NARA BANCORP INC
Form PRE 14A
May 13, 2010
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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under Rule 14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Nara Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

¨ 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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3. Filing Party:

4. Date Filed:

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NARA BANCORP, INC.

3731 Wilshire Boulevard

Suite 1000

Los Angeles, CA 90010

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD TUESDAY, JUNE 29, 2010

TO OUR STOCKHOLDERS:

We are pleased to announce that Nara Bancorp, Inc., a Delaware corporation, will hold its annual meeting of stockholders on Tuesday, June 29, 2010, at the Oxford Palace Hotel, 745 South Oxford Avenue, Los Angeles, California 90005 at 10:30 a.m., California time. At this meeting, we will ask you to vote on the following matters:

1. **Election of directors.** You will have the opportunity to elect eight persons to serve as members of our board of directors until our next annual meeting and until their successors are elected and qualified. The following eight persons are our nominees for election:

Steven D. Broidy

Louis M. Cosso

Alvin D. Kang

Chong-Moon Lee

Jesun Paik

Hyon Man Park (John H. Park)

Ki Suh Park

Scott Yoon-suk Whang

2. **Ratification of the Selection of Independent Registered Public Accounting Firm.** You will be asked to ratify the selection of Crowe Horwath LLP as our independent registered public accounting firm for the year ending December 31, 2010.

3. **Nonbinding stockholder approval of executive compensation.** You will have the opportunity to cast a non-binding advisory vote for or against the compensation of the Company s executives named in the Summary Compensation Table of the Company s Proxy Statement for the 2010 Annual Meeting of Stockholders, including the Compensation Discussion and Analysis, the executive compensation tables and the related disclosure contained in the attached Proxy Statement.

4. **Amend the Certificate of Incorporation of Company to Increase the Authorized Shares of Common Stock.** You will be asked to approve the amendment and restatement of Section IV, of the Company s Articles of Incorporation to increase the number of authorized shares of Common Stock, $0.001 par value per share, from forty million (40,000,000) shares of Common Stock to one hundred million (100,000,000) shares of Common Stock.

5. Other Business. If other business is properly raised at the meeting you will be asked to vote on these matters, too.

If you were a stockholder as of the close of business on May 5, 2010, you are entitled to vote at this meeting. We cordially invite all stockholders to attend the meeting in person.

Whether or not you expect to attend the annual meeting, please vote your proxy by internet, telephone, or mail your proxy in the envelope provided. You may revoke this proxy at any time prior to the annual meeting and, if you attend the annual meeting, you may vote your shares in person.

BY ORDER OF THE BOARD OF DIRECTORS

Alvin D. Kang, President & Chief Executive Officer

Dated: May 28, 2010

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on June 29, 2010

The most recently filed Proxy Statement, Form 10-K, and Annual Report are available online at
http://www.rrdezproxy.com/2010/NaraBancorp/.

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NARA BANCORP, INC.

3731 Wilshire Boulevard

Suite 1000

Los Angeles, CA 90010

PROXY STATEMENT

For the

Annual Meeting of Stockholders

To be Held on June 29, 2010

GENERAL INFORMATION

Nara Bancorp, Inc. (the Company) is a registered bank holding company and Nara Bank (the Bank) is our wholly owned subsidiary. This proxy statement contains information about the Company s annual meeting of stockholders to be held on Tuesday, June 29, 2010 at the Oxford Palace Hotel, 745 South Oxford Avenue, Los Angeles, California at 10:30 a.m., Pacific Standard Time, and any postponements or adjournments thereof. The date of this proxy statement is May 28, 2010 and it will be mailed to stockholders on or about that date.

Why Did You Send Me this Proxy Statement?

We sent you this proxy statement and the enclosed proxy card because the board of directors is soliciting your vote for use at the 2010 annual meeting of stockholders.

This proxy statement summarizes the information you need to know to cast an informed vote at the meeting. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card by mail. You may also vote by internet or telephone.

We will begin sending this proxy statement, notice of annual meeting, and the enclosed proxy card on or about May 28, 2010 to all stockholders entitled to vote. The record date for those entitled to vote is May 5, 2010. On that date, 37,956,527 shares of our common stock were outstanding. The common stock is our only class of voting stock outstanding. The Company also has 67,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A (Series A Preferred Stock) outstanding issued through the United States Treasury s Troubled Asset Relief Program (TARP) on November 21, 2008. The Series A Preferred Stock is not entitled to vote at the annual meeting. We are also sending our annual report for the fiscal year ended December 31, 2009 along with this proxy statement which includes a copy of our Annual Report on Form 10-K.

What Vote is Required for Each Proposal?

Election of Directors. The eight nominees for director who receive the most votes will be elected. So, if you do not vote for a particular nominee or you indicate withhold authority to vote for a particular nominee on your proxy card, your abstention will have no effect on the election of directors and all eight nominees will be elected.

Ratification of Selection of Independent Registered Public Accounting Firm. Stockholder ratification of the board of directors selection of Crowe Horwath LLP (Crowe Horwath) as our independent registered public accounting firm is not required. We are submitting the selection of Crowe Horwath to you for ratification to obtain our stockholders views. To be approved, the ratification must receive a FOR vote from the majority of shares present and entitled to vote on the proposal. If you vote abstain such abstention will have the effect of a vote AGAINST the proposal. If the stockholders do not ratify the selection by a majority vote of the present and voting shares, we will reconsider whether to retain Crowe Horwath. Even if the selection is ratified, we may, in our discretion, appoint a different independent registered public accounting firm at any time during the year if we determine that such a change would be in the best interest of the Company and our stockholders.

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Nonbinding Say on Pay. This proposal gives you as a stockholder the opportunity to vote for or against the compensation of the executive officers identified in our Summary Compensation Table in this Proxy Statement, including the Compensation Discussion and Analysis, the Executive compensation tables and the related disclosure contained herein. Because your vote is advisory, it will not be binding upon the Board and may not be construed as overruling any decision by the Board. However, the Compensation Committee may, in its sole discretion, take into account the outcome of the vote when considering future executive compensation arrangements. If you abstain, such vote will have the effect of a vote AGAINST this proposal.

Amend the Certificate of Incorporation of the Company to Increase Authorized Shares of Common Stock. This proposal gives you as a stockholder the opportunity to approve the amendment to Section IV the Company s Certificate of Incorporation to increase the number of authorized shares of Common Stock, $0.001 par value per share, from forty million (40,000,000) shares of Common Stock to one hundred million (100,000,000) shares of Common Stock. To be approved, the proposal must receive a FOR vote from the majority of outstanding shares of Common Stock. If you vote Abstain or if you do not vote your shares, such abstention or failure to vote will have the effect of a vote AGAINST the proposal.

How Many Votes Do I Have?

Each share of common stock that you own entitles you to one vote. The proxy card indicates the number of shares of common stock that you own. Our Certificate of Incorporation and Bylaws do not provide for cumulative voting.

How Do I Vote by Proxy?

Whether you plan to attend the meeting or not, we urge you to complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. You may also vote by internet or telephone as described on the enclosed proxy card. Returning the proxy card will not affect your right to attend the meeting and vote in person, but will assure that your vote is counted if you become unable to attend the meeting.

If you properly fill in your proxy card and send it to us in time to vote or you timely vote by internet or telephone, your proxies (the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxies will vote your shares as recommended by the board of directors as follows:

FOR the election of each of the eight nominees for director;

FOR the appointment of Crowe Horwath as our independent registered public accounting firm;

FOR the advisory vote on executive compensation as outlined in the 2010 Proxy;

FOR the amendment of the Certificate of Incorporation of the Company to increase the number of authorized shares of Common Stock; and

in the discretion of the proxies as to any other matter that may properly come before the meeting.

If you hold your shares of our common stock in street name (that is, through a broker or other nominee) and you fail to instruct your broker or nominee as to how to vote your shares of common stock, your broker or nominee may, in its discretion, vote your shares, FOR the ratification of the appointment of Crowe Horwath as our independent registered public accounting firm for the year ending December 31, 2010, FOR the executive compensation as outlined in the 2010 Proxy, and FOR the amendment of the Certificate of Incorporation of the Company to increase the number of authorized shares of Common Stock. Unlike previous years, brokers holding shares beneficially owned by their clients will no longer have the ability to cast votes with respect to the election of directors unless they have received instructions from the beneficial owner of the shares. **It is therefore important that you provide instructions to your broker if your shares are held by a broker so that your vote with respect to directors is counted.**

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Can I Change My Vote After I Return My Proxy Card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised if:

- you file either a written revocation of your proxy or a duly executed proxy bearing a later date than your previous proxy with our Legal Department prior to the meeting, or
- you attend the meeting and vote in person. However, your presence at the meeting will not revoke your proxy unless and until you vote in person.

How Do I Vote in Person?

If you plan to attend the meeting and vote in person, we will give you a ballot form when you arrive. However, if your shares are held in the name of your broker, bank, or other nominee, you must bring a properly executed legal proxy from the nominee authorizing you to vote the shares and indicating that you are the beneficial owner of the shares on May 5, 2010, the record date for voting.

What Constitutes a Quorum?

To establish a quorum at the annual meeting, a majority of the shares of our common stock outstanding on the record date must be present, either in person or by proxy. We will count abstentions for purposes of establishing the presence of a quorum at the meeting.

What Are the Recommendations of the Board of Directors?

Our current board of directors unanimously recommends:

- the election of each of the named nominees for director;
- the ratification of the selection of Crowe Horwath as our independent registered public accounting firm for the year ending December 31, 2010;
- in favor of the advisory vote on executive compensation as outlined in the 2010 Proxy; and
- in favor of the amendment of the Certificate of Incorporation to increase the number of authorized shares of Common Stock from forty million shares of Common Stock to one hundred million shares of Common Stock.

The board of directors recommends that you vote FOR each of the eight nominees for director, FOR the ratification of the selection of Crowe Horwath as our independent registered public accounting firm for the year ending December 31, 2010, FOR the advisory vote on executive compensation as outlined in the 2010 Proxy and FOR the amendment of the Company s Certificate of Incorporation to increase the authorized shares of Common Stock.

Who Will Pay the Costs of Solicitation of Proxies?

The Company will bear the cost of this solicitation, including the expense of preparing, assembling, printing and mailing this proxy statement and the material used in this solicitation of proxies. The proxies will be solicited principally by mail, but our directors, officers and regular employees may solicit proxies personally or by telephone. Although there is no formal agreement to do so, we will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expense in forwarding these proxy materials to their principals. In addition, we may pay for and utilize the services of individuals or companies we do not regularly employ in connection with the solicitation of proxies. We have hired Mellon Investment Services LLC to seek proxies of custodians such as brokers who hold shares which belong to other

people. This service will cost us approximately $5,000.

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Will Any Other Matters Be Considered at the Annual Meeting?

We are not aware of any matter to be presented at the annual meeting other than the proposals discussed in this proxy statement. If other matters are properly presented at the annual meeting, then the persons named as proxies will have the authority to vote all properly executed proxies in accordance with the direction of the board of directors, or, if no such direction is given, in accordance with the judgment of the persons holding such proxies on any such matter, including any proposal to adjourn or postpone the meeting.

How Do I Propose Actions for Consideration at Next Year s Annual Meeting of Stockholders?

You may submit proposals for consideration at future stockholder meetings. For a stockholder proposal to be considered for inclusion in our proxy statement for the annual meeting next year, our Legal Department must receive the written proposal no later than January 28, 2011. Such proposals will also need to comply with Securities and Exchange Commission (the SEC) Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. If the date of next year s annual meeting is moved more than 30 days before or after the anniversary date of this year s annual meeting, the deadline for inclusion of proposals in our proxy statement will be a date that is a reasonable time before we begin preparing our proxy materials. In addition, our bylaws provide that for any business to be brought properly before an annual meeting, a stockholder must provide timely notice of such proposal to us no less than 100 days nor more than 120 days prior to the anniversary date of the previous year s annual meeting unless the annual meeting is moved more than 30 days before or after such anniversary date, in which case the notice must received not later than the close of business on the tenth day following the earlier of the date on which notice or public announcement of the date of the meeting is first given or made by us. Such notice must also comply with the provisions of our bylaws. Information regarding proposals for nominees is provided below.

The persons named as proxies for the 2011 annual meeting of stockholders will have discretionary authority to vote on any stockholder proposal which is not included in our proxy materials for the meeting, unless we receive notice of the proposal by April 12, 2011. If we receive proper notice by that date, the proxies will not have discretionary voting authority except as provided in the SEC regulations regarding stockholder proposals.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Who are the Largest Owners of Our Common Stock?

The following table shows the beneficial ownership of our common stock as of May 5, 2010, the record date for the annual meeting, by each stockholder whom we know (based on information made available to us) owns more than 5% of our common stock. Beneficial ownership is a technical term broadly defined by the SEC to mean more than ownership in the usual sense. So, for example, you beneficially own our common stock not only if you hold it directly, but also indirectly, if you, through a relationship, contract or understanding, have, or share, the power to vote the stock, to sell the stock or have the right to acquire the stock, within 60 days of the record date.

Name and address of beneficial owner	Amount and nature of beneficial ownership[1]	Percent of class
Pzena Investment Management, LLC 120 West 45th Street, 20th Floor, New York, NY 10036	2,746,493	7.24%
Wellington Management Company LLP 75 State Street, Boston, MA 02109	2,401,751	6.33%
BlackRock Inc. 55 East 52nd Street, New York, NY 10055	2,389,302	6.29%
Chong-Moon Lee 3731 Wilshire Blvd., Suite 1000, Los Angeles, CA 90010	2,348,622	6.19%

(1) We have relied on the last public filings on Schedules 13D, 13F or 13G of each of the following stockholders, in determining how many shares such stockholder owns. If the beneficial owner is a current director or executive officer, we have relied on their most recent SEC Form 4 filings.

Who are the Named Executive Officers?

The Named Executive Officers are (i) our Chief Executive Officer during 2009 (ii) our Chief Financial Officer during 2009; and (iii) each of the other three most highly compensated executive officers employed by us as of December 31, 2009 whose total compensation was in excess of $100,000 for their services rendered in all capacities to us, and who are collectively referred to in this proxy statement as the Named Executive Officers (the NEOs).

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How Much Stock do our Directors, Nominees for Directors and Executive Officers Own?

The following table shows the beneficial ownership, as defined above, of our common stock as of May 5, 2010 held by (i) each of our directors and each of our nominees, (ii) our Named Executive Officers and current executive officers as of May 5, 2010, and (iii) all directors, nominees and Executive Officers as a group.

Name of beneficial owner	Amount and nature of beneficial ownership[1]	Percent of class[12]
Directors Nominees		
Steven D. Broidy	2,000	*
Louis M. Cosso	2,500	*
Directors		
Howard N. Gould	141,333[2]	*
Chong-Moon Lee	2,348,622[3]	6.19%
Jesun Paik	109,033[4]	*
John H. Park	347,644[5]	*
Ki Suh Park	106,120[6]	*
Terry Schwakopf	5,733	*
Scott Yoon-suk Whang	22,733[7]	*
Named Executive Officers		
Min J. Kim	73,307	*
Alvin D. Kang	77,672[8]	*
Bonita I. Lee	30,734	*
Mark Lee	3,120	*
Kyu S. Kim	24,667[9]	*
Executive Officers Only		
Christine Oh	41,050[10]	*
Myung-Hee Hyun	0	*
All Directors, Nominees and Executive Officers as a Group (15 Individuals)	3,262,961 [11]	8.60%

* Indicates holdings of less than 1%.

(1) Except as otherwise noted and except as required by applicable community property laws, each person has sole voting and disposition powers with respect to the shares.

(2) Includes 140,000 stock options vested but not yet exercised under the Nara Bancorp, Inc. 2001 Nara Bank 2000 Continuation Long Term Incentive Plan (the 2000 Plan).

(3) Includes 433,408 shares owned together with spouse and 172,911 owned by a trust.

(4) Includes 100,000 stock options vested but not exercised under the 2000 Plan.

(5) Includes 2,000 shares owned by BB Imex Corp. 243,800 shares are pledged.

(6) Includes 102,120 shares owned by family trust.

(7) Includes 13,333 shares owned by revocable trust.

(8) Includes 64,000 stock options vested but not yet exercised under the 2000 Plan.

(9) Includes 24,000 stock options vested but not yet exercised under the 2000 Plan.

(10) Includes 40,000 stock options vested but not yet exercised under the 2000 Plan.

(11) Includes stock options vested but not yet exercised under the 2000 Plan.

(12) The percentages are based on 37,956,527 shares outstanding on May 5, 2010.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of Company s equity securities, to file reports of ownership and changes in ownership with the SEC. The SEC requires executive officers, directors and greater than 10% shareholders to furnish to us copies of all Section 16(a) forms they file. Based solely on our review of these reports and of certifications furnished to us, we

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believe that during the fiscal year ended December 31, 2009 all executive officers, directors and greater than 10% beneficial owners complied with all applicable Section 16(a) filing requirements, except as described in this paragraph. We assist our directors and executive officers in complying with these requirements. A required Form 4 report was not filed on a timely basis to report the vesting of restricted units granted by the Company to Mona Chui, a named executive officer. In addition, required Form 4 reports were not filed on a timely basis to report the purchase and sale of shares of common stock by Ms. Chui. A required Form 4 report was not filed on a timely basis to report the vesting of restricted units granted by the Company to Christine Oh, a named executive officer. In addition, a required Form 4 report was not filed on a timely basis to report the sale of shares by Ms. Oh. Required Form 4 reports were not filed on a timely basis to report the vesting of performance units granted by the Company to directors Terry Schwakopf, Scott Yoon-suk Whang, Jesun Paik, John Hyon Park, and Ki Suh Park. In each such case, the reports were promptly filed after becoming aware of the transactions and the need to report them.

What is the Background of Our Current Executive Officers?

Alvin D. Kang, 65. Mr. Kang was appointed acting President and Chief Executive Officer of the Company and its subsidiary, Nara Bank, on January 20, 2010, upon the resignation of Min Kim. Following receipt of regulatory nonobjection on April 26, 2010, Mr. Kang became the President and Chief Executive Officer of the Company and Nara Bank. He served as the Executive Vice President and Chief Financial Officer of the Bank and the Company since July 28, 2005. He also served as a member of the Office of the President from March 2006 until his elevation to CEO and President. Prior to joining the Bank, Mr. Kang served as Executive Vice President, Chief Operating and Chief Financial Officer for Broadway Federal Bank and Chief Financial Officer of Broadway Financial Corporation from 2001 to July 2005. Mr. Kang also held a senior position at Takenaka and Company, an investment banking and consulting firm, and served as an audit partner at KPMG LLP and at Ernst & Young LLP. Mr. Kang retired from KPMG LLP after 26 years of service, during which time he served as lead partner of the Asian Business Group and as lead partner on audits of major financial institutions in Los Angeles.

