exceptions, will serve as the exclusive vehicles through which DCTRT, its wholly-owned subsidiary and, if applicable, such affiliated entities will acquire industrial real estate assets in certain major markets in which we currently operate until the end of 2008, so long as we introduce a certain minimum amount of potential acquisition opportunities and we do not otherwise materially breach this agreement. However, if (and only for so long as) these exclusivity provisions are not in effect, Mr. Zucker and Mr. Mulvihill will be prohibited under their respective Non-Competition Agreement with us from directly or indirectly participating in certain activities in respect of industrial real estate on behalf of either DCTRT or other related entities. See Proposal I Election of Directors: Nominees for Election to Our Board of Directors Certain Relationships and Related Transactions Non-Competition Agreements.

**Employment/Non-Competition Agreements**

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

**Registration Rights Agreement**

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

**Pledge Agreement**

In the Contribution Agreement, the Advisor's Parent agreed to secure its indemnification obligations under the Contribution Agreement by entering into the Pledge Agreement with us. Pursuant to the Pledge Agreement, the Advisor's Parent will pledge in our favor the following (or any substituted collateral permitted pursuant to the Pledge Agreement): (a) for a period of 15 months after the Closing Date (the **Lock-Up Period**), all of the OP Units received in the Internalization, (b) for a period of nine months after the end of the Lock-Up Period (the **First Follow-On Period**), cash and/or OP Units having a fair market value of \$20.0 million plus an amount

## **Table of Contents**

reasonably sufficient to cover any unresolved indemnification claims asserted before the end of the First Follow-On Period, (c) for a period of 12 months after the end of the First Follow-On Period (the **Second Follow-On Period**), cash and/or OP Units having a fair market value or \$10.0 million plus an amount reasonably sufficient to cover any unresolved indemnification claims asserted before the end of the Second Follow-On Period, and (d) following the end of the Second Follow-On Period, assets having a fair market value equal to the amount of unresolved indemnification claims asserted before the end of the Second Follow-On Period until those claims are resolved. Under the terms of the Pledge Agreement, we will hold a first priority security interest in all of the assets pledged pursuant to the Pledge Agreement (or any substituted collateral).

### **Conduct of Business Prior to Closing**

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

will cause the Advisor to conduct its business in the ordinary course consistent with past practice and consistent with the requirements of the Advisory Agreement;

will, and will cause the Advisor to, use commercially reasonable efforts to preserve substantially intact the present organization of the Advisor;

will, and will cause the Advisor to, use commercially reasonable best efforts to keep available the services of the present officers and employees of the Advisor or its affiliates and all other persons who provide material services to the Advisor; and

will, and will cause the Advisor to, use commercially reasonable efforts to preserve the Advisor's relationships with others having business dealings with the Advisor.

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

sell, lease, encumber, transfer or dispose of any of its assets, including by relinquishing any rights under any contract material to the Advisor, in each case except in the ordinary course of business (it being understood that the Advisor makes distributions of substantially all its cash to the Advisor's Parent on a regular basis);

fail to timely pay any account payable, except in the ordinary course of business;

take any action that would adversely affect our qualification as a REIT;

enter into any material commitment or transaction except in the ordinary course of business;

enter into any agreement providing for management services to be provided by the Advisor to a third party;

incur, create, assume or guarantee any indebtedness;

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

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



**Table of Contents**

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

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

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

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

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

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

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

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

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

**Certain Pre-Closing Covenants**

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

The Advisor's Parent has agreed:

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

failure by the Advisor's Parent to comply with or satisfy any covenant, condition or agreement applicable to it;

to deliver to us a certificate (the **Loss Certificate**), not less than five business days before the Closing Date, that (i) identifies all of the breaches of representations and warranties that it reasonably believes would exist on the Closing Date if those representations and warranties were made on and as of that date, and as to which we would be entitled to seek indemnification under the applicable indemnification provisions of the Contribution Agreement and (ii) sets forth its good-faith estimate of the amount of losses (as defined in the Contribution Agreement) that we would reasonably be expected to recover

**Table of Contents**

under those indemnification provisions as a result of such breaches. If the estimated amount of losses in the certificate described in preceding sentence exceeds \$5.0 million and we waive the applicable closing condition, our right to indemnification under the Contribution Agreement with respect to such losses will be limited to a maximum of \$5.0 million;

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

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

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

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

We have agreed:

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

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

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

that the outstanding Special Units held by the Advisor's Parent will be modified at the Closing Date such that they will become that number of OP Units (not to exceed the Internalization Consideration) as will be specified in a notice given to us by the Advisor's Parent at least five business days prior to the Closing (the **Modified Units**), with the understanding that such Modified Units are intended to have a fair market value equal to the fair market value of the Special Units, and that such Modified Units will constitute a portion of the 15,111,111 OP Units being issued in connection with the Internalization; and

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through and including the Closing, not to rescind, alter or amend or permit to occur the rescission, alteration or amendment of the registration rights provided for in our Operating Partnership's partnership agreement (as in effect on the date of the Contribution Agreement) in any manner that is adverse to the holders of the OP Units.

## **Table of Contents**

### **Covenants Concerning Post-Closing Employment Arrangements**

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

### **Post-Closing Covenants**

#### ***Nomination to the Board***

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

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

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

#### ***Lock-Up of OP Units***

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

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

## **Table of Contents**

### ***Covenants Not to Compete/Confidentiality***

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

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

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

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

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

### ***Taxes***

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

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

### ***Insurance Claims***

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

### ***Conditions to Closing***

#### ***Conditions to Each Party's Obligations***

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

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



**Table of Contents**

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

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

***Conditions to Our and Our Operating Partnership's Obligations***

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

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

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

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

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

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

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

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

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

***Conditions to the Obligations of the Advisor's Parent***



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

Each of the representations and warranties made by us and our Operating Partnership in the Contribution Agreement that is qualified by reference to materiality or a material adverse effect shall be

**Table of Contents**

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

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

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

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

**Representations and Warranties**

***Representations and Warranties of the Advisor's Parent***

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

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

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

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

the absence of certain approvals relating to the Internalization;

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

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

the Advisor's capitalization;

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

the Advisor's financial statements;

the absence of undisclosed liabilities of the