Bonita I. Lee, 47. Ms. Lee has served as the Executive Vice President and Chief Operating Officer of the Bank and Company since March 16, 2009. She also serves as a member of the Office of the President under the direction of the President and CEO, Alvin D. Kang. Prior to rejoining the Company, Ms. Lee served as Director and Regional President of the Western Region for Shinhan Bank America from September 2008 to March 2009. She served as Executive Vice President and Chief Credit Officer of the Company from April 2005 to September 2008, and as a member of the Interim Office of the President from March 2006 until November 2006. Ms. Lee also served the Bank as Senior Vice President and Chief Credit Officer from October 2003 to April 2005, Senior Vice President and Credit Administrator from February 2000 to October 2003 and Vice President and Credit Administrator from 1993 to 2000. Prior to joining the Bank, Ms. Lee held various lending positions with Center Bank in Los Angeles from 1989 to 1993.

Mark Lee, 47. Mr. Lee has served as the Executive Vice President and Chief Credit Officer of the Bank and Company since May 1, 2009. In January 2010, Mr. Lee was made part of the Office of the President under the direction of the President and CEO, Alvin D. Kang. Prior to joining the Company, Mr. Lee served as Senior Vice President and Deputy Chief Credit Officer at East West Bank from May 2007 to April 2009, and Manager of Commercial Business Credit from May 2002 to April 2007. Prior to his work at East West Bank, Mr. Lee served in various lending and credit capacities starting in 1990, at California Bank and Trust, Center Bank and Sanwa Bank.

Kyu S. Kim, 49. Ms. Kim has served as the Executive Vice President and Eastern Regional Manager since April 2008. In January 2010, Ms. Kim was made part of the Office of the President under the direction of the President and CEO, Alvin D. Kang. She also served as the Senior Vice President and Eastern Regional Manager from October 2005 until March 2008. Prior to her promotion to Eastern Regional Manger she served as the Deputy Regional Manager from July 2003 to September 2005. Ms. Kim also served as the Manhattan Branch Manager from February 2000 to September 2005 and Flushing Branch Manager from September 1998 to February 2000. Prior to joining the Bank, Ms. Kim was Vice President and Chief Credit Officer at Foster Bank in Chicago from March 1990 to September 1997.

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Christine Oh, 43. Ms. Oh was appointed interim Chief Financial Officer, in January 2010, upon Mr. Kang s promotion to CEO, following receipt of regulatory nonobjection on April 26, 2010. Ms. Oh previously served as Interim CFO from March 2005 to July 2005. Ms. Oh has served as Senior Vice President and Controller since 2003. Prior to her promotion to Senior Vice President and Controller she served as the Vice President and Accounting Manager from 1999 to 2003. She joined the Company in 1993. Prior to joining the Company, Ms. Oh was a credit Analyst at Center Bank.

Myung-Hee Hyun, 57. Ms. Hyun has served as the Executive Vice President and Chief Operations Administrator of the Bank since May 3, 2010. Prior to rejoining the Bank, she served as Senior Vice President and Chief Operations Administrator of Shinhan Bank America from December 2008 to April 2010. She served as the Senior Vice President and Chief Operations Officer of the Bank from April 2005 to November 2008. She served the Bank as the Senior Vice President and Senior Operations Administrator from May 1998 to April 2005 and Operations Administrator from September 1995 to May 1998. Prior to joining the Bank, Ms. Hyun held various operations and personal banking positions at Hanmi Bank from 1982 to 1995.

What are the Responsibilities of our Board of Directors and Certain Board Committees?

The Company s board of directors has a standing Audit Committee, Nomination and Governance Committee and Human Resources and Compensation Committee.

During 2009, there were 7 Company board meetings, 18 Bank board meetings, and 58 committee meetings. All of the current directors of the Company attended at least 75% of the aggregate total number of meetings of the board and the committee on which they served during 2009, except Mr. Ki Suh Park. Mr. Park attended 72% of the board and committee meetings on which he serves as a result of health-related reasons.

Audit Committee Report

The following Audit Committee Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filings by the Company under the Securities Act of 1933 or under the Securities Act of 1934, except to the extent we specifically incorporate this Report by reference.

The Audit Committee: The current members of the Audit Committee are directors Jesun Paik (Chair), John H. Park and Terry Schwakopf. The Audit Committee held twelve (12) meetings in 2009. The Audit Committee operates under a written charter adopted by the board of directors. The charter sets the responsibilities and authorities of the Audit Committee and is available on our website at *www.narabank.com.*

Each of the members is independent as defined by the listing standards of the NASDAQ Stock Market and rules of the Securities and Exchange Commission (SEC). The board of directors has determined that Mr. Jesun Paik and Ms. Terry Schwakopf each satisfy the requirements established by the SEC for qualifications of an Audit Committee financial expert.

The Audit Committee reports to the board of directors and is responsible for overseeing and monitoring financial accounting and reporting, the system of internal controls established by management and our audit process.

Pursuant to its charter, the Audit Committee has the following responsibilities to:

Review the quarterly and audited annual financial reports;

Review the adequacy of internal control systems and financial reporting procedures with management and the independent auditor; and

Review and approve the general scope of the annual audit and the fees charged by the independent auditor.

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In performing its function, the Audit Committee in 2009 has met and held discussions with management and with Crowe Horwath, the independent auditors for the Company and its wholly-owned subsidiary, Nara Bank. Management represented to the Audit Committee that all financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has:

Reviewed and discussed the financial statements with management and the independent auditors,

Discussed with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, professional standards, Vo. 1, AU Section 380 as adopted by the Public Accounting Oversight Board, and

Received a statement of the auditors independence required by the Public Accounting Oversight Board. The Audit Committee discussed any relationships that may impact the objectivity and independence of Crowe Horwath, and satisfied itself as to their independence.

Based on these discussions and reviews, the Company s Audit Committee recommended to the board of directors that the Company s audited financial statements be included in the Company s Annual Report on form 10-K for the year ended December 31, 2009, for filing with the Securities and Exchange Commission.

JESUN PAIK (Chair)

JOHN H. PARK

TERRY SCHWAKOPF

Nomination and Governance Committee Report

The members of the Nomination and Governance Committee consist of directors Ki Suh Park (Chair), Howard Gould, Chong-Moon Lee, Jesun Paik, and Scott Yoon-suk Whang. All the members of the Nomination and Governance Committee are independent as defined by our policy and the listing standards for the Nasdaq Stock Market and the rules of the SEC. The Nomination and Governance Committee held four (4) meetings in 2009. The Nomination and Governance Committee is appointed by the board of directors to assist the board of directors in identifying qualified individuals to become board members, consistent with criteria approved by the board of directors, to determine the composition of the board of directors and to recommend to the board of directors the director nominees for the annual meeting of stockholders. The Nomination and Governance Committee has a charter, a copy of which can be found on our website at *www.narabank.com.*

It is the policy of the Nomination and Governance Committee to consider director candidates recommended by stockholders. The Nominating and Governance Committee will utilize the same standards for evaluating director candidates recommended by stockholders as it does for candidates recommended proposed by the Board. If a stockholder proposes a director candidate him or herself they must follow the policy and procedures outlined below.

The Nomination and Governance Committee has nominated three new director candidates on the current Proxy. Mr. Alvin D. Kang is an inside director who also serves as the President and CEO of the Company. Mr. Steven D. Broidy was identified by non-management directors while Louis M. Cosso was identified by a third-party individual.

Nominations of persons for election to the Board of Directors of the Corporation may be made at the annual meeting of the stockholders, or at any special meeting of the stockholders called for the purpose of electing Directors, by or at the direction of the Board of Directors, by any Committee or person authorized by the Board of Directors, or by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth here. Such nominations, other than those made by or at the direction of the Board of Directors or by a nominating committee or person appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation.

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To be timely, a stockholder s notice must be received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than 100 days, nor more than 120 days, prior to the first anniversary of the immediately preceding annual meeting of the stockholders; provided, however, that in the event that the date of the annual meeting is more than 30 days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the earlier of the date on which notice or public announcement of the date of the meeting was first given or made by the Corporation, and (ii) in the case of a special meeting of the stockholders called for the purpose of electing Directors not later than the close of business on the tenth day following the earlier of the date on which notice or public announcement of the date of the meeting was first given or made by the Corporation.

Such stockholder s notice to the Secretary shall set forth: (a) as to each person whom the stockholder proposes to nominate for election or reelection as a Director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation that are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended, and any rules or regulations promulgated thereunder; and (b) as to the stockholder giving the notice, (i) the name and record address of the stockholder and (ii) the class and number of shares of capital stock of the Corporation that are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a Director of the Corporation. No person nominated by a stockholder shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth herein. The chairman of the meeting shall, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure, and, if he should so determine, he shall so declare to the meeting, and the defective nomination shall be disregarded.

A formal process for stockholder communication is posted on the Company s website at *www.narabank.com*. Every effort is made to ensure that the views of stockholders are heard by the board of directors or individual directors, as applicable, and that appropriate responses are provided to stockholders in a timely manner.

All potential director nominee candidates will be considered using the same guidelines. The Nomination and Governance Committee considers many factors in nominating directors to serve on the board of directors, including but not limited to the following:

i) diversity of professional disciplines and backgrounds;

ii) broad experience in business, finance or administration; familiarity with national and international business matters;

iii) familiarity and experience with the commercial banking industry;

iv) prominence and reputation, and ability to enhance the reputation of the Bank;

v) time available to devote to the work of the Board and one or more of its committees;

vi) specific qualifications which complement and enhance the overall core competencies of the Board and/or specific committee assignments;

vii) activities and associations of each candidate to ensure that there is no legal impediment, conflict of interest, or other consideration that might hinder or prevent service on the Board;

viii) interest of the stockholders as a whole,

ix) independence determination, and

x) the extent to which a nominee may add diversity to the Board.

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The Company has adopted the Code of Ethics and Business Conduct that applies to all officers and employees, as well as the Director Code of Ethics and Business Conduct which applies to directors, which are both available on our website at *www.narabank.com*. If the Company makes any substantive amendments to the employee or director versions of the Code of Ethics and Business Conduct or grants any waiver from a material provision of the Code of the Ethics and Business Conduct to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver.

DIRECTOR COMPENSATION

The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the board of directors. The Company s compensation and benefits programs are designed to fairly pay directors for work required for a company of the size and scope of the Company and the Bank, align the directors interests with the long-term interests of stockholders, and provide compensation that is transparent and straightforward for stockholders to understand.

Cash Compensation

Regular members of the Bank and Company boards of directors normally receive a $42,000 annual board membership retainer, paid in monthly installments of $3,500 per month. The Chairmen of the Bank and Company boards, Mr. Ki Suh Park and Mr. Chong-Moon Lee, respectively, each normally receive a $52,000 annual board membership retainer, or $4,333 per month for their periods of service during the year. If the same person acts as Chairman of both the Bank and Company, they receive only one retainer. Each director normally receives an additional $12,000 in annual committee membership fees paid on a monthly basis for their periods of service during the year. The committee Chairs, other than the Executive Committee Chair, normally receive an additional annual retainer in the following amount: $8,000 for the Chair of the Audit Committee and the Loan & Credit Policy Committee (which is a Bank committee), and $6,000 for all other committees, with an annual committee retainer limit of $12,000 for any one director. Directors who do not receive life insurance coverage, or health insurance coverage paid for by the Company and do not participate in the deferred compensation plan, normally receive an annual payment of $12,000 of in-lieu payments. The directors also receive reimbursement for expenses, which include reasonable travel expenses to attend board or committee meetings, reasonable outside seminar expenses, and other special board-related expenses.

In light of the Company s efforts to reduce compensation costs, the directors elected to forego all compensation for August and December of 2009, reduced overall board fees starting in September 2009, from $3,500 per month to $3,000 per month for regular board membership and temporarily discontinued all fees associated with committee membership. The board will revisit board compensation in 2010, and determine if and when it is appropriate to reinstitute the historical board compensation structure or make additional modifications.

Stock Options and Performance Units

Directors may be granted equity awards upon their appointment to the board of directors. Periodically, the Company reevaluates board compensation, including the grant of new stock options and performance units. In setting director compensation, the Company considers the amount of time that directors expend in fulfilling their duties to the Company as well as the skill level and experience required by the board of directors. The Company also considers board compensation practices at similarly situated banks, while keeping in mind the compensation philosophy of the Company and the stockholders interests.

Options granted under the 2000 Plan typically vest over a three-year period in equal installments on the grant date anniversary. They are granted with a ten-year term and have an exercise price equal to the fair market value of the Company s common stock on the date of the grant. With the adoption of the 2007 Plan, the 2000 Plan was made inactive and no additional equity may be granted under the 2000 plan.

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Options and performance units granted under the 2007 Plan typically vest over a three-year period in equal installments on the grant date anniversary, and are granted with a ten-year term. Options have an exercise price equal to the fair market value of the Company s common stock on the date of the grant. Performance unit grants will result in the grant of Company common stock upon vesting and achieving specified performance criteria.

On February 27, 2008, the Company granted 6,600 performance units to, Ms. Schwakopf and Mr. Whang. Each director s performance units will vest equally over three years, and be subject to achieving at least 75% attendance of all board of director and committee meetings required, as well as completion of their respective training schedules each year.

On February 27, 2008, the Company granted 6,000 performance units to each of Mr. Ki Suh Park, Mr. John H. Park and Mr. Paik. None of the directors held any unvested equity, and had not received a grant of equity in more than five years. Each director s performance units will vest equally over three years, and be subject to achieving at least 75% attendance of all board of director and committee meetings required, as well as completion of their respective training schedules each year.

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2009 DIRECTOR COMPENSATION TABLE

The following table summarizes the compensation of our non-employee directors during 2009.

Name	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)[2]	Option Awards ($)[3]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[4]	All Other Compensation ($)[5][6][7]	Total ($)
Howard N. Gould	46,000	0	0	0	10,000	56,000
Chong-Moon Lee *Chairman for portion of year*	36,664	0	0	0	11,914	48,578
Jesun Paik	48,830	0	0	0	10,000	58,830
John H. Park	43,000	0	0	0	13,122	56,122
Ki Suh Park *Chairman for portion of year*	49,830	0	0	0	10,000	59,830
Terry Schwakopf	46,334	0	0	0	10,000	56,334
James P. Staes	47,164	0	0	0	10,000	57,164
Scott Yoon-suk Whang	45,500	0	0	0	10,000	55,500

(1) Amounts shown include payment of annual board membership retainer fees for the Company and Bank board meetings, committee membership fees, and chairmanship annual retainers.

(2) No stock awards were granted in 2009. Pursuant to new SEC regulations regarding the valuation of equity awards, the stock awards column represents the applicable full grant date fair values of stock awards in accordance with FASB ASC Topic 718, excluding the effect of forfeitures. See Note 10 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009 for information regarding assumptions underlying valuation of equity awards. On February 27, 2009, the following directors received stock in exchange for vested performance units: Mr. Paik 2,000, Mr. John H. Park 2,000, Mr. Ki Suh Park 2,000, Ms. Schwakopf 2,200, and Mr. Whang 2,200.

(3) No option awards were granted in 2009. Pursuant to new SEC regulations regarding the valuation of equity awards, the option awards column represents the applicable full grant date fair values of the stock options in accordance with FASB ASC Topic 718, excluding the effect of forfeitures. See Note 10 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009 for information regarding assumptions underlying valuation of equity awards. As of December 31, 2009, each director had the following number of options outstanding: Mr. Gould 140,000, Mr. Lee 0, Mr. Paik 100,000, Mr. John H. Park 0, Mr. Ki Suh Park 0, Ms. Schwakopf 0, Mr. Staes 60,000, and Mr. Whang 0. The market price of the Company s common stock options at December 31, 2009 was $11.34, which is less than the exercise price for vested but unexercised options held by Mr. Gould and Mr. Staes.

(4) Currently, the Company does not offer pension benefits for its directors. Therefore, this column generally reflects only the above-market earnings on director compensation deferral plans in which the director participates. Above-market earnings represent the difference between market interest rates determined pursuant to SEC rules and the interest rate paid by the Bank (the Prime Rate plus 0.25%, compounded quarterly) credited by the company on compensation deferred by the director under the deferred compensation plan. However, this year there were no above-market earnings on director compensation deferral plans in which a director participates. Mr. John H. Park is the only director entitled to participate in the Bank s deferred compensation plan.

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(5) Amounts include $10,000 paid to Mr. Gould, Mr. Paik, Mr. Ki Suh Park, Ms. Schwakopf, Mr. Staes and Mr. Whang, for payments received in lieu of life insurance coverage, payments for health insurance coverage, and deferred compensation.

(6) Amount includes $1,208 of imputed value of split dollar life insurance agreement for Mr. John H. Park, who is the only director, entitled to receive life insurance coverage.

(7) Mr. Lee and Mr. John H. Park are the only current directors entitled to receive health insurance (medical/dental) coverage. Amounts include payments received for health insurance premiums:

$11,914 for Mr. Lee
$11,914 for Mr. John H. Park

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The success of our Company has substantially depended, and will continue to depend, on whether we can continue to attract and retain talented employees, including the individuals named in the Summary Compensation Table below (the NEOs) whose compensation is the subject of this Compensation Discussion and Analysis. Overall, we look at our executive compensation as a means to attract and retain key executive personnel and as a mechanism for rewarding exceptional job performance.

The Human Resources and Compensation Committee

The Human Resources and Compensation Committee (the HRC Committee) of the board of directors has strategic and oversight responsibility for the overall compensation and benefits programs of the Company. Such responsibilities include establishing, implementing, and monitoring the compensation structure, policies, and programs of the Company, including an assessment of the risk profile of each compensation policy and practice. The HRC Committee is responsible for assessing and approving the total compensation paid to the Chief Executive Officer (CEO) and all Executive Vice Presidents. The Committee also reviews the CEO s compensation recommendations for the Senior Vice Presidents (SVPs) and above. The HRC Committee is responsible for determining whether the compensation paid to each of the SVPs and above is fair, reasonable and competitive, and whether it serves the interest of the Company s stockholders. The HRC Committee is comprised of four independent directors who satisfy the NASDAQ listing requirements and relevant Internal Revenue Service and SEC regulations on independence. The HRC Committee s Chair regularly reports to the board of directors on HRC Committee actions and recommendations. The HRC Committee has authority to retain outside counsel, compensation consultants and other advisors to assist as needed. To evaluate and administer the compensation practices of the CEO and other NEOs, the HRC Committee meets a minimum of four times a year. The HRC Committee also holds special meetings and meets telephonically to discuss extraordinary items, such as the hiring or dismissal of SVPs and above. For fiscal year 2009, the HRC Committee met a total of seven times (includes regularly scheduled HRC Committee meetings, special meetings and telephonic meetings).

Compensation Philosophy and Objectives

The HRC Committee believes that the most effective executive compensation programs are those that align the interests of the executive with those of the Company s stockholders. The HRC Committee believes that a properly structured compensation program will focus on performance to reinforce and support development of a strong performance-oriented culture to achieve specific short and long-term strategic objectives while taking under consideration potential risk implications. Although the HRC Committee believes that a significant percentage of executive pay should be based on the principles of pay for performance, it also recognizes that the Company must have the ability to attract and retain highly talented executives with competitive base pay. A very important objective of the HRC Committee is to ensure the compensation programs of the SVPs and above are competitive as compared to similar positions within comparable companies. For this reason, the HRC Committee considers pay practices of the companies it competes with in the market for executive talent.

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The Company s executive compensation programs are designed to provide:

- levels of base compensation that are competitive with comparable companies;
- annual incentive compensation that varies in a manner consistent with the financial results of the Company, the achievement of Company s yearly strategic goals, and the achievement of individual performance objectives; and
- long-term incentive compensation that focuses executive efforts on building stockholder value through meeting longer-term financial and strategic goals.

In designing and administering the Company s executive compensation programs, the HRC Committee attempts to strike an appropriate balance among these various elements, each of which is discussed in greater detail below. The HRC Committee periodically considers the pay practices of comparable companies to determine the appropriate pay mix and compensation levels. With respect to performance-based pay, the HRC Committee believes that executive compensation should be closely tied to financial and operational performance of the Company, to the individual performance, responsibility level of the NEOs, as well as enterprise risk management. The HRC Committee also believes there should be an equity-based component because it best aligns the SVP s and above interests with those of the Company s stockholders. For purposes of retention, the HRC Committee believes that the equity-based compensation should have meaningful conditions to encourage valued employees to remain in the employ of the Company. Compensation decisions are made with consideration of the HRC Committee s additional guiding principles of fairness to employees, retention of talented executives and fostering improved Company performance which will ultimately benefit the Company s stockholders.

Effect of the Emergency Economic Stabilization Act of 2008 and America Reinvestment and Recovery Act of 2009

On October 14, 2008, the U.S. Department of Treasury announced a program under the Emergency Economic Stabilization Act of 2008 (EESA). Pursuant to this program, Treasury would make preferred stock investments in participating financial institutions (the Capital Purchase Program or CPP).

In November 2008, the Company entered into a Security Purchase Agreement (the Agreement) with the United States Department of Treasury as part of the CPP under the Treasury s Troubled Asset Relief Program under the EESA. On February 17, 2009, President Obama signed into law the America Reinvestment and Recovery Act of 2009 (ARRA) which amended EESA. ARRA continued all the same compensation and governance restrictions in EESA and added substantially to the restrictions in several areas. On June 10, 2009, the Treasury Department issued the Interim Final Rule TARP Standards for Compensation and Corporate Governance at 31 CFR Part 30 (Interim Rule), effective June 15, 2009, which provided detailed guidance to ARRA.

We have fully complied with the requirements of EESA, ARRA, and the Interim Rule, known collectively as the TARP Rules in this Proxy. Those requirements are:

Prohibition on Certain Types of Compensation. The TARP Rules prohibits us from providing incentive compensation arrangements that encourage our Senior Executive Officers (SEOs) to take unnecessary and excessive risks that threaten the value of the financial institution. It also prohibits us from implementing any compensation plan that would encourage manipulation of the reported earnings in order to enhance the compensation of any of its employees.

Risk Review. The TARP Rules requires the Committee to meet with our senior risk officer at least semiannually to discuss and evaluate employee compensation plans in light of an assessment of any risk to us posed by such plans. The review is intended to better inform the Committee of the risks posed by the plans and the ways to limit such risks. The Committee has performed this review, and its conclusions are included in its report which appears at the end of this CD&A.

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Bonus Prohibition. The TARP Rules prohibits the payment of any bonus, retention award, or incentive compensation to our top five most highly compensated employees (HCEs). The prohibition includes several limited exceptions, including payments under enforceable agreements that were in existence as of February 11, 2009 and limited amounts of long-term restricted stock, as discussed below. We have performed an extensive review of our compensation arrangements and have complied with all requirements of ARRA for 2009.

Limited Amount of Long Term Restricted Stock Excluded from Bonus Prohibition. The TARP Rules permits us to pay a limited amount of long-term restricted stock. The amount is limited to one-third of the total annual compensation of the employee. ARRA requires such stock to have a minimum 2-year vesting requirement and be subject to transfer restrictions that lapse in 25% increments as the TARP obligation is repaid.

Golden Parachutes. The TARP Rules prohibits any severance payment to a SEO or any of the next five most HCEs upon termination of employment for any reason. ARRA provides an exception for amounts that were earned or accrued prior to termination, such as normal retirement benefits.

Clawback. The TARP Rules requires us to recover any bonus or other incentive payment paid to SEOs and the next 20 most HCEs on the basis of materially inaccurate financial or other performance criteria.

Limit on Tax Deduction. We contractually agreed to abide by a provision of the TARP Rules which limits our tax deduction for compensation paid to any SEO to $500,000 annually. This provision amended the Internal Revenue Code by adding a new Section 162(m)(5), which imposes a $500,000 deduction limit.

Stockholder Say-on-Pay Vote Required. The TARP Rules requires us to include a non-binding stockholder vote to approve the compensation of executives as disclosed in this Proxy Statement. We have included such a say-on-pay proposal as Proposal 3 in this Proxy Statement.

Policy on Luxury Expenditures. The TARP Rules requires us to implement a company-wide policy regarding excessive or luxury expenditures, including excessive expenditures on entertainment or events, office and facility renovations, aviation or other transportation services. This policy is available on the Bank s website.

Reporting and Certification. The TARP Rules requires our CEO and CFO to provide a written certification of compliance with the executive compensation restrictions in our annual report. ARRA also requires certain disclosures and certifications by the Committee, which it makes in its report which is provided at the end of this CD&A.

In order to ensure compliance with the TARP Rules, the HRC Committee has created the Capital Purchase Program Executive Compensation Policy and Procedures, which it updates and approves periodically as needed.

Methodologies for Establishing the Compensation Mix

Total direct compensation primarily includes base salary, annual cash incentive bonuses, and long-term incentive awards, as discussed below. To determine the appropriate mix among these three compensation elements, the HRC Committee evaluates pay practices of comparable companies. The HRC Committee reviews compensation data obtained from a select group of comparable community banking institutions as identified by the Company (the 2009 Peer Group). In selecting the companies included in the 2009 Peer Group, the Company conducted an analysis of public bank holding companies located in the Western region of the United States, with assets in a range of $2.5 billion to $10 billion as of December 31, 2009. The banks were ranked on seven criteria, with the following weighting: a) 20% to liquidity, b) 20% to return on assets, c) 20% to return on equity, d) 10% on leverage ratios, e) 10% on risk based capital, f) 10% on non-performing loans to total loans, and g) reserve level to non performing loans. Based on this ranking, the Company identified the top 50% performing banks. The Company then reviewed the compensation practices the top 50% of performing banks to

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identify market competitive compensation levels and the appropriate allocations among the three compensation elements. The 2009 Peer Group consists of the following: Center Financial Corporation, Columbia Banking System, Inc., CVB Financial Corp., First Interstate BancSystem, Inc., Westamerica Bancorporation, West Coast Bancorp and Wilshire Bancorp, Inc.

The following describes in detail the objectives and policies underlying the various elements of the compensation mix and the methodologies for establishing each element, with respect to the NEOs:

Salary

It is the Company s philosophy that employees be paid a base salary that is competitive with the salaries paid by comparable companies based on each employee s experience, performance, and geographic location. Generally, the Company has chosen to position total cash compensation (which includes base salary and year-end non-equity incentive compensation, to the extent applicable) above the market median in order to remain competitive in attracting and retaining well qualified executives.

Each fiscal year, the HRC Committee determines the target total annual cash compensation (salary and non-equity incentive compensation) for all NEOs. The HRC Committee considers a wide-variety of factors in determining pay levels. These include a combination of the individual executive s performance, the performance of the Company and the individual business or corporate function for which the executive is responsible, the nature and importance of the position and role within the Company, the scope of the executive s responsibility, internal relationships or comparisons, and the current compensation package in place for that executive, including the executive s current annual base salary and potential bonus incentive awards under the Company s performance incentive plan.

The HRC Committee generally evaluates executive salaries annually. Because of the financial crisis currently affecting the United States and the impact on the Company s performance, our CEO recommended and the HRC Committee concurred, that NEOs salaries not be increased for 2009. The salaries shown on the Summary Compensation Chart above reflect the actual salary paid through bi-weekly payroll.

Annual Cash Incentive Bonus

Annual cash incentive bonuses are paid under the Company s Performance Incentive Plan (PIP). The PIP was developed to recognize and reward executive officers, including NEOs but excluding the CEO, who contribute meaningfully to an increase in stockholder value, profitability, customer satisfaction and meeting strategic goals. The plan defines corporate and individual goals, and establishes incentive award ranges for each level of management, while measuring performance against the agreed upon goals in determining the incentive award. The PIP is administered by the CEO for the NEOs, excluding the CEO. The performance incentive for the CEO is administered by the HRC Committee. Due to the restrictions imposed on executive compensation under ARRA, the Company was prohibited from payment annual cash incentive bonuses to Min Kim, Alvin Kang and Kyu Kim. Bonita Lee and Mark Lee were hired by the Company in 2009, thus they were not among the 5 highest paid employees in fiscal year 2008, and are not subject to the bonus restrictions under ARRA.

To extent permitted under ARRA, the Company intends to continue its strategy of compensating the NEOs through programs that emphasize performance-based incentive compensation, with the incentive criteria tied mainly to company performance and to a lesser extent to individual strategic criteria. However due the restrictions imposed by ARRA and the general economic environment and the Company s performance, no monies were accrued and no performance bonuses were paid out in 2009 to any Company employee.

Prior to 2009, performance-based incentive compensation included in each year s performance incentive plan was calculated based on the Company s profitability and an estimate for achievement of individual performance goals, during the fiscal year. The determination of how incentive payments are allocated and paid to

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each NEO is recommended by the CEO with the approval by the HRC Committee. After the completion of each NEO s annual performance incentive plan evaluation, the CEO makes a recommendation to the HRC Committee as to the appropriate incentive payment allocation for each person. The allocation of each year s performance incentive plan accrual, to be paid in the following year, will be determined based on relative performance and contribution to the financial results of the Company by each NEO and achievement of individual performance under each NEO s performance incentive plan.

Bonita Lee was paid a $45,000 signing bonus, upon her return to the Company as Chief Operating Officer on March 16, 2009. The signing bonus was equivalent to the bonus she would have been paid for her work as Chief Credit Officer in 2008 if she had not left the Company. The Company determined that the signing bonus was a needed investment to convince Ms. Lee to return to the Company as a COO.

Long-Term Incentive (Equity) Awards

Long-term incentive equity awards are the third component of the Company s total compensation package to retain and motivate proven executives. The HRC Committee believes that equity-based compensation, including stock options and performance units, ensures that the Company s officers have a continuing stake in the long-term success of the Company without taking inappropriate or unnecessary risks. During the Company s history, long-term incentive equity awards have been granted every few years to aid in retention and increase officers ongoing commitment to the Company. The Company will continue to periodically review best practices and re-evaluate whether more frequent grants would be consistent with other similarly situated banking companies and in keeping with the compensation philosophy of the Company and with the stockholders interests. However, the Company was prohibited from issuing stock options and restricted stock in 2009 to Min Kim, Alvin Kang and Kyu Kim due to the executive compensation restrictions imposed by ARRA. As discussed above, Bonita Lee and Mark Lee were not subject to the bonus restrictions under ARRA in 2009.

In 2009, the Company issued: 1) stock options to Ms. Bonita Lee, upon her re-employment as Chief Operating Officer, 2) performance units to Mr. Lee upon commencement of employment as Chief Credit Officer, and 3) performance units to Ms. Min Kim, upon the amendment and extension of her employment contract.

Ms. Lee received 40,000 stock options, priced at an $8.64 grant price, vesting equally over five years upon her starting as COO. The HRC Committee decided to offer Ms. Lee the number and pricing of stock options that Ms. Lee forfeited when she left the Company during 2008. The Company would likely have granted approximately 40,000 stock options or 13,333 performance units (assuming a three to one ratio for stock options to performance units) to a new EVP and COO starting with the Company. To promote fairness to the Company and Ms. Lee, it was determined that her stock options should be priced at $8.64, rather than $2.81, the price of Company stock on March 16, 2009, Ms. Lee s first day as COO. Though Ms. Lee was granted the same number of stock options at the same grant price that she forfeited, she was not put in the same position as when she left the Company, because she must wait five years for the options to fully vest (which may be subject to further TARP restrictions), whereas the options forfeited were fully vested.

Ms. Min Kim was granted 18,500 performance units upon the extension and amendment of her employment agreement. Each performance unit represents the right to receive one share of company stock, payable on the vesting date. These performance units were structured to qualify as long-term restricted stock, an exception to the ARRA prohibition on bonus payments. The performance units are scheduled to vest over three years, starting with two-thirds after the second year after the date of grant and the remaining 1/3 the third year after the date of the grant. The Board granted Ms. Kim 18,500 performance units, as opposed to the 90,000 stock options she was granted in 2006, to comply with executive compensation restrictions under ARRA. Under ARRA, a long-term restricted stock grant may not exceed one-third of the covered executive s annual compensation. In addition, to comply with ARRA, the long-term restricted stock is subject to transfer restrictions that lapse as the TARP obligation is repaid. For every 25% of the TARP obligation that is repaid by the Company, 25% of the long-term restricted stock becomes transferable.

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Mr. Lee received 10,000 performance units, vesting equally over five years, upon commencement of employment as CCO. Since Mr. Lee is not subject o the incentive compensation prohibition, it was not necessary to structure the award to qualify as long-term restricted. The HRC Committee decided that this was an appropriate grant given Mr. Lee s background, his position as an EVP and the critical nature of the CCO position.

Stock ownership guidelines for the NEOs have not been implemented by the HRC Committee. The HRC Committee, however, will continue to periodically review best practices and re-evaluate whether stock ownership guidelines are consistent with the compensation philosophy of the Company and with the stockholders interests.

Long Term Incentive (Cash) Plan

On February 27, 2008, the Company approved a Long Term Incentive Plan (LTIP) for the NEOs, to be effective January 1, 2008. Currently there are three NEOs in the LTIP. The purpose of the LTIPs is to provide a benefit to the NEOs, as they are a select group of management who contribute materially to the continued growth, development and future business success of the Bank. The Plans are meant to encourage and give incentive to the Executives to remain at the Bank for the long term and to provide a vehicle for the NEOs to build a retirement fund beyond the Company s 401K plan. The stability of our executive management team is seen as a key component to the Company s future success and growth.

The Company entered into a LTIP agreement with the COO on February 12, 2009 effective on her hire date of March 16, 2009, to be effective when the Company is no longer in the CPP covered period, as discussed above. Terms of her agreement are similar to the CEOs agreement.

The LTIP requires the accomplishment of certain performance criteria, by each NEO, each year in order for full crediting of their potential yearly contribution, as described above. The performance criterion is determined in advance by the board of directors each year. For 2008, the performance criterion was that the Company must meet at least 80% of its return on assets and return on equity targets to be eligible for any contribution to the individual NEO s LTIP account. The Company did not meet this goal in 2008, and thus no monies were placed into the individual NEO s LTIP accounts. Due to the executive compensation restrictions imposed by ARRA, the Company chose not to declare new performance criteria for the LTIP in 2009.

The COO and ERM have a five-year cliff vesting of up to 50% of their total potential contribution amounts plus accrued interest in their deferred compensation accounts, with an additional 10% vesting of the total potential contributions plus accrued interest in each of years six through ten. Since the current CEO s contribution period is shorter, his Plan is governed by a shorter vesting cycle. The current CEO will have three year cliff vesting of up to 50% of the total potential contributions into the deferred compensation account plus accrued interest, with an additional 25% of the total potential contributions plus accrued interest in years four and five.

The LTIP allows for vesting of the contribution portion already placed in an Executive s deferred compensation account, whether vested or not, upon the occurrence of a double trigger, that is both a change in control and a separation from service for good cause within twelve months.

Deferred Compensation Plans

In 1996, the Bank established a deferred compensation plan that permitted eligible officers and directors to defer a portion of their compensation in order to retain qualified executives and directors. In July 1996, Ms. Min J. Kim and Mr. John H. Park entered into deferred compensation agreements with the Bank. Currently, Ms. Kim was the only NEO and Mr. Park is the only director who has a right to participate in the Bank s deferred compensation plan. The deferred compensation plan has not been open to officers and directors of the Company since 1996. Mr. Park withdrew $230,000 of his deferred compensation in 2009.

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Under the deferred compensation agreement, the total account balance will be paid out upon the earliest of the following events: departure from Company, death, disability, a change in control event, or normal retirement date (defined as 60 years of age). A change in control means the transfer of 51% or more of the Company s outstanding voting common stock.

As a result of Ms. Kim s resignation on January 29, 2010, Ms. Kim was paid $139,433.89, net of withholding taxes.

Perquisites

The Company believes it is important to give reasonable perquisites to its NEOs which assist them in performing their responsibilities within the Company. Please see the footnotes to the Summary Compensation Table for details.

Though base salaries remained unchanged in 2009, a number of perquisites were reduced or eliminated, until Company profitability improves. The Company discontinued 401K matching as of September 1, 2009 for all Company employees. In addition, the car allowance paid to all employees with a Vice President title and above were reduced as of June 29, 2009, with the payments to the CEO reduced 80%, to EVPs reduced 60%, to SVPs reduced 40%, to FVPs reduced 30% and to VPs reduced 20%.

The Company took these steps to reduce non-interest expense, while limiting the effect to the rank and file employees.

Broad-Based Employee Benefit Programs

The NEOs are entitled to participate in the benefits programs that are available to all full-time employees. These benefits include health, dental, vision, and life insurance, paid vacation, the Employee Stock Ownership Plan, and the Company contributions to the 401(k) Plan, if any.

Employment Agreements

Ms. Min J. Kim s employment agreement, effective November 27, 2006 November 26, 2009, had a three year initial term, and provided for a yearly base salary of $350,000 adjusted at the discretion of the HRC Committee on April 1, 2008, with a target bonus of between 50% to 125% of annual base salary. Her cash bonus was dependent on goal attainment, as set by the Board, with a 75% bonus if she achieved 100% goal attainment. Given the restrictions imposed by ARRA, in that no bonus could be paid in 2009, performance goals were not set for the CEO in 2009, and instead she was to focus on meeting the strategic goals of the Company. In addition, Ms. Kim was entitled, under her employment contract, to an automobile allowance of $1,200 a month (which was voluntarily reduced as part of Company cost cutting), reimbursement for membership in a business club, which she did not take in 2009. Her agreement also provided for a severance payment as noted above (which would not be allowed under ARRA). Pursuant to her 2006 employment agreement, Ms. Kim was granted the option to purchase 90,000 shares of the Company s common stock. This stock option award is subject to the terms and conditions set forth in the 2000 Plan. The options were to vest in equal amounts over three years, starting one year after the date of the grant.

Ms. Min J. Kim 2006 employment agreement was amended, effective November 27, 2009 (2009 Agreement) to include an additional three-year term with a base salary of $350,000. Ms. Kim s 2009 Agreement did not allow for the payment of a bonus, severance or a change in control payment. Pursuant to her 2009 Agreement, Ms. Kim was granted 18,500 shares of performance units of the Company s common stock, structured to comply with the long-term restricted stock exception under ARRA. The terms of these performance units were subject to the terms and conditions set forth in the 2007 Plan. The performance units are scheduled to vest over three years, starting with two-thirds after the second year after the date of grant and the remaining 1/3 the third year after the date of the grant.

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Ms. Kim resigned from her position as President, CEO and Director, effective January 29, 2010. No severance was paid.

Except as described above, neither the Company nor Nara Bank has entered into any employment agreements with any of their respective NEOs.

Tax Deductibility of Executive Officer Compensation

Internal Revenue Code Section 162(m) precludes a public corporation from taking a deduction for compensation in excess of $1 million for its chief executive officer or any of its four other highest paid executive officers, unless certain specific and detailed criteria are satisfied. However, performance-based compensation that has been approved by stockholders is excluded from the $1 million limit. The Company plans to comply with the deduction requirements of Section 162(m).

The ARRA reduces the deduction allowable under Section 162(m) to $500,000 for its SEOs as defined in Title VII Section 111(a)(1). The Company has put in place a mechanism to monitor the tax reporting to meet the requirements.

Compensation Committee Interlocks and Insider Participation

The members of our Human Resources and Compensation Committee are Messrs. Whang, Gould, Lee and J. Park. None of the members of the Compensation Committee has ever been an officer or employee of Company or any of its subsidiaries.

Human Resources and Compensation Committee Report

The following report does not constitute soliciting material and should not be deemed incorporated by reference into any other filings by the Company under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, except to the extent we may specifically incorporate the information contained in this report by reference thereto.

The members of the Human Resources and Compensation Committee consist of directors Scott Yoon-suk Whang (Chair), Howard N. Gould, Chong-Moon Lee, and John Park. All of the members of the HRC Committee are independent as defined by our policy and the listing standards for the NASDAQ Stock Market. Seven meetings of the HRC Committee were held during 2009. The purpose of the HRC Committee is to assist the board of directors in discharging its responsibilities relating to compensation of the Company s directors and officers; and unless awarded by the full board, to make awards under the incentive-compensation plans and equity based-plans. The HRC Committee has a charter, a copy of which can be found on our website at www.narabank.com.

The HRC Committee has reviewed and discussed the Compensation Discussion and Analysis (CD&A) included in this proxy statement with management and based on its review and discussions, has recommended to the board of directors that the CD&A be included in the Company s annual report on Form 10-K and proxy statement.

In addition, the HRC Committee certifies that:

(1) It has reviewed with the senior risk officer the senior executive officer (SEO) compensation plans and has made all reasonable efforts to ensure that these plans do not encourage SEOs to take unnecessary and excessive risks that threaten the value of the Company;

(2) It has reviewed with the senior risk officer the employee compensation plans and has made all reasonable efforts to limit any unnecessary risks these plans pose to the Company; and

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(3) It has reviewed the employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of the Company to enhance the compensation of any employee.

This certification above and the narrative below are being provided in accordance with the requirement of the Interim Final Rule of the United States Treasury, TARP Standards for Compensation and Corporate Governance, issued June 15, 2009 (Interim TARP Rules).

The Committee met with Company s Chief Risk Officer to review the Company s SEO and Employee Compensation Plans on October 1, 2009 and the Committee continued their discussion on December 2, 2009. The Compensation Committee reviews and approves all SEO plans, award opportunities and performance goals. Further, incentive plans are audited regularly by internal auditors and periodically by the Company s independent registered public accounting firm.

SEO Compensation Plans

The SEOs for 2009 consisted of the CEO & President Ms. Min Kim, EVP & CFO Mr. Alvin Kang, EVP & Eastern Regional Manager Ms. Kyu Kim, SVP & Controller Ms. Christine Oh, and SVP& IT Manager Ms. Shuman Mona Chui. As described above, all of the SEO Compensation Plans are currently operating or suspended within the constraints of the TARP limits.

At the time of the review, the SEO Compensation Plans consisted of the CEO Employment Agreement (for Ms. Min Kim only), Deferred Compensation Agreement (for Ms. Min Kim only), Bank Owned Life Insurance (for Ms. Min Kim and Ms. Kyu Kim only) Change of Control Agreements (for Ms. Min Kim and Mr. Kang only; this Agreement was suspended under the TARP Rules), Long Term Incentive Plan (for Ms. Min Kim, Mr. Kang, and Ms. Kyu Kim only), Performance Incentive Plan, Stock Options and Performance Unit Grants (subject to TARP Restrictions).

The Committee determined that all of the SEO Compensation Plans did not encourage the SEOs to take unnecessary and excessive risks that threaten the value of the Company. Upon complete review of each compensation Plan, the Committee determined that each Plan risk level ranged from minimal to zero risk. For any plan that might have minimal risk, the Committee determined the inherent controls and implementation of the plan ensured appropriate mitigation of the risks.

The Company granted performance units to Ms. Min Kim, Mr. Alvin Kang and Ms. Kyu Kim on November 30, 2007, with a three year cliff vesting. Ms. Oh and Ms. Chui were granted restricted units along with some of the mid-level to senior level employees (which are more fully discussed below under Employee Compensation Plans). For recent performance unit grants, the Committee found that the SEOs must achieve a satisfactory performance evaluation as a vesting requirement which reduced the risk to the Company. Furthermore, the grants were an extremely small portion of the Company s 2009 total salary and benefit expense and a small percentage of the SEOs base salary and other incentive compensation. Equity awards are a critical part of the Company s compensation philosophy as they encourage the alignment of senior management s goals with those of stockholders, with the ultimate goal of increasing overall stockholder value. The risk to the Company is further reduced as the long-term performance unit awards are payable in recognition of achievement of the Company s goals over a period of three years.

For the Long Term Incentive Plans (LTIP), payout for 2008 was tied to the attainment of financial and strategic goals. Compensation is only paid upon realized Bank revenue and the payouts represented an extremely small portion of the Bank s total compensation expense and the employee s total base salary. The financial goals required the Bank to meet at least 80% of the Bank s budgeted return on equity and return on assets. The Company did not meet the financial goals and therefore no deferral payout was made to any SEO. For 2009, due to the uncertainty of the impending Interim Rule, the Committee did not draft performance criterion for 2009 and therefore no deferral payout was made for the 2009 year. Performance criterion for 2010 has not yet been determined.

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The SEOs also participate in the Performance Incentive Plan (PIP) as more fully described above. Annual cash incentives under the PIP are payable only when specific predetermined performance goals (made up of financial and strategic goals) are met. However, due to the lack of profitability in the 2009 year, the Company suspended the PIP for 2009. Furthermore, the top 5 most HCEs are subject to the no bonus payment restriction during the TARP period.

Employee Compensation Plans

The Committee also reviewed each of the Employee Compensation Plans, but concentrated on the incentive-based compensation plans for TARP related risk discussion. The Employee Incentive Based Compensation Plans (Plans) consist of commissions paid to Business Development Officers according to standards set by the Company, PIP performance based bonuses, grant of performance units, and the SBA Loan Referral Program.

Based upon its review of the Plans, the Committee believes that the features of these incentive compensation plans, along and/or combined with the systems of controls in place, do not encourage unnecessary or excessive risk or such risk has been severely limited and do not encourage the manipulation of reported earnings to enhance the compensation of any employee.

The only plan that posed some minimal risk was commission payments to Business Development Officers because their commissions were based on production volume (0.20% of the Bank s net loan amount up to $2,000 per loan) and constituted a higher portion of the Officer s total compensation expense than the other plans. However, controls were placed to limit the loan risk including a clawback of 100% of the commission refunded if the loan is in default or in liquidation within 9 months (the Committee determined on March 24, 2010 to increase it from 6 months to mitigate risk even further) from the date of the final disbursement. In addition, refunds can be deducted from future earnings and 25% of the quarterly commission is reserved to offset any shortage resulting from loan defaults discovered during any quarterly and annual review.

Moreover, for the SBA Loan Referral Program, BDO commissions, and the PIP, the Committee determined the loan default risks to the Company were further minimized by the Company and Bank s stringent loan risk prevention measures, which include loan policy and lending policies and procedures, various loan committees, and the loan review and risk monitoring system. In addition, due to TARP Rules, the top 5 HCEs and SEOs are restricted from participating in any loan, deposit or other type of referral incentive program.

The Company s last equity award grant to employees was made in August 2006 and November 2007, where the Company granted restricted units with a three year cliff vesting to mid-level to senior level employees as a retention tool and performance units with three year cliff vesting were granted to the executives, respectively. The unnecessary risk to the Company was limited as an extremely small portion of the Company s total compensation expense and small percentage of the SEOs base salary and other incentive compensation. The risk to the Company is further reduced as the long-term performance unit awards are payable in recognition of achievement of the Company s goals over a period of time longer than one year, a three year period.

Respectfully submitted by the members of the HRC Committee of the board of directors:

SCOTT YOON-SUK WHANG (Chair)

HOWARD N. GOULD

CHONG-MOON LEE

JOHN PARK

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SUMMARY COMPENSATION TABLE

The Summary Compensation Table includes information concerning the compensation paid to or earned by our NEOs listed in the table for the three year period ending December 31, 2009, December 31, 2008, and December 31, 2007.

itled Prior Performance Summary contains a discussion of the NNN programs sponsored through December 31, 2006. Certain finan
ce Tables in Appendix A to this prospectus. The prior performance of our affiliates previous real estate programs may not be indicat
experience financial performance and returns comparable to those experienced by investors in these prior programs. You may experienc
n our shares. Please see Risk Factors Risks Relating to Our Business We have no prior operating history and there is no assurance
ior performance of other NNN programs may not be an accurate predictor of our future results.

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bution reinvestment plan and elect to have the distributions you receive reinvested in shares of our common stock at $9.50 per share dur
tment plan at our discretion at any time upon 10 days notice to you. Please see Description of Capital Stock Distribution Reinvestm
n, a copy of which is attached as Appendix D to this prospectus.

are required to distribute 90% of our annual taxable income to our stockholders. As of the date of this prospectus, we have acquired a l
s we intend to acquire. We cannot predict when, if ever, we will begin to generate sufficient cash flow to pay cash distributions to our s
by our board of directors and will depend on the amount of distributable funds, current and projected cash requirements, tax considerati
other factors. If our investments produce sufficient cash flow, we expect to pay distributions to you on a monthly basis. Because our cash
ncome for the year, we may be required to borrow money, use proceeds from the issuance of securities or sell assets to pay out enough
see Description of Capital Stock Distribution Policy for a further explanation of our distribution policy.

of directors approved a distribution rate of 7.25% per annum to be paid to stockholders beginning with our February 2007 monthly dist
oard of directors and is subject to change based on available cash flows. We cannot guarantee the amount of distributions paid in the fu

ble to sell shares through our share repurchase plan described below. However, in the future, our board of directors will also consider va
ding; (1) a listing of our common stock on a national securities exchange; (2) our sale or merger in a transaction that provides our stock
mpany; and (3) the sale of all or substantially all of our assets for cash or other consideration. We presently intend to effect a liquidity e
pectus for this offering. However, there can be no assurance that we will effect a liquidity event within such time or at all. In making th
determine which alternative will result in greater value for our stockholders. Certain merger transactions and the sale of all or substantia
e of a majority of our outstanding shares of common stock.

ommon stock should be made as a long-term investment which is consistent with our investment objectives. However, to accommodate their shares, we have adopted a share repurchase plan to allow stockholders to sell shares, subject to limitations and restrictions. Repurc repurchases are subject to a one-year holding period. However, the one-year holding period requirement will be waived for sales follow be funded from the net proceeds from the sale of shares under the distribution reinvestment plan in the prior 12 months and (2) 5.0% of ndar year. Due to these limitations, we cannot guarantee that we will be able to accommodate all repurchase requests.

epurchase price will be $9.00 per share. During the 12 months subsequent to the completion of the offering period, the repurchase price will be $9.50 per share and during the subsequent 12 months, $9.75 per share. Thereafter, the repurchase price will be the greater of: (a) r distribution per weighted average share outstanding for the prior calendar year. For more information, please see the copy of our shar

rchase plan if and when our shares become listed on a national securities exchange or earlier if our board of directors determines that it ify any provision of the plan at any time, in our board s discretion. Please see Description of Capital Stock Share Repurchase Plan

A Considerations

titled Employee Benefit Plan and IRA Considerations describes certain considerations associated with a purchase of shares by a pens e Employee Retirement Income Security Act of 1974, as amended, or by an individual retirement account subject to Section 4975 of th sidering purchasing shares for or on behalf of such a plan or account should read that section of this prospectus very carefully.

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on ownership of the shares that prevent any individual or entity from acquiring beneficial ownership of more than 9.8% of the value of preferred stock we may issue) or more than 9.8% of the value or number of shares, whichever is more restrictive, of our then outstandin wnership of Shares for further explanation of the restrictions on ownership of our shares.

ration statement that we filed with the SEC using a continuous offering process. Periodically, as we make material investments or have y add, update or change information contained in this prospectus. Any statement that we make in this prospectus will be modified or sup supplement. The registration statement we filed with the SEC includes exhibits that provide more detailed descriptions of the matters d hibits filed with the SEC and any prospectus supplement, together with additional information described below under Where You Can

RISK FACTORS

ommon stock involves a number of risks. In addition to other risks discussed in this prospectus, you should specifically consider the foll

rket for our common stock. Therefore, it will be difficult for you to sell your shares and, if you are able to sell your shares, you will l

ket for shares of our common stock. We do not expect a public market for our stock to develop prior to the listing of our shares on a nati and which may not occur at all. Additionally, our charter contains restrictions on the ownership and transfer of our shares, and these re repurchase plan but it is limited in terms of the amount of shares which may be repurchased annually. Our board of directors may also l otice. Therefore, it will be difficult for you to sell your shares promptly or at all. If you are able to sell your shares, you may only be abl he result, in part, of the fact that, at the time we make our investments, the amount of funds available for investment will be reduced by commissions, the marketing support fee, due diligence expense reimbursements and organizational and offering expenses. We will also isory fees and acquisition expenses. Unless our aggregate investments increase in value to compensate for these up front fees and expen es, whether pursuant to our share repurchase plan or otherwise, without incurring a substantial loss. We cannot assure you that your sha hus, prospective stockholders should consider the purchase of shares of our common stock as illiquid and a long-term investment, and y se see Description of Capital Stock Restriction on Ownership of Shares for a more complete discussion on certain restrictions rega

ause we have identified a limited number of the specific investments we intend to make with the net proceeds we will receive from th to achieve our investment objectives.

we have acquired 17 properties, and our advisor has identified only three additional real estate investments to purchase with the net pro will be unable to evaluate the manner in which most of the net proceeds are invested and the economic merits of our investments prior t have the opportunity to evaluate the transaction terms or other financial or operational data concerning the properties or real estate relat ate our investment opportunities, and our advisor may not be able to achieve our investment objectives, may make unwise decisions or terest. See the risks discussed under Risks Related to Conflicts of Interest below. Further, we cannot assure you that acquisitions o g will produce a return on our investment or will generate cash flow to enable us to make distributions to our stockholders.

shares because your ability to have your shares repurchased pursuant to our share repurchase plan is subject to significant restrictio

e plan may provide you with a limited opportunity to sell your shares to us after you have held them for a period of one year, you shoul ons and limitations. Further, our board may limit, suspend, terminate or amend any

plan upon 30 days notice. Repurchase of shares, when requested, will generally be made quarterly. Repurchases will be limited to (1) under the distribution reinvestment plan in the prior 12 months, and (2) 5.0% of the weighted average number of shares outstanding dur shares for repurchase and until three years following this offering, repurchases will be made for less than you paid for your shares. The should not assume that you will be able to sell any of your shares back to us pursuant to our share repurchase plan at any particular tim for more information regarding our share repurchase plan.

and if we are unable to raise substantial funds, we will be limited in the number and type of investments we may make, which will re

best efforts basis, whereby the dealer manager and the broker-dealers participating in the offering are only required to use their best chase any of the shares. As a result, if we are unable to raise substantially more than the minimum offering of $2,000,000, we will have e geographic regions in which our investments are located and the types of investments that we make. Your investment in our shares w investments. In such event, the likelihood of our profitability being affected by the poor performance of any single investment will incr

d the fixed offering price may not accurately represent the current value of our assets at any particular time. Therefore the purchase lue of our assets per share of our common stock at the time of your purchase.

ich means that the offering price for shares of our common stock is fixed and will not vary based on the underlying value of our assets a ts sole discretion. The fixed offering price for shares of our common stock has not been based on appraisals for any assets we may own e established for shares of our common stock may not accurately represent the current value of our assets per share of our common stoc r assets per share at such time.

to its subordinated participation interest in our operating partnership will reduce cash available for distribution to our stockholders.

participation interest in our operating partnership, pursuant to which it may be entitled to receive a distribution upon the occurrence of -renewal of the advisory agreement, other than for cause, or the listing of our common stock on a national securities exchange. The dist ave made distributions to our stockholders of the total amount raised from stockholders (less amounts paid to repurchase shares through d return on average invested capital. Any distributions to our advisor by our operating partnership upon dispositions of our assets and su

diligence investigation of us was conducted by an affiliate. That investigation might not have been as thorough as an investigation c that would be important to a potential investor.

er manager are affiliates of ours, investors will not have the benefit of an independent due diligence review and investigation of the typ ection with a securities offering. In addition, Alston & Bird LLP has acted as

e dealer manager in connection with this offering and, therefore, investors will not have the benefit of due diligence that might otherwis
es, Alston & Bird LLP may be precluded from representing us due to a conflict of interest between us and our affiliates. If any situation
ould be required to retain additional counsel and may incur additional fees and expenses. The lack of an independent due diligence revi
ot have uncovered facts that would be important to a potential investor.

***iquidity event by September 20, 2013; however, there can be no assurance that we will effect a liquidity event within such time or at a
ave liquidity for your investment in shares of our common stock.***

ble to sell shares through our share repurchase plan. However, in the future we may also consider various forms of liquidity events, incl
rities exchange, (2) our sale or merger in a transaction that provides our stockholders with a combination of cash and/or securities of a
property for cash or other consideration. We presently intend to effect a liquidity event by September 20, 2013. However, there can be
f we do not effect a liquidity event, it will be very difficult for you to have liquidity for your investment in shares of our common stock

price from the sale of shares will be used to pay expenses and fees, the full offering price paid by stockholders will not be invested in r
ull return of their invested capital if we either (1) sell our assets or our company for a sufficient amount in excess of the original purcha
shares of common stock on a national securities exchange is substantially in excess of the original purchase price of our assets.

tory and there is no assurance that we will be able to successfully achieve our investment objectives; and the prior performance of ot

ory and we may not be able to achieve our investment objectives. As a result, an investment in our shares of common stock may entail r
ith a substantial operating history. In addition, you should not rely on the past performance of other investment programs sponsored by
uture results.

cating suitable investments, which could reduce our ability to make distributions to our stockholders and your return on your invest

nvestments, and we have acquired 17 properties. There may be a substantial period of time before the proceeds of this offering are inves
offering on a best efforts basis over time, our ability to commit to purchase specific assets will also depend, in part, on the amount of
suitable investments, we may not be able to achieve our investment objectives or make distributions to you.

sh distributions to our stockholders is uncertain.

ributions to our stockholders. However, we bear all expenses incurred in our operations, which are deducted from cash funds generated
holders. In addition, our board of directors, in its discretion, may retain any portion of such funds for working capital. We cannot assure

mount of distributions will increase over time. Should we fail for any reason to distribute at least 90% of our REIT taxable income, we w

available from operations to pay distributions, and, therefore, distributions may include a return of capital.

ders may include a return of capital, rather than a return on capital. We intend to pay regular cash distributions to our stockholders, typi
e determined by our board of directors in its discretion and typically will depend on the amount of funds available for distribution, whic
tax considerations. As a result, our distribution rate and payment frequency may vary from time to time. During the early stages of our
distributions. Therefore, we may need to use proceeds from the offering or borrow funds to make cash distributions in order to maintain
investment and operations or cause us to incur additional interest expense as a result of borrowed funds. Further, if the aggregate amou
T taxable income generated during the year, the excess amount will be deemed a return of capital.

available from operations to pay distributions, and, therefore, distributions may be paid with offering proceeds or borrowed funds.

ve make to our stockholders will be determined by our board of directors and is dependent on a number of factors, including funds avai
nditure requirements and annual distribution requirements needed to maintain our status as a REIT. On February 14, 2007, our board of
lders beginning with our February 2007 monthly distribution, which was paid in March 2007. For the nine months ended September 30
of $2,963,000 for the period. However, as of September 30, 2007, we owed $632,000 to our advisor and its affiliates for operating exper
anagement fees, which will be paid from cash flow from operations in the future. Our advisor and its affiliates have no obligations to de
due to our advisor or its affiliates have been forgiven. In the future, if our advisor or its affiliates do not defer or forgive amounts due to
utions to be paid, we would be required to pay our distributions, or a portion thereof, with proceeds from this offering or borrowed fund
rations would be reduced, or we may incur additional interest expense as a result of borrowed funds. In addition, for the nine months en
000. We paid distributions of $1,638,000, of which $1,583,000 was paid from FFO and the remainder from proceeds from this offering

of debt or equity for funding our future capital needs. If we cannot obtain funding on acceptable terms, our ability to make necessa

g will be used to buy a diversified portfolio of real estate and real estate related securities and to pay various fees and expenses. In addi
east 90% of our taxable income each year, excluding capital gains. Because of this distribution requirement, it is not likely that we will
d earnings. Sources of funding may not be available to us on favorable terms or at all. If we do not have access to sufficient funding in t
o our properties, pay other expenses or expand our business.

dit markets has increased the cost of borrowing and has made financing difficult to obtain, each of which may have a material adver

rkets have had an adverse impact on the credit markets and, as a result, the availability of credit has become more expensive and difficu
s of credit and there may be a general reduction in the amount of credit available in the markets in which we conduct business. The nega
erse effect on us resulting from, but not limited to, an inability to finance the acquisition of properties on favorable terms, if at all, incre
s.

t adverse changes in the credit markets on the real estate sector generally or our inability to obtain financing on favorable terms, if at all
s.

f property in exchange for limited partnership units in our operating partnership on terms that could limit our liquidity or our flexib

suing limited partnership units in our operating partnership in exchange for a property owner contributing property to the partnership. If
roperties to accept units in our operating partnership, rather than cash, in exchange for their properties, it may be necessary for us to pro
nership agreement provides that any holder of units may exchange limited partnership units on a one-for-one basis for shares of our com
our shares. We may, however, enter into additional contractual arrangements with contributors of property under which we would agre
the option of the contributor, at set times. If the contributor required us to repurchase units for cash pursuant to such a provision, it woul
nts, satisfy other obligations or to make distributions to stockholders. Moreover, if we were required to repurchase units for cash at a tim
required to sell one or more properties to raise funds to satisfy this obligation. Furthermore, we might agree that if distributions the co
vide the contributor with a defined return, then upon redemption of the contributor s units we would pay the contributor an additional a
y impact our liquidity and flexibility. Finally, in order to allow a contributor of a property to defer taxable gain on the contribution of pr
operty for a defined period of time or until the contributor exchanged the contributor s units for cash or shares. Such an agreement wou
uch a sale favorable to us.

n the performance of our advisor.

ment objectives and to pay distributions is dependent upon the performance of our advisor in identifying and acquiring investments, the
estments and operation of our day-to-day activities. You will have no opportunity to evaluate the terms of transactions or other economi
d in this prospectus. We will rely entirely on the management ability of our advisor, subject to the oversight of our board of directors. If
problems in connection with its operations unrelated to us, our advisor may be unable to allocate time and/or resources to our operations
our operations for any reason, we may be unable to achieve our investment objectives or to pay distributions to our stockholders. In ad
butions of certain of our sponsor s and advisor s officers and officers of Triple Net Properties, who will manage our advisor, including

ave key man life insurance on any key personnel. If our sponsor, our advisor or Triple Net Properties were to lose the benefit of the exp
g results could suffer.

bility to pay distributions to our stockholders and our ability to dispose of our investments are subject to general economic and regul

ect to the risks of a national economic slowdown or disruption, other changes in national or local economic conditions or changes in tax
income from our properties, our ability to dispose of properties, and yields from our properties:

s may result in defaults by tenants of our properties and borrowers. We may also be required to provide rent
ced rental rates to maintain or increase occupancy levels;

offs may cause vacancies to increase and a lack of future population and job growth may make it difficult to
occupancy levels;

of competing properties or decreases in demand for our properties may impact our ability to maintain or increase

ates and availability of debt financing could render the sale of properties difficult or unattractive;

est rates may reduce cash flow from leveraged properties; and

premiums, real estate taxes or energy or other expenses may reduce funds available for distribution or, to the
s are passed through to tenants, may lead to tenant defaults. Also, any such increased expenses may make it
rents to tenants on turnover, which may limit our ability to increase our returns.

ors may affect the returns we receive from our investments, our results of operations, our ability to pay distributions to our stockholders

ve no obligation to defer or forgive fees or loans or advance any funds to us, which could reduce our ability to make investments or p

liates have, in certain circumstances, deferred or forgiven fees and loans payable by programs sponsored or managed by NNN Realty A
on to defer or forgive fees owed by us to our advisor or its affiliates or to advance any funds to us. As a result, we may have less cash av

of Triple Net Properties could adversely impact our advisor s ability to perform its duties to us.

Net Properties, learned that the SEC is conducting an investigation referred to as In the matter of Triple Net Properties, LLC. The SEC
n certain public and private securities offerings sponsored by Triple Net Properties and its affiliates during 1998 through 2004, or the T
NNN Capital Corp., the dealer manager for the Triple Net securities offerings and the dealer manager for this offering. The SEC has req
s offerings and the disclosures included in the related offering documents from each of Triple Net Properties and NNN Capital Corp.

Capital Corp. are engaged in settlement negotiations with the SEC staff regarding this matter. The settlement negotiations are continuing
mmission. Since the matter is not concluded, it remains subject to the risk

remedies, including substantial fines and injunctive relief that, if obtained, could materially adversely affect our advisor s ability to pe
es, and could also materially adversely affect our dealer manager s ability to conduct this offering. Additionally, any resolution of this
Capital Corp. could materially and adversely affect the willingness of potential investors to invest in Triple Net Properties offerings, i
d also give rise to claims against Triple Net Properties by investors in its programs. At this time, Triple Net Properties cannot assess the

terest

f interest arising out of relationships among us, our officers, our advisor and its affiliates, including the material conflicts discussed belo
led discussion of these conflicts of interest.

N programs for investment opportunities. As a result, our advisor may not cause us to invest in favorable investment opportunities w

es and their affiliates have sponsored existing programs with investment objectives and strategies similar to ours, and may sponsor othe
he same time as one or more of the other NNN programs managed or advised by affiliates of our advisor. Officers and employees of ou
es between us and these other programs. For instance, our advisor may select properties for us that provide lower returns to us than pro
annot be sure that officers and employees acting for or on behalf of our advisor and on behalf of managers of other NNN programs will
r investment to us. We are subject to the risk that as a result of the conflicts of interest between us, our advisor and other entities or prog
orable investment opportunities that our advisor locates when it would be in our best interest to make such investments. As a result, we
our investments and ability to pay distributions.

our officers and our non-independent director may cause us not to be managed solely in the best interests of our stockholders, whi
investment.

-independent director are officers of our advisor, Triple Net Properties, which manages our advisor, our sponsor and other affiliated ent
Scott D. Peters is our Chief Executive Officer, President and Chairman of the Board and also serves as the Chief Executive Officer of
Executive Officer, President and a director of our sponsor and the Chief Executive Officer, President and Chairman of the Board of NN
eters currently owns approximately 2.0% of Grubb & Ellis outstanding common stock and he has de minimis ownership in several oth
serves as a Financial Reporting Manager of Triple Net Properties. Ms. Johnson has de minimis equity ownership in our sponsor and no
e Vice President and Secretary and also serves as the Executive Vice President of our advisor, the General Counsel and Executive Vice
e President and Secretary of our sponsor and the General Counsel, Executive Vice President, Secretary and a director of NNN Realty Ad
stock and she has de minimis ownership in several NNN programs. Danny Prosky is our Vice President

he Managing Director Health Care Properties of Triple Net Properties. Mr. Prosky has no equity ownership in our sponsor or any NN
of Mr. Peters, Ms. Johnson, Ms. Biller and Mr. Prosky holds options to purchase a de minimis amount of our sponsor s outstanding co
18.0% membership interests in Grubb & Ellis Healthcare Management, LLC, which owns 25.0% of the membership interest of our ad

hich our officers and non-independent director have invested and to which they provide services, have investment objectives similar to
ons to these entities which are similar to those they owe to us and our stockholders. As a result, they may have conflicts of interest in all
s. During times of intense activity in other programs, the time they devote to our business may decline and be less than we require. If ou
le sufficient resources to manage our business, our business will suffer and this may adversely affect our results of operations and the va

ith affiliates, we may face conflicts of interest or disagreements with our joint venture partners that will not be resolved as quickly or
e the case if the joint venture had been negotiated at arm s length with an independent joint venture partner.

oint venture with any other program sponsored or advised by our sponsor or one of its affiliates, we may face certain additional risks an
N programs may never have an active trading market. Therefore, if we were to become listed on a national securities exchange, we may
erties in the future. Joint ventures between us and other NNN programs will not have the benefit of arm s length negotiation of the type
enture agreements, none of the co-venturers may have the power to control the venture, and an impasse could be reached regarding mat
might have a negative impact on the joint venture and decrease returns to you.

f interest relating to its compensation structure, which could result in actions that are not necessarily in the long-term best interests

tween us, our operating partnership, our advisor and Triple Net Properties, and pursuant to the subordinated participation interest our ad
tributions that are structured in a manner intended to provide incentives to our advisor to perform in our best interests and in the best int
estate commissions, an asset management fee and disposition fees. The distributions our advisor may become entitled to receive would
listing of our shares or the termination of the advisory agreement, other than for cause. Please see Compensation Table for a descrip
er, because our advisor does not maintain a significant equity interest in us and is entitled to receive substantial minimum compensation
with those of our stockholders. In that regard, the only fee our advisor receives with respect to ongoing operation and management of pr
l investment and not the performance of those investments, which could result in our advisor not having adequate incentive to manage
vestments. On the other hand, our advisor could be motivated to recommend riskier or more speculative investments in order to increase
erformance or net sales proceeds that would entitle our advisor to fees or distributions.

advisor upon termination of the advisory agreement may influence decisions about terminating our advisor or our acquisition or dis

s upon the sale of our assets and to participate in net sales proceeds could result in our advisor recommending sales of our investments a evel of return which would entitle the advisor to compensation relating to such sales, even if continued ownership of those investments articipation interest may require our operating partnership to make a distribution to our advisor upon termination of the advisory agreen s included in our operating partnership agreement. This distribution will not be paid if we terminate the advisory agreement after the list ectors may decide against terminating the advisory agreement prior to our listing of our shares even if, but for the requirement to make t nterest of our stockholders. In addition, the requirement to make this distribution could cause our independent directors to make differen rder to satisfy our obligation to the terminated advisor.

dispose of assets to, affiliates of our advisor, which could result in us entering into transactions on less favorable terms than we wou rception of us.

iates of our advisor. Further, we may also dispose of assets to affiliates of our advisor. Affiliates of our advisor may make substantial pr ner duties to the selling or purchasing entity in these transactions, and conflicts of interest between us and the selling or purchasing entit rely on our advisor in identifying and evaluating any such transaction, these conflicts could result in transactions based on terms that ar tence of conflicts, regardless of how they are resolved, might negatively affect the public s perception of us.

er the advisory agreement and the distributions payable to our advisor under our operating partnership agreement were not determi those we could negotiate with an unrelated party.

on information and recommendations provided by our advisor to determine the fees and distributions payable to our advisor and its affi icipation interest in our operating partnership. As a result, these fees and distributions cannot be viewed as having been determined on a uld not be willing and able to provide to us the same services at a lower price.

ganizational Structure

other classes of common stock, which issuance could adversely affect the holders of our common stock issued pursuant to this offer

ave preemptive rights to any shares issued by us in the future. We may issue, without stockholder approval, preferred stock or other cla common stock. Our charter authorizes us to issue 1,200,000,000 shares of capital stock, of which 1,000,000,000 shares of capital stock ck are designated as preferred stock. Our board of directors may increase the aggregate number of authorized shares of capital stock or ut stockholder approval. If we ever created and issued preferred stock with a distribution preference over our common stock, payment o amount of funds available for the payment of distributions on our common stock. Further, holders of preferred stock are normally entit

fore any payment is made to our common stockholders, likely reducing the amount common stockholders would otherwise receive upon
ce of preferred stock or a separate class or series of common stock may render more difficult or tend to discourage:

roxy contest;

ol by a holder of large block of our securities; or

nt management.

hares of our common stock that any person may own may discourage a takeover or business combination that may have benefited ou

indirect ownership by one person or entity to no more than 9.8% of the value of our then outstanding capital stock (which includes com
the value or number of shares, whichever is more restrictive, of our then outstanding common stock. This restriction may discourage a c
ng tender offers for shares of our common stock on terms that might be financially attractive to stockholders or which may cause a chan
ness combinations that would have otherwise been approved by our board of directors and stockholders. In addition to deterring potenti
ay also decrease your ability to sell your shares of our common stock.

nge our investment objectives without seeking stockholder approval.

directors to change our investment objectives without seeking stockholder approval. Although our board has fiduciary duties to our stoc
oard determines that a change is in the best interests of our stockholders, a change in our investment objectives could reduce our payme
our investments.

tional documents limit your right to bring claims against our officers and directors.

ector will not have any liability as a director so long as he or she performs his or her duties in good faith, in a manner he or she reasonab
rudent person in a like position would use under similar circumstances. In addition, our charter provides that, subject to the applicable li
liable to us or our stockholders for monetary damages. Our charter also provides that we will generally indemnify our directors, our of
service in those capacities unless (1) their act or omission was material to the matter giving rise to the proceeding and was committed i
tually received an improper personal benefit in money, property or services, or (3) in the case of any criminal proceeding, they had reas
enter into separate indemnification agreements with each of our directors and some of our executive officers. As a result, we and our s
otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by these persons in some cases.
ess our directors, our advisor and its affiliates unless they have determined that the course of conduct that caused the loss or liability wa
s for us, the liability was not the result of negligence or misconduct by our non-independent directors, our advisor and its affiliates or gr
demnification is recoverable only out of our net assets or the proceeds of insurance and not from the stockholders.

law could restrict a change in control even if a change in control were in our stockholders interests.

nd General Corporation Law applicable to us prohibit business combinations with:

eficially owns 10% or more of the voting power of our common stock, which we refer to as an interested

who, at any time within the two-year period prior to the date in question, was an interested stockholder; or

erested stockholder.

ears after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any business combinat
rectors and approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of our outstanding shares of comm
our common stock other than shares held by the interested stockholder. These requirements could have the effect of inhibiting a change
ese provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our board of directo

reduced if we are required to register as an investment company under the Investment Company Act.

tment company under the Investment Company Act of 1940, as amended, or the Investment Company Act. If for any reason, we were r
ply with a variety of substantive requirements under the Investment Company Act imposing, among other things:

l structure;

fied investments;

sactions with affiliates; and

orting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change

anner that we will not be subject to regulation under the Investment Company Act. In order to maintain our exemption from regulation
ex rules and regulations.

our exemption from regulation as an investment company under the Investment Company Act, we intend to engage primarily in the bu
ithin one year after the offering ends. If we are unable to invest a significant portion of the proceeds of this offering in properties within
egister as an investment company under the Investment Company Act by temporarily investing any unused proceeds in government sec
ld reduce the cash available for distribution to investors and possibly lower your returns.

he application of the Investment Company Act, either as a company engaged primarily in investing in interests in real estate or under an
e required to impose limitations on our investment activities. In particular, our advisor may limit the percentage of our assets that fall in
could result in us holding assets we otherwise might desire to sell and selling assets we

n addition, we may have to acquire additional assets that we might not otherwise have acquired or be forced to forgo investment opportu
ant to our investment strategy. In particular, our advisor will monitor our investments in real estate related securities to ensure continued
tus under the Investment Company Act and, depending on the particular characteristics of those investments and our overall portfolio, o
ted by real estate related securities.

an investment company, our ability to enter into certain transactions would be restricted by the Investment Company Act. Furthermore
ance with such restrictions could be substantial. In addition, registration under and compliance with the Investment Company Act would
es, thereby decreasing the time they spend actively managing our investments. If we were required to register as an investment compan
nd criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court were to requi
liquidate our business.

n Real Estate

r local economic, demographic or real estate market conditions may adversely affect our results of operations and our ability to pay

ally incident to the ownership of real property, including changes in national, regional or local economic, demographic or real estate ma
nal or local economic, demographic or real estate market conditions. For example, a recession or rise in interest rates could make it more
ng interest rates could also make alternative interest-bearing and other investments more attractive and therefore potentially lower the re
r others we cannot predict, may adversely affect our results of operations, our ability to pay distributions to our stockholders or reduce t

***e when the real estate market is experiencing substantial influxes of capital investment and competition for income producing prope
ease in value.***

y experiencing a substantial influx of capital from investors. This substantial flow of capital, combined with significant competition for
assets. To the extent we purchase real estate in such an environment, we are subject to the risk that if the real estate market ceases to att
ting, or if the number of companies seeking to acquire such assets decreases, the value of our investment may not appreciate or may dec

n acquiring properties and other investments may reduce our profitability and the return on your investment.

ities engaged in real estate investment activities, including individuals, corporations, bank and insurance company investment accounts
investors, many of which have greater resources than we do. Many of these entities may enjoy significant competitive advantages that r
g efficiencies. In addition, the number of entities and the amount of funds competing for suitable investments may increase. As such, co

reased prices paid for them. If we pay higher prices for properties and other investments, our profitability will be reduced and you may

y incur vacancies, which may result in reduced revenue and resale value, a reduction in cash available for distribution and a dimin

y incur vacancies either by a default of tenants under their leases or the expiration or termination of tenant leases. If vacancies continue
s cash distributions to stockholders. In addition, the resale value of the property could be diminished because the market value of a parti
operty.

r our revenue, and lease terminations could reduce our distributions to our stockholders.

ur real estate investments is materially dependent on the financial stability of our tenants. Lease payment defaults by tenants would caus
ce the amount of distributions to stockholders. If the property is subject to a mortgage, a default by a significant tenant on its lease payn
an alternative source of revenue to meet mortgage payments. In the event of a tenant default, we may experience delays in enforcing ou
t and re-letting our property. Further, we cannot assure you that we will be able to re-lease the property for the rent previously received
loss.

in fair market lease rates over time; therefore, our income and our distributions to our stockholders could be lower than if we did n

ses with tenants of certain of our properties. Our long-term leases would likely provide for rent to increase over time. However, if we do
ve may set the terms of these long-term leases at levels such that even after contractual rental increases the rent under our long-term lea
bility to terminate those leases or to adjust the rent to then-prevailing market rates. As a result, our income and distributions to our stock

ds for future tenant or other capital improvements, which could limit our ability to attract or replace tenants and decrease your retu

leases or otherwise vacate their space, it is common that, in order to attract replacement tenants, we will be required to expend substant
ed space. Such tenant improvements may require us to incur substantial capital expenditures. If we have not established capital reserves
btain financing from other sources and we have not identified any sources for such financing. We may also have future financing needs
need to secure financing sources for tenant improvements or other capital improvements in the future, but are unable to secure such fina
may be unable to make tenant and other capital improvements or we may be required to defer such improvements. If this happens, it ma
lescence or a decline in value, or a greater risk of decreased cash flow as a result of fewer potential tenants being attracted to the proper
o sufficient funding in the future, we may not be able to make necessary capital improvements to our properties, pay other expenses or

l estate and lender requirements to obtain insurance may reduce your returns.

to real estate, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution o we are required to do so by mortgage lenders. If any of our properties incurs a casualty loss that is not fully covered by insurance, the v other than any reserves we may establish, we have no source of funding to repair or reconstruct any uninsured damaged property, and w r such purposes in the future. Also, to the extent we must pay unexpectedly large amounts for uninsured losses, we could suffer reduced ses where we are required by mortgage lenders to obtain casualty loss insurance for catastrophic events or terrorism, such insurance ma hibit our ability to finance or refinance our properties. Additionally, if we obtain such insurance, the costs associated with owning a pro income from the property, and, thus, the cash available for distribution to our stockholders.

pment and construction of real properties may have adverse effects on our results of operations and returns to our stockholders.

tion, acquisition and development of real properties could adversely affect your returns. Where properties are acquired prior to the start e several months to complete construction and rent available space. Therefore, you could suffer delays in the receipt of cash distribution of construction could give tenants the right to terminate preconstruction leases for space at a newly developed project. We may incur ac nces to builders prior to completion of construction. Each of those factors could result in increased costs of a project or loss of our inves newly constructed projects. Furthermore, the price we agree to for a real property will be based on our projections of rental income and pletion of construction. If our projections are inaccurate, we may pay too much for a property.

ating to the future disposition of properties could cause us to sell our properties at a loss in the future.

al estate investments until such time as our advisor determines that a sale or other disposition appears to be advantageous to achieve our irectors, may exercise its discretion as to whether and when to sell a property, and we will have no obligation to sell properties at any pa of time, and we cannot predict with any certainty the various market conditions affecting real estate investments that will exist at any p that may affect the future disposition of our properties, we cannot assure you that we will be able to sell our properties at a profit in the t we sell a property subject to a mortgage earlier than we otherwise had planned. Accordingly, the extent to which you will receive cash vestments will, among other things, be dependent upon fluctuating market conditions.

ironmental cleanup costs and damages for contamination related to properties we acquire, which could substantially increase our c

perate real estate, we will be subject to various federal, state and local environmental laws, ordinances and regulations. Under these laws al estate may be liable for the cost of removal or remediation of hazardous or

uch property. The costs of removal or remediation could be substantial. Such laws often impose liability whether or not the owner or op
xic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be op
mental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circums
law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing ma
rs of real estate for personal injury or property damage associated with exposure to released hazardous substances. In addition, new or m
cost of compliance or liabilities and restrictions arising out of such laws. The cost of defending against these claims, complying with e
ontaminated property, or of paying personal injury claims could be substantial, which would reduce our liquidity and cash available for
perty or the failure to meet environmental regulatory requirements may materially impair our ability to use, lease or sell a property, or t

be concentrated in medical office or other healthcare-related facilities, making us more vulnerable economically than if our investm

rily in real estate. Within the real estate industry, we intend primarily to acquire or selectively develop and own medical office buildings
e are subject to risks inherent in concentrating investments in real estate. These risks resulting from a lack of diversification become eve
n healthcare-related facilities.

eal estate industry generally could significantly adversely affect the value of our properties. A downturn in the healthcare industry could
ity to make distributions to our stockholders. These adverse effects could be more pronounced than if we diversified our investments ou
on in medical office buildings and healthcare-related facilities.

ot have efficient alternative uses, so the loss of a tenant may cause us not to be able to find a replacement or cause us to spend consi

eek to acquire are specialized medical facilities. If we or our tenants terminate the leases for these properties or our tenants lose their reg
able replacement tenants to lease the properties for their specialized uses. Alternatively, we may be required to spend substantial amoun
pital expenditures required as a result may have a material adverse effect on our business, financial condition and results of operations a

althcare-related facilities and tenants may be unable to compete successfully.

healthcare-related facilities often face competition from nearby hospitals and other medical office buildings that provide comparable se
cies and supported by tax revenues, and others are owned by nonprofit corporations and may be supported to a large extent by endowm
r buildings.

etition from other medical practices in nearby hospitals and other medical facilities. Our tenants failure to compete successfully with th

which could adversely affect our rental revenues. Further, from time to time and for reasons beyond our control, referral sources, includ
ists of hospitals or physicians to which they refer patients. This could adversely affect our tenants ability to make rental payments, wh

resulting from the inability of our medical office buildings and healthcare-related facilities and our tenants to compete successfully may
results of operations and our ability to make distributions to our stockholders.

ying with the Americans with Disabilities Act may reduce our cash available for distributions.

the Americans with Disabilities Act of 1990, as amended, or the ADA. Under the ADA, all places of public accommodation are require
bled persons. The ADA has separate compliance requirements for public accommodations and commercial facilities that generally
e with disabilities. The ADA s requirements could require removal of access barriers and could result in the imposition of injunctive re
mpt to acquire properties that comply with the ADA or place the burden on the seller or other third party, such as a tenant, to ensure com
o acquire properties or allocate responsibilities in this manner. If we cannot, our funds used for ADA compliance may reduce cash availa

ct to property taxes that may increase in the future, which could adversely affect our cash flow.

real and personal property taxes that may increase as tax rates change and as the real properties are assessed or reassessed by taxing au
the property taxes or increases therein, are charged to the tenants as an expense related to the real properties that they occupy while oth
case, as the owner of the properties, we are ultimately responsible for payment of the taxes to the applicable government authorities. If
x payments, ultimately requiring us to pay the taxes even if otherwise stated under the terms of the lease. If we fail to pay any such taxe
real property may be subject to a tax sale. In addition, we will generally be responsible for real property taxes related to any vacant spac

mental laws and regulations related to environmental protection and human health and safety may be high.

the operations conducted in connection with such investments are subject to federal, state and local laws and regulations relating to en
egulations may impose joint and several liability on customers, owners or operators for the costs to investigate or remediate contaminate
n were legal.

local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating
e liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In a
erly remediate those substances, may adversely affect our ability to sell, rent or pledge such real property as collateral for future borrow
ch real property may be used or businesses may be operated. Some of these laws and regulations have been amended so as to require co
pliance with new or more stringent laws or regulations or stricter interpretation of existing laws may

nditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, our tenants operations, the eal properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our real properties. I d similar regulations with which we may be required to comply, and which may subject us to liability in the form of fines or damages fo real properties, we may be exposed to such costs in connection with such regulations. The cost of defending against environmental clai egulatory requirements or of remediating any contaminated real property could materially and adversely affect our business, lower the ounts available for distribution to you.

re Industry

om third party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their abil

ts may include the federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations y continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. In a gulations could jeopardize their ability to continue participating in Medicare, Medicaid and other government sponsored payment progr

s to face various challenges, including increased government and private payor pressure on healthcare providers to control or reduce co payor mix away from fee-for-service payors, resulting in an increase in the percentage of revenues attributable to managed care payors, osts. Pressures to control healthcare costs and a shift away from traditional health insurance reimbursement to managed care plans have ge is provided under managed care plans, such as health maintenance organizations and preferred provider organizations. These change of our tenants. The financial impact on our tenants could restrict their ability to make rent payments to us, which would have a materia ns and our ability to make distributions to our stockholders.

for the acquisition of medical office buildings and other healthcare-related facilities, which may impede our ability to make future a

ities engaged in real estate investment activities for acquisitions of medical office buildings and healthcare-related facilities, including r hcare real estate properties. The competition for healthcare real estate properties may significantly increase the price we must pay for m to acquire and our competitors may succeed in acquiring those properties or assets themselves. In addition, our potential acquisition targ greater resources, may be willing to pay more for the properties or may have a more compatible operating philosophy. In particular, lar es that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities a ay increase. This competition will result in increased demand for these assets and therefore increased prices paid for them. Because of a d individual purchasers, we may pay higher prices if we purchase single properties in comparison with portfolio acquisitions. If we pay

ties, our business, financial condition and results of operations and our ability to make distributions to our stockholders may be materia

ly regulated, and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure co

y regulated by federal, state and local governmental bodies. Our tenants generally will be subject to laws and regulations covering, amo rams, and relationships with physicians and other referral sources. Changes in these laws and regulations could negatively affect the abi utions to our stockholders.

and their tenants may require a license or certificate of need, or CON, to operate. Failure to obtain a license or CON, or loss of a require ended by the tenant. These events could materially adversely affect our tenants ability to make rent payments to us. State and local law or acquisition of medical equipment, and the construction of healthcare-related facilities, by requiring a CON or other similar approval. to change. We cannot predict the impact of state CON laws on our development of facilities or the operations of our tenants.

n materially impact the ability of competitors to enter into the marketplace of our facilities. The repeal of CON laws could allow compet ffect our tenants abilities to make rent payments to us.

state licensure or certification or closure of a facility could ultimately result in loss of authority to operate the facility and require new C e of the facility may be reduced, which would adversely impact our business, financial condition and results of operations and our ability

uildings and healthcare-related facilities will be subject to fraud and abuse laws, the violation of which by a tenant may jeopardize th

te laws prohibiting fraudulent and abusive business practices by healthcare providers who participate in, receive payments from or are i thcare programs, including the Medicare and Medicaid programs. Our lease arrangements with certain tenants may also be subject to th

ckback Statute, which prohibits, among other things, the offer, payment, solicitation or receipt of any form of rn for, or to induce, the referral of any item or service reimbursed by Medicare or Medicaid;

n Self-Referral Prohibition, which, subject to specific exceptions, restricts physicians from making referrals for ted health services for which payment may be made under Medicare or Medicaid programs to an entity with which immediate family member, has a financial relationship;

t, which prohibits any person from knowingly presenting false or fraudulent claims for payment to the federal ng claims paid by the Medicare and Medicaid programs; and

Penalties Law, which authorizes the U.S. Department of Health and Human Services to impose monetary penalties t acts.

inal and/or civil penalties for violations that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Me
Medicaid programs. Certain laws, such as the False Claims Act, allow for individuals to bring whistleblower actions on behalf of the g
facilities are located may have similar fraud and abuse laws. Investigation by a federal or state governmental body for violation of frau
could jeopardize that tenant s ability to operate or to make rent payments, which may have a material adverse effect on our business, f
ons to our stockholders.

ovider operations may negatively affect our lease revenues and our ability to make distributions to our stockholders.

tly experiencing:

nd for and methods of delivering healthcare services;

y reimbursement policies;

apacity in certain areas, which has created substantial competition for patients among healthcare providers in those

by private and governmental payors to reduce payments to providers of services; and

f billing, referral and other practices by federal and state authorities.

ct the economic performance of some or all of our tenants and, in turn, our lease revenues and our ability to make distributions to our st

uildings and healthcare-related facilities may be subject to significant legal actions
sed operating costs and substantial uninsured liabilities, which may affect their ability to pay their rent payments to us.

dustry, certain types of tenants of our medical office buildings and healthcare-related facilities may often become subject to claims that t
these tenants may have experienced an increasing trend in the frequency and severity of professional liability and general liability insu
aintained by these tenants may not cover all claims made against them nor continue to be available at a reasonable cost, if at all. In some
rofessional liability and general liability claims and/or litigation may not, in certain cases, be available to these tenants due to state law p
ur medical office buildings and healthcare-related facilities operating in these states may be liable for punitive damage awards that are e
believe that there has been, and will continue to be, an increase in governmental investigations of certain healthcare providers, particula
enforcement actions resulting from these investigations. Insurance is not available to cover such losses. Any adverse determination in a
asserted or arising in the future, could have a material adverse effect on a tenant s financial condition. If a tenant is unable to obtain or
ce coverage, if a tenant is required to pay uninsured punitive damages, or if a tenant is subject to an uninsurable government enforceme
which may affect the tenant s ability to pay rent, which in turn could have a material adverse effect on our business, financial condition
lders.

n Real Estate Related Securities

rience in acquiring mortgage loans or investing in real estate related securities, which may result in our real estate related securities

gement personnel of our advisor have any substantial experience in acquiring mortgage loans or investing in the real estate related secur at our advisor, in consultation with our board of directors, determines that it is advantageous for us to do so. Our and our advisor s lack in our real estate related securities investments failing to produce returns or incurring losses, either of which would reduce our ability t

ties in which we may invest are subject to specific risks relating to the particular issuer of the securities and may be subject to the ge

referred stock of both publicly traded and private real estate companies, which involves a higher degree of risk than debt securities due editors and are not secured by the issuer s property. Our investments in real estate related equity securities will involve special risks re condition and business outlook of the issuer. Issuers of real estate related common equity securities generally invest in real estate or re l estate related investments discussed in this prospectus, including risks relating to rising interest rates.

e may invest and the mortgage loans underlying the mortgage-backed securities in which we may invest may be impacted by unfavor

age loans or mortgage-backed securities, we will be at risk of loss on those investments, including losses as a result of defaults on mort trol, including economic conditions affecting real estate values, tenant defaults and lease expirations, interest rate levels and the other ec the heading Risks Related to Investments in Real Estate. If we acquire property by foreclosure following defaults under our mort escribed above. We do not know whether the values of the property securing any of our real estate securities investments will remain at he values of the underlying properties drop, our risk will increase and the values of our interests may decrease.

mortgage loan investments could reduce our investment returns.

ortgage loan investments, we may not be able to foreclose on or obtain a suitable remedy with respect to such investments. Specifically, ich could reduce the value of our investment. For example, an action to foreclose on a property securing a mortgage loan is regulated b of lawsuits if the defendant raises defenses or counterclaims. Additionally, in the event of default by a mortgagor, these restrictions, am s property or to obtain proceeds sufficient to repay all amounts due to us on the mortgage loan.

cked securities in which we may invest are subject to several types of risks.

securities, or CMBS, are bonds which evidence interests in, or are secured by, a single commercial mortgage loan or a pool of commer
nvest in are subject to all the risks of the underlying mortgage loans.

ent, the value of CMBS may be adversely affected when payments on underlying mortgages do not occur as anticipated, resulting in the
st rate sensitivity of a longer-term instrument. The value of CMBS may also change due to shifts in the market s perception of issuers a
markets as a whole. In addition, CMBS are subject to the credit risk associated with the performance of the underlying mortgage prope
dit support can reduce the credit risk.

risks created through the securitization process. Subordinate CMBS are paid interest only to the extent that there are funds available to
of delinquent loans, there is a risk that interest payment on subordinate CMBS will not be fully paid. Subordinate securities of CMBS a
l.

e may invest would involve greater risks of loss than senior loans secured by income-producing real properties.

ns that take the form of subordinated loans secured by second mortgages on the underlying real property or loans secured by a pledge of
ntity that owns the interest in the entity owning the real property. These types of investments involve a higher degree of risk than long-t
because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity p
recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaul
r bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our investm
conventional mortgage loans, resulting in less equity in the real property and increasing the risk of loss of principal.

estate related securities investments to be illiquid and we may not be able to adjust our portfolio in response to changes in economic

ted securities in connection with privately negotiated transactions which are not registered under the relevant securities laws, resulting i
t in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. As a result, our ab
onditions may be relatively limited. The mezzanine and bridge loans we may purchase will be particularly illiquid investments due to th
ficulty of recoupment in the event of a borrower s default.

ay cause the value of our real estate related securities investments to be reduced.

xed income securities such as preferred and debt securities, and to a lesser extent dividend paying common stocks, will decline in value
rates rise, the market value of such securities will decline, and vice versa. Our investment in such securities means that the net asset valu
erest rates rise.

rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock
he value of the security. This is known as extension risk. During periods of declining interest rates, an issuer may be able to exercise an
own as call or prepayment risk. If this occurs, we may be forced to reinvest in lower yielding securities. This is known as reinvestment r
ssuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a
ng of the issuer. These risks may reduce the value of our real estate related securities investments.

rity of our real estate securities investments, we may be forced to sell those investments on unfavorable terms or at a loss.

se to effect a liquidity event in which we liquidate our assets, including our real estate related securities investments. If we liquidate tho
tments on unfavorable terms or at loss. For instance, if we are required to liquidate mortgage loans at a time when prevailing interest rat
sell such loans at a discount to their stated principal values.

ancing

dness and other borrowings, which may increase our business risks, could hinder our ability to make distributions and could decreas

f the purchase price of our investments in real estate and real estate related securities by borrowing funds. We have not identified any so
fter an initial phase of our operations when we may employ greater amounts of leverage to enable us to purchase properties more quickl
leverage will not exceed 60.0% of the combined fair market value of our assets. Under our charter, we have a limitation on borrowing w
t assets, or more if such excess is approved by a majority of our independent directors and is disclosed in our next quarterly report along
ation are defined to be our total assets (other than intangibles), valued at cost prior to deducting depreciation or other non-case reserves,
l to approximate 75.0% of the sum of (a) the aggregate cost of our real property investments before non-cash reserves and depreciation a
addition, we may incur mortgage debt and pledge some or all of our real properties as security for that debt to obtain funds to acquire a
ds to satisfy the REIT tax qualification requirement that we distribute at least 90.0% of our annual REIT taxable income to our stockhol
dvisable to ensure that we maintain our qualification as a REIT for federal income tax purposes.

incur higher interest charges, which would result in higher debt service payments and could be accompanied by restrictive covenants. I
v needed to service mortgage debt on that property, then the amount available for distributions to stockholders may be reduced. In addit
ebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the
purposes, a foreclosure on any of our properties will be treated as a sale of the property for a purchase price equal to the outstanding ba
bt secured by the mortgage exceeds our tax basis in the property, we will recognize taxable income on foreclosure, but we would not re
ortgage debt to the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we

ortgage contains cross collateralization or cross default provisions, a default on a single property could affect multiple properties. If any
distributions to our stockholders will be adversely affected.

e it more difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire and the am

ve Board has significantly increased short-term interest rates since June 2004. If mortgage debt is unavailable on reasonable terms as a r
nance the initial purchase of properties. In addition, if we place mortgage debt on properties, we run the risk of being unable to refinance
orable terms. If interest rates are higher when we refinance debt, our income could be reduced. We may be unable to refinance debt at ap
dvantageous to us, or could result in the foreclosure of such properties. If any of these events occur, our cash flow would be reduced. Th
er our ability to raise more capital by issuing securities or by borrowing more money.

increase the amount of our debt payments and therefore negatively impact our operating results.

ations will reduce cash available for distributions. If we incur variable rate debt, increases in interest rates would increase our interest co
to you. If we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our inve
m return on such investments.

into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

der may impose restrictions on us that affect our ability to incur additional debt and affect our distribution and operating policies. Loan d
further mortgage the property, discontinue insurance coverage, or replace our advisor. These or other limitations may adversely affect

gements involving balloon payment obligations, it may adversely affect our ability to refinance or sell properties on favorable terms,

ents may require us to make a lump-sum or balloon payment at maturity. Our ability to make a balloon payment at maturity is uncert
y to sell the particular property. At the time the balloon payment is due, we may or may not be able to refinance the balloon payment on
sufficient to make the balloon payment. The refinancing or sale could affect the rate of return to stockholders and the projected time of
ve place mortgage debt on properties, we run the risk of being unable to refinance such debt if mortgage rates are higher at a time a ballo
rvice our debts, including balloon payments, may leave us with insufficient cash to pay the distributions that we are required to pay to m
cant, negative impact on your investment.

ntures

ments or other joint ownership arrangements into which we may enter could impair our operating flexibility and our results of oper

of real estate, we may enter into joint ventures with third parties, including affiliates of our advisor. We may also purchase or develop p
lopers or other persons. These structures involve participation in the investment by other parties whose interests and rights may not be t
ions over which we have no control and may take actions contrary to our interests. Joint ownership of an investment in real estate may i
g the following:

ay at any time have economic or other business interests or goals which become inconsistent with our business
cluding inconsistent goals relating to the sale of properties held in a joint venture or the timing of the termination
e venture;

ght become bankrupt and such proceedings could have an adverse impact on the operation of the partnership or

enture partner might have the result of subjecting the property to liabilities in excess of those contemplated; and

ay be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives,
with respect to qualifying and maintaining our qualification as a REIT.

gements, neither venture partner may have the power to control the venture, and an impasse could be reached, which might adversely af
of first refusal or buy/sell right to buy out a venture partner, we may be unable to finance such a buy-out or we may be forced to exerci
to do so. If our interest is subject to a buy/sell right, we may not have sufficient cash, available borrowing capacity or other capital resou
y/sell right, in which case we may be forced to sell our interest when we would otherwise prefer to retain our interest. In addition, we ma
cceptable terms if we desire to exit the venture for any reason, particularly if our interest is subject to a right of first refusal of our ventu

ure relationships in a manner which may limit the amount we participate in the cash flow or appreciation of an investment.

agreements, the economic terms of which may provide for the distribution of income to us otherwise than in direct proportion to our ow
urer may invest an equal amount of capital in an investment, the investment may be structured such that we have a right to priority distr
receive a disproportionately greater share of cash flow than we are to receive once such target return has been achieved. This type of in
e cash flow, including appreciation, of an investment than we would receive. If we do not accurately judge the appreciation prospects of
cur losses on joint venture investments or have limited participation in the profits of a joint venture investment, either of which could re

federal income tax purposes would subject us to federal income tax on our taxable income at regular corporate rates, which would
.

or federal income tax purposes commencing with the taxable year ending December 31, 2007, but as of the date of this prospectus we a
lity to meet various requirements set forth in the Internal Revenue Code concerning, among other things, the ownership of our outstand
e amount of our distributions to our stockholders. The REIT qualification requirements are extremely complex, and interpretations of th
ed. Accordingly, we cannot be certain that we will be successful in operating so as to qualify as a REIT. At any time new laws, interpret
e federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerati
it may do without stockholder approval.

and do not expect to request, a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT, we have received an opinio
we will so qualify. You should be aware, however, that opinions of counsel are not binding on the IRS or any court. The REIT qualific
analysis of existing law and therefore could be subject to modification or withdrawal based on future legislative, judicial or administrati
troactively. The validity of the opinion of our counsel and of our qualification as a REIT will depend on our continuing ability to meet t

REIT for any taxable year, we would be subject to federal income tax on our taxable income at corporate rates. In addition, we would ge
ollowing the year in which we lose our REIT status. Losing our REIT status would reduce our net earnings available for investment or o
n, distributions to stockholders would no longer be deductible in computing our taxable income, and we would no longer be required to
nticipation of our qualifying as a REIT, we might be required to borrow funds or liquidate some investments in order to pay the applicab
a manner intended to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our boa

ur failure to qualify as a REIT could impair our ability to expand our business and raise capital, and would substantially reduce our abili

id the payment of federal income and excise taxes and maintain our REIT status,
ls, use proceeds from the issuance of securities (including this offering), or sell assets to pay distributions, which may result in our distri

ment accorded to REITs, we normally will be required each year to distribute to our stockholders at least 90% of our real estate investme
outions paid and by excluding net capital gains. We will be subject to federal income tax on our undistributed taxable income and net ca
ributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain
equirements could cause us to distribute amounts that otherwise would be spent on acquisitions of properties and it is possible that we m

ncluding this offering) or sell assets in order to distribute enough of our taxable income to maintain our REIT status and to avoid the pay

ls to maintain its status as a partnership for federal income tax purposes, its income would be subject to taxation and our REIT statu

of our operating partnership as a partnership for federal income tax purposes. However, if the IRS were to successfully challenge the sta
as a corporation. In such event, this would reduce the amount of distributions that our operating partnership could make to us. This woul
evel tax on our own income. This would substantially reduce our cash available to pay distributions and the return on your investment.
owns its properties, in whole or in part, loses its characterization as a partnership for federal income tax purposes, it would be subject to
tnership. Such a recharacterization of our operating partnership or an underlying property owner could also threaten our ability to maint

ity on distributions you elect to reinvest in shares of our common stock.

ion reinvestment plan, you will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in sha
free return of capital. As a result, unless you are a tax-exempt entity, you may have to use funds from other sources to pay your tax liab

qualify for the reduced tax rates that apply to other corporate dividends.

nd 2006 generally reduces the maximum tax rate for qualified dividends paid by corporations to individuals to 15% through 2010. Divi
l rate applicable to the individual recipient, rather than the 15% preferential rate. Although this legislation does not adversely affect the
applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively les
qualified dividends, which could adversely affect the value of the stock of REITs, including our common stock. See Federal Income T
s Generally.

y be subject to federal and state income taxes as a REIT, which would reduce our cash available for distribution to you.

our status as a REIT, we may be subject to federal income taxes or state taxes. For example, net income from a prohibited transaction
ons to avoid excise taxes applicable to REITs. We may also decide to retain capital gains we earn from the sale or other disposition of o
tockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, su
deemed payment of such tax liability. We may also be subject to state and local taxes on our income or property, either directly or at th
deral or state taxes we pay will reduce our cash available for distribution to you.

stors may be classified as unrelated business taxable income.

distributions with respect to our common stock nor gain from the sale of common stock should generally constitute unrelated business
tions to this rule. In particular:

nd gain recognized by certain qualified employee pension trusts with respect to our common stock may be treated
s taxable income if shares of our common stock are predominately held by qualified employee pension trusts, and
ely on a special look-through rule for purposes of meeting one of the REIT share ownership tests, and we are not
r to avoid treatment of such income or gain as unrelated business taxable income;

nd gain recognized by a tax exempt investor with respect to our common stock would constitute unrelated business
e investor incurs debt in order to acquire the common stock; and

ome or gain recognized with respect to our common stock by social clubs, voluntary employee benefit
mental unemployment benefit trusts and qualified group legal services plans which are exempt from federal
der Sections 501(c)(7), (9), (17) or (20) of the Internal Revenue Code may be treated as unrelated business taxable

derations Treatment of Tax-Exempt Stockholders section of this prospectus for further discussion of this issue if you are a tax-exemp

rements may cause us to forego otherwise attractive opportunities.

income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and divers
the ownership of shares of our common stock. We may be required to make distributions to stockholders at disadvantageous times or w
quired to liquidate otherwise attractive investments in order to comply with the REIT tests. Thus, compliance with the REIT requiremen

aws or regulations could adversely affect investors.

tive, judicial and administrative changes have been made to the federal income tax laws applicable to investments in REITs and similar
future, and we cannot assure you that any such changes will not adversely affect the taxation of a stockholder. Any such changes could
urge you to consult with your own tax advisor with respect to the status of legislative, regulatory or administrative developments and p
mon stock.

A Risks

mployee benefit plans or individual retirement accounts, or IRAs, will be subject to risks relating specifically to our having employee be
Employee Benefit Plan and IRA Considerations section of this prospectus provides a more detailed discussion of these employee bene

and other standards under ERISA or the Internal Revenue Code as a result of an investment in our common stock, you could be sub

that apply to pension, profit-sharing trusts or IRAs investing in our common stock. If you are investing the assets of a pension, profit sh
ider:

ment is consistent with the applicable provisions of ERISA and the Internal Revenue Code, or any other applicable
in the case of a government plan;

ment is made in accordance with the documents and instruments governing your plan or IRA, including your plan s

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

ment will impair the liquidity of the plan or IRA;

ment will produce unrelated business taxable income, referred to as UBTI and as defined in Sections 511 through
Revenue Code, to the plan or IRA; and

ne assets of the plan annually in accordance with ERISA and the Internal Revenue Code.

duciary responsibilities under ERISA and the prohibited transaction rules of ERISA and the Internal Revenue Code, trustees or others p
RISA and regulations of the U.S. Department of Labor. To avoid our assets from being considered plan assets under those rules, our
mon stock prior to the time that the common stock qualifies as a class of publicly-offered securities, within the meaning of the ERIS
harter will be effective in limiting benefit plan investor ownership to less than the 25% limit. For example, the limit could be unintentio
fit plan. Even if our assets are not considered to be plan assets, a prohibited transaction could occur if we or any of our affiliates is a fid
an or IRA purchasing shares, and, therefore, in the event any such persons are fiduciaries (within the meaning of ERISA) of your plan o
emption applies to your purchase.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

pectus that are not historical facts (including any statements concerning investment objectives, other plans and objectives of managemen
forecasts related thereto) are forward looking statements. These statements are only predictions. We caution that forward looking statem
ions could differ materially from those expressed or implied in the forward looking statements. Forward looking statements are typicall
ould, intend, plan, anticipate, estimate, believe, continue, predict, potential or the negative of such terms and o

ncluded in this prospectus are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risk
with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are
ur control. Although we believe that the expectations reflected in such forward looking statements are based on reasonable assumptions

orth in the forward looking statements. Factors which could have a material adverse effect on our operations and future prospects includ

vely deploy the proceeds raised in this offering;

c conditions generally and the real estate and securities markets specifically;

tory changes (including changes to the laws governing the taxation of REITs);

pital;

ng principles generally accepted in the United States of America.

ng forward looking statements could be inaccurate. You are cautioned not to place undue reliance on any forward looking statements in
f the date of this prospectus and the risk that actual results will differ materially from the expectations expressed in this prospectus will
securities laws, we undertake no obligation to publicly update or revise any forward looking statements after the date of this prospectus
nces or any other reason. In light of the significant uncertainties inherent in the forward looking statements included in this prospectus,
the inclusion of such forward looking statements should not be regarded as a representation by us or any other person that the objective

ESTIMATED USE OF PROCEEDS

r best estimates of how we intend to use the proceeds raised in this offering assuming that we sell specified numbers of shares pursuant
ed pursuant to our primary offering may vary from these assumptions since we have reserved the right to reallocate the shares offered be
nares of our common stock in the primary offering will be offered to the public on a best efforts basis at $10.00 per share. The table

ering assumes that we did not sell more than the minimum offering of $2,000,000 by selling 200,000 shares at
rsuant to our primary offering; and

ering assumes that we reach the maximum offering of $2,000,000,000 by selling 200,000,000 shares at $10.00 per
r primary offering.

ot given effect to any special sales or volume discounts that could reduce the selling commissions or marketing support fees for sales pu
y a corresponding reduction in the per share purchase price, but will not affect the amounts available to us for investments. See Plan o

we do not sell any shares in our distribution reinvestment plan. As long as our shares are not listed on a national securities exchange, it
res pursuant to our distribution reinvestment plan will be used to fund repurchases of shares under our share repurchase plan. Because w
rse due diligence expenses for shares sold pursuant to our distribution reinvestment plan, we receive greater net proceeds from the sale
. As a result, if we reallocate shares from the distribution reinvestment plan to the primary offering, our net proceeds could be less.

ow represent management s best estimate since they cannot be precisely calculated at this time. We expect that at least 88.5% of the mo
real estate related securities and pay related acquisition fees and expenses, while we expect the remaining 11.5% will be used to pay exp
r manager for this offering.

ible for reviewing our fees and expenses on at least an annual basis and with sufficient frequency to determine that the expenses incurre
sponsible for reviewing the performance of our advisor and determining that the compensation to be paid to our advisor is reasonable in
the provisions of the advisory agreement are being carried out. The fees set forth below may not be increased without approval of the i

	Minimum Offering		
	Amount	Percent	
	$ 2,000,000	100.0%	$
	140,000	7.0	
	50,000	2.5	
	10,000	0.5	
xpenses(1)	30,000	1.5	
ent(2)	$ 1,770,000	88.5%	$
	$ 60,000	3.0%	$
	10,000	0.5	
e(5)			
	$ 1,700,000	85.0%	$

g expenses consist of reimbursement of, among other items, the cumulative cost of actual legal, accounting, able offering expenses, including, but not limited to, amounts to reimburse our advisor for marketing, s of its employees, employees of its affiliates and others while engaged in registering and marketing the k to be sold in this offering, which shall include, but not be limited to, development of marketing materials ns, participating in due diligence, training seminars and educational conferences and coordinating generally this offering. A portion of our organizational and offering expense reimbursement may be used for therefore deemed to be additional underwriting compensation pursuant to FINRA Rule 2710. Our advisor payment of our cumulative organizational and offering expenses, other than the selling commissions, the the due diligence reimbursement, to the extent they exceed 1.5% of the aggregate gross proceeds from the non stock sold in the primary offering without recourse against or reimbursement by us.

on with the acquisition of real estate investments, substantially all of the net proceeds of the offering may be hly-liquid investments including government obligations, bank certificates of deposit, short-term debt aring accounts or other authorized investments as determined by our board of directors.

ny party to any person in connection with the purchase, development or construction of real properties. clude acquisition expenses. We will pay our advisor or its affiliate acquisition fees of 3.0% of the contract es we acquire. We will not pay any fees for acquisitions of real estate related securities investments. We may development costs of any development property that we acquire, but we do not currently intend to acquire opment phase. For purposes of this table, we have assumed (a) that no investments are made in real estate we will only acquire properties in the operational phase and (c) no debt is incurred for property acquisitions. ange due to different factors including changes in the allocation of shares between the primary offering and nt plan, the extent to which proceeds from the distribution reinvestment plan are used to repurchase shares

e plan the extent to which we invest in real estate related

which we invest in properties in the development stage. To the extent that we incur debt or issue new
k outside of this offering or interests in our operating partnership in order to acquire real properties, then the
nts invested in real properties will exceed the amount stated above.

de any and all expenses incurred in connection with the selection, evaluation and acquisition of, and
whether or not acquired or made, including, but not limited to, legal fees and expenses, travel and
cost of appraisals and surveys, nonrefundable option payments on property not acquired, accounting fees
e related expenses, architectural, engineering and other property reports, environmental and asbestos audits,
fees, loan fees or points or any fee of a similar nature paid to a third party, however designated, transfer
iscellaneous expenses related to the selection, evaluation and acquisition of properties. We will reimburse
expenses, whether or not the evaluated property is acquired. Our acquisition expenses will not exceed 0.5%
operties we evaluate and acquire. The reimbursement of acquisition fees and expenses, including real estate
parties, will not exceed, in the aggregate, 6.0% of the purchase price or total development cost, unless fees
e approved by a majority of the disinterested directors and by a majority of the disinterested independent

pate establishing a general working capital reserve out of the proceeds from this offering, we may establish
ct to particular investments. See Management s Discussion and Analysis of Financial Condition and Results
ssion of the capital plan that our advisor will establish for each of our investments.

INVESTMENT OBJECTIVES, STRATEGY AND CRITERIA

distributions;

and return your capital contributions; and

the value of our investments upon our ultimate sale of such investments.

ll attain these objectives or that our capital will not decrease. Our board of directors may change our investment objectives if it determi

e or sale of investments will be made by our advisor, subject to oversight by our board of directors. See Management for a descriptio
he officers of our advisor.

ed portfolio of real estate and real estate related securities, focusing primarily on investments that produce current income. Our real esta
lities and quality commercial office properties. We may also invest in real estate related securities. However, we do not presently intend
ur real estate related securities investments will generally focus on common and preferred stock of public or private real estate compani
ge debt and certain other securities, including collateralized debt obligations and foreign securities. We will seek to maximize long-term
value. In order to achieve these objectives, we may invest using a number of investment structures which may include direct acquisitio
d direct and indirect investments in real estate. In order to maintain our exemption from regulation

the Investment Company Act, we may be required to limit our investments in real estate related securities. See Investment Compan

ned appropriate by our advisor, the portfolio may also include properties in various stages of development other than those producing cu and both with and without entitlements and permits, property to be redeveloped and repositioned, newly constructed properties and prop evant operating histories and no current income. Our advisor will make this determination based upon a variety of factors, including the other available properties, the appropriate diversification of the portfolio, and our objectives of realizing both current income and capital

ardless of property type, our advisor will seek to invest in properties with the following attributes:

ek to acquire properties that are suitable for their intended use with a quality of construction that is capable of rty s investment potential for the long-term, assuming funding of budgeted maintenance, repairs and capital

seek to acquire properties that are located in established or otherwise appropriate markets for comparable ess and visibility suitable to meet the needs of its occupants.

Demand. We will focus on local or regional markets which have potential for stable and growing property level ong-term. These determinations will be based in part on an evaluation of local economic, demographic and ffecting the property. For instance, we will favor markets that indicate a growing population and employment base bit potential limitations on additions to supply, such as barriers to new construction. Barriers to new construction able land and stringent zoning restrictions. In addition, we will generally seek to limit our investments in areas that al for growth.

Needs. We will seek to acquire properties where the future expected capital needs can be reasonably projected in l allow us to meet our objectives of growth in cash flow and preservation of capital and stability.

l seek to acquire properties where the current and projected cash flow, including the potential for appreciation in us to meet our overall investment objectives. We will evaluate cash flow as well as expected growth and the ation.

% of the offering proceeds available for investment in unimproved or non-income producing properties or in other investments relating t uired for the purpose of producing rental or other operating income, or (2) with no development or construction in process or planned in r non-income producing property for purposes of this limitation.

raphic area where we may acquire properties. We are not specifically limited in the number or size of properties we may acquire or on t estment. The number and mix of properties we acquire will depend upon real estate and market conditions and other circumstances exis ments and the amount of proceeds we raise in this and potential future offerings.

ed portfolio of properties, focusing primarily on properties that produce current income. We will generally seek investments in medical
operties.

o acquire properties on our behalf of the types described above that will best enable us to meet out investment objectives, taking into ac
financial factors, the location, income-producing capacity and the prospects for long-range appreciation of a particular property and oth
types described above. In addition, we may acquire properties that vary from the parameters described above for a particular property ty

state investment must be authorized by a majority of our directors or a duly authorized committee of our board of directors, ordinarily b
r independent directors or a duly authorized committee of our board of directors so determines, or if the investment is to be acquired fro
by an appraisal obtained from a qualified, independent appraiser selected by a majority of our independent directors.

nerally will take the form of holding fee title or long-term leasehold interests. Our investments may be made either directly through our
ited liability companies, general partnerships or other co-ownership arrangements with the developers of the properties, affiliates of ou

operties and lease them back to the sellers of such properties. Our advisor will use its best efforts to structure any such sale-leaseback tra
nd so that we will be treated as the owner of the property for federal income tax purposes. However, no assurance can be given that the
eback transaction is re-characterized as a financing transaction for federal income tax purposes, deductions for depreciation and cost rec
ed.

ion involving the purchase of a real property asset will generally be conditioned upon the delivery and verification of certain document

ions;

rts (generally a minimum of a Phase I investigation);

eports;

ble title subject to such liens and encumbrances as are acceptable to our advisor;

tements covering recent operations of real properties having operating histories unless such statements are not
with the SEC and delivered to stockholders;

es; and

olicies.

ase a particular property, we may, in circumstances in which our advisor deems it appropriate, obtain an option on such property, includ
, is normally surrendered if the property is not purchased, and is normally credited against the purchase price if the property is purchase
rty whereby the seller or developer agrees that if, during a stated period, the property does

v, the seller or developer will pay in cash to our company a sum necessary to reach the specified cash flow level, subject in some cases t

operties in which our sponsor, our advisor, our directors or any of their affiliates have an interest without a determination by a majority directors that such transaction is fair and reasonable to us and at a price to us no greater than the cost of the property to the affiliated sel nt and the excess amount is reasonable. In no event will we acquire any such property at an amount in excess of its current appraised va ependent directors.

urance coverage for all properties in which we invest. However, there are types of losses, generally catastrophic in nature, for which we e lenders. See Risk Factors Risks Related to Investments in Real Estate Uninsured losses relating to real estate and lender requirer

d Healthcare-Related Facilities

he net proceeds available for investment in medical office buildings and healthcare-related facilities. Healthcare-related facilities includ rs, specialty medical and diagnostic service providers, laboratories, research firms, pharmaceutical and medical supply manufacturers ar thcare-related facilities in the United States continues to expand. According to the U.S. Department of Health and Human Services, nat s domestic product (GDP) between 1999 and 2005 and are projected to reach 20% by 2015, as shown below.

enditures have risen sharply since 1999. In 2005, healthcare expenditures reached $2 trillion and are expected to grow at a relatively sta vn below.

ical office buildings and healthcare-related facilities will increase due to a number of factors, including:

n is requiring and demanding more medical services. Between 2004 and 2050, the U.S. population over 65 years of more than double from 36 million to nearly 87 million people. The number of older Americans is also growing as a tal U.S. population as the baby boomers approach their 60s. In 2004, the number of persons older than 65 he total U.S. population and is projected to grow to nearly 21% by 2050, as shown in the graph below.

and the projected increase in health expenditures per capita through 2015, as shown below, we believe that healthcare expenditures for t nate share of healthcare dollars is spent on older Americans since they require more treatment and management of chronic and acute he

d will continue to create a substantial need in many regions for the development of additional healthcare-related facilities, such as medi
centers. As a result, we believe this will increase the pool of suitable, quality properties meeting our acquisition criteria. However, our
pend solely upon the performance of the real estate assets and real estate related investments we acquire.

ederal regulations govern physician hospital referrals. Patients typically are referred to particular hospitals by their
ct hospitals from inappropriately influencing physicians to refer patients to them, federal and state governments
nd Medicaid anti-fraud laws and regulations. One aspect of these complex laws and regulations addresses the
ffice space by hospitals to physicians. One intent of the regulations is to restrict medical institutions from
o physicians at below market rates or on other terms that may present an opportunity for undue influence on
The regulations are complex, and adherence to the regulations is time consuming and requires significant
extensive reporting to regulators. The costs associated with regulatory compliance have encouraged many hospital
s to seek third-party ownership and/or management of their healthcare-related facilities.

asingly forming practice groups. To increase the numbers of patients they can see and thereby increase market
ve formed and are forming group practices. By doing so, physicians can gain greater influence in negotiating rates
companies and hospitals in which they perform services. Also, the creation of these groups allows for the
ead costs over a larger revenue base and gives physicians the financial ability to acquire new and expensive
nt. Moreover, certain group practices may benefit from certain exceptions to federal and state self-referral laws,
offer a broader range of medical services within their practices and to participate in the facility fee related to
This increase in the number of group practices has led to the construction of new medical facilities in which the
nd provide medical services.

d real estate rents and valuations are less susceptible to changes in the general economy than general commercial real estate due to dem
mic downturns. For this reason, healthcare-related real estate investments could potentially offer a more stable return to investors comp

se factors over the last several years has led to the following trends, which encourage third-party ownership of existing and newly devel

nd Specialization. There is a continuing evolution toward delivery of medical services through smaller facilities s and designed to treat specific diseases and conditions. In order to operate profitably within a managed care cian practice groups and other medical services providers are aggressively trying to increase patient populations, ower overhead costs by building new healthcare facilities in areas of population or patient growth. Continuing d ongoing demographic changes create a demand for additional properties, including an aging population requiring e medical services.

on. Evolving regulatory factors affecting healthcare delivery create an incentive for providers of medical services are, leaving real estate ownership and operation to third-party real estate professionals. Third-party ownership and pital-affiliated medical office buildings substantially reduces the risk that hospitals will violate complex Medicare and abuse statutes.

spitals are modernizing by renovating existing properties and building new properties and becoming more efficient ing reimbursement and changing patient demographics. This trend has led to the development of new, smaller, -related facilities as well as improvements to existing general acute care facilities.

pital. Medical providers are increasingly focused on wisely investing their capital in their medical business. A medical providers have determined that third-party development and ownership of real estate with long term leases native to investing their capital in bricks-and-mortar. Increasing use of expensive medical technology has placed on the capital requirements of medical services providers and physician practice groups. By selling their real estate n third-party ownership of new healthcare properties, medical services providers and physician practice groups can necessary to acquire the medical technology needed to provide more comprehensive services to patients and ent care.

Ownership. Many physician groups have reacquired their practice assets and real estate from national physician nies or otherwise formed group practices to expand their market share. Other physicians have left hospital-based tices to form independent group practices. These physician groups are interested in new healthcare properties that businesses that regulations permit them to own. In addition to existing group practices, there is a growing trend for lties, including cardiology, oncology, women s health, orthopedics and urology, to enter into joint ventures and spitals, operators and financial sponsors to form specialty hospitals for the treatment of specific diseases. We number of these types of organizations have no interest in owning real estate and are aggressively looking for lop and own their healthcare properties.

ent remains an ongoing challenge for healthcare providers, who are under pressure to comply with complex healthcare laws and regulat rohibit physicians from referring patients to entities in which they have investment interests and prohibit hospitals from leasing space t reduced liability costs and have an incentive to dispose of real estate to third parties, thus reducing the risk of violating fraud and abuse ers, acquirers and joint venture partners of healthcare real estate who understand the needs of healthcare professionals and can help kee e for healthcare operators, there is uncertainty as to the future of government policies and its potential impact on healthcare provider pr

perties

n of the offering proceeds available for investment after the payment of fees and expenses in quality commercial office properties. These uality construction, may offer personalized tenant amenities and attract high quality tenants. We also believe that a portfolio consisting pportunities for investors by making the sale of individual properties, multiple properties or our investment portfolio as a whole attracti active to the public investment community.

, general partnerships and other arrangements with one or more institutions or individuals, including real estate developers, operators, o for the purpose of acquiring real estate. Such joint ventures may be leveraged with debt financing or unleveraged. We may enter into joi ents which meet our investment criteria that would otherwise be unavailable to us. In determining whether to invest in a particular joint ns or is being formed to own under the same criteria described elsewhere in this prospectus for the selection of our other properties. How or transactions.

hird parties may be structured such that the investment made by us and the co-venturer are on substantially different terms and condition apital in an investment, the investment may be structured such that we have a right to priority distributions of cash flow up to a certain t ter share of cash flow than we are to receive once such target return has been achieved. This type of investment structure may result in t n investment than we would receive. See Risk Factors Risks Associated with Joint Ventures We may structure our joint venture r n flow or appreciation of an investment.

tures with other NNN programs or affiliates of our advisor or any of our directors for the acquisition of properties if:

ectors, including a majority of the independent directors, approve the transaction as being fair and reasonable to

s and such affiliate are on substantially the same terms and conditions that are no less favorable than those that o unaffiliated third parties.

with our advisor or any of its affiliates will result in certain conflicts of interest. See Conflicts of Interest Joint Ventures with Affiliat

ypes of real estate related securities: (1) equity securities such as common stocks, preferred stocks and convertible preferred securities o te operating companies and other real estate companies); (2) debt securities such as CMBS, commercial mortgages, mortgage loan parti rtain other types of securities that may help us reach our diversification and other investment objectives. These other securities may incl llateralized debt obligations and certain non-U.S. dollar denominated securities.

discretion with respect to the selection of specific securities investments. Our charter provides that we may not invest in equity securiti dent directors) not otherwise interested in the transaction approve such investment as being

ly reasonable. Consistent with such requirements, in determining the types of real estate related securities investments to make, our adv
primarily of components such as (1) target mix of securities across a range of risk/reward characteristics, (2) exposure limits to individu
mmon equities, mortgage debt and foreign securities). Within this framework, our advisor will evaluate specific criteria for each prospec

all portfolio to achieve an optimal mix of real property and real estate related securities investments;

fits relative to the rest of the securities assets within our portfolio;

es analysis;

bility of underlying property cash flows;

macro economic data and regional property level supply and demand dynamics;

ng high current income and attractive risk-adjusted total returns; and

nsidered important to meeting our investment objectives.

the number or size of our real estate related securities investments, or on the percentage of the net proceeds from this offering that we
ated securities. However, we do not presently intend to invest more than 15% of our total assets in securities. The specific number and
estate market conditions, other circumstances existing at the time we are investing in our real estate related securities and the amount of
suers for the purpose of exercising control and the first or second mortgages in which we intend to invest will likely not be insured by t
inistration or otherwise guaranteed or insured.

secured debt as a means of providing additional funds for the acquisition of properties and real estate related securities. Our ability to en
ssets using additional funds provided through borrowing could be adversely impacted if banks and other lending institutions reduce the
es are high or financing is otherwise unavailable on a timely basis, we may purchase certain assets for cash with the intention of obtainin

rowings, both secured and unsecured, will not exceed 60.0% of all of our properties combined fair market values, as determined at the
ese purposes, the fair market value of each asset will be equal to the purchase price paid for the asset or, if the asset was appraised subs
value reported in the most recent independent appraisal of the asset. Our policies do not limit the amount we may borrow with respect t

ured borrowings will be reviewed by our board of directors at least quarterly. Our charter precludes us from borrowing in excess of 300
re defined as our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and other non
y expected to approximate 75.0% of the sum of (1) the aggregate cost of our properties before non-cash reserves and depreciation and (2
orrow in excess of these amounts if such excess is approved by a majority of our independent directors and disclosed to stockholders in
uch event, we will review our debt levels at that time and take action to reduce any such excess as soon as practicable.

of our first four real estate acquisitions, our leverage exceeded 300.0%. In accordance with our charter, a majority of our directors, inclu
300.0% in connection with the acquisitions. The board of directors determined that the excess leverage was justified because it enabled
proving our ability to meet our goal of acquiring a diversified portfolio of properties to generate current income for investors and prese
ed 300.0%. We may exceed our charter s leverage guidelines again during the early stages of our operations. We will take action to rec

s, we will have more funds available for our investments. This will generally allow us to make more investments than would otherwise
versified portfolio. However, our use of leverage increases the risk of default on loan payments and the resulting foreclosure of a particu
e specifically securing the repayment of the indebtedness.

rts to obtain financing on the most favorable terms available to us and will refinance assets during the term of a loan only in limited circ
y an existing loan, when an existing loan matures or if an attractive investment becomes available and the proceeds from the refinancing
ay include an increased cash flow resulting from reduced debt service requirements, an increase in distributions from proceeds of the re
on of the refinancing proceeds are reinvested.

owing money from any of our directors or from our advisor and its affiliates unless such loan is approved by a majority of our directors
d in the transaction, as fair, competitive and commercially reasonable and no less favorable to us than comparable loans between unaffi

or real estate related securities investment we acquire for an extended period. However, circumstances might arise which could result in
ng period for securities assets is expected to be shorter than the holding period for real property assets. An investment in a property or s

fits exist associated with disposing of the investment and rebalancing our investment portfolio;

s to pursue a more attractive investment;

ur advisor, the value of the investment might decline;

erties, a major tenant involuntarily liquidates or is in default under its lease;

acquired as part of a portfolio acquisition and does not meet our general acquisition criteria;

s to enhance overall investment returns by raising capital through sale of the investment; or

ur advisor, the sale of the investment is in our best interests.

particular property or real estate related securities investment should be sold or otherwise disposed of will be made after consideration o
toward maximizing our investment objectives. We cannot assure you that this objective will be realized. The selling price of a property
payable under the lease(s) for such property. If a tenant has a repurchase option at a formula price, we may be limited in realizing any ap

a portion of the purchase price. In these instances, our taxable income may exceed the cash received in the sale. See Federal Income T
ill be affected by custom in the area in which the investment being sold is located and the then-prevailing economic conditions.

ble to sell shares through our share repurchase plan. However, in the future, our board of directors will also consider various forms of li
on a national securities exchange, (2) our sale or merger in a transaction that provides our stockholders with a combination of cash and
ially all of our assets for cash or other consideration. We presently intend to effect a liquidity event by September 20, 2013. However, th
or at all. In making the decision whether to effect a liquidity event, our board of directors will try to determine which alternative will res
he sale of all or substantially all of our assets as well as liquidation would require the affirmative vote of holders of a majority of our ou

Activities

ruct and develop real estate assets or render services in connection with these activities. We may be able to reduce overall purchase cos
perty. Developing and constructing properties would, however, expose us to risks such as cost overruns, carrying costs of projects under
weather conditions and government regulation. See Risk Factors Risks Relating to Investments in Real Estate for additional discus
construction work on tenant improvements, such as installing heating, ventilation and air conditioning systems.

ements required at the time of our acquisition of a property will be funded from our offering proceeds. However, at such time as a tenan
ce in one of our buildings, it is likely that, in order to attract new tenants, we will be required to expend substantial funds for tenant imp
nticipate maintaining permanent working capital reserves, we may not have access to funds required in the future for tenant improveme
ed space.

lease we enter into with our tenants may vary substantially from those we describe in this prospectus. However, we expect that a majori
f the operating expenses of the building based on the tenant s proportionate share of rentable space within the building. Operating expe
xes, special assessments, utilities, insurance and building repairs, and other building operation and management costs. We will probably
f a property such as the roof of the building or the parking lot. We expect that many of our leases will generally have terms of five or mo

itations on us with respect to the manner in which we may invest our funds prior to a listing of our common stock. These limitations can
al of our board of directors and our stockholders. Until our common stock is listed, unless our charter is amended, we will not:

unimproved property or indebtedness secured by a deed of trust or mortgage loans on unimproved property in
r total assets;

es or commodity futures contracts, except for futures contracts when used solely for the purpose of hedging in
ordinary business of investing in real properties;

contracts of sale, otherwise known as land sale contracts, unless the contract is in recordable form and is
ed in the chain of title;

ortgage loans unless an appraisal is obtained concerning the underlying property except for those mortgage loans
d by a government or government agency. In cases where a majority of our independent directors determines, and
the transaction is with any of our directors, our advisor or any of their respective affiliates, such appraisal shall be
dependent appraiser. We will maintain such appraisal in our records for at least five years and it will be available
and duplication. We will also obtain a mortgagee s or owner s title insurance policy as to the priority of the

ortgage loans, including construction loans, on any one property if the aggregate amount of all mortgage loans on
ding our loans, would exceed an amount equal to 85% of the appraised value of such property as determined by
stantial justification exists for exceeding such limit because of the presence of other underwriting criteria;

ortgage loans that are subordinate to any lien or other indebtedness of any of our directors, our advisor or any of
iates;

emable solely at the option of the holder (this limitation, however, does not limit or prohibit the operation of our
n);

unless the historical debt service coverage (in the most recently completed fiscal year) as adjusted for known
ed to be sufficient to properly service that higher level of debt;

es on a deferred payment basis or other similar arrangement;

rants to purchase shares to our advisor, any of our directors or any of their respective affiliates except on the same
or warrants are sold to the general public; options or warrants may be issued to persons other than our directors,
f their respective affiliates, but not at exercise prices less than the fair market value of the underlying securities on
not for consideration (which may include services) that in the judgment of the independent directors has a market
alue of such options or warrants on the date of grant;

t activities that would cause us to be classified as an investment company under the Investment Company Act;

t that is inconsistent with our objectives of qualifying and remaining qualified as a REIT unless and until our
etermines, in its sole discretion, that REIT qualification is not in our best interest;

contracts of sale unless such contracts of sale are in recordable form and appropriately recorded in the chain of

ess of underwriting or the agency distribution of securities issued by other persons.

nvest in junior debt secured by a mortgage on real estate which is subordinate to the lien or other senior debt except where the amount o value of such property and, if after giving effect thereto, the value of all such junior debt in which we have invested would not then exc

es and Policies

pendent directors review our investment policies at least annually to determine that the policies we are following are in the best interest to be set forth in the minutes of the applicable meetings of our directors. The methods of implementing our investment policies also ma tives and policies may be altered by our board of directors without the approval of the stockholders.

n our organizational and governance documents, we may issue, or cause to be issued, shares of our stock or limited partnership units in consideration) in exchange for real estate. Existing stockholders have no preemptive rights to purchase such shares or limited partnershi f a stockholder s initial investment.

s of such properties to accept units in our operating partnership, rather than cash, in exchange for their properties, it may be necessary f ership s partnership agreement provides that any holder of units may exchange limited partnership units on a one-for-one basis for shar nt number of our shares. We may, however, enter into additional contractual arrangements with contributors of property under which we tock or cash, at the option of the contributor, at set times. In order to allow a contributor of a property to defer taxable gain on the contri o sell a contributed property for a defined period of time or until the contributor exchanged the contributor s units for cash or shares. S narket conditions made such a sale favorable to us. Such transactions are subject to the risks described in Risk Factors Risks Relatin nge for limited partnership units in our operating partnership on terms that could limit our liquidity or our flexibility. Although we ma grams, we do not currently intend to do so. If we were to enter into such a transaction with an entity managed by Triple Net Properties o Risks Related to Conflicts of Interest We may acquire assets from, or dispose of assets to, entities managed by affiliates of our advi ms than we would receive from a third party or that negatively affect the public s perception of us. Any such transaction would be sub n Conflict Resolution Restrictions and Procedures.

we have acquired 17 properties and identified three additional proposed real estate investments. Our advisor will continually evaluate v gotiations with real property sellers, developers, brokers, lenders, investment managers and others regarding such potential investments ts that we will acquire a specific property or make a material investment in real estate related securities, this prospectus will be supplem erty or securities investment. We expect that this will normally occur upon the signing of a purchase agreement for the acquisition of a s ccur before or after such signing or upon the satisfaction or expiration of major contingencies in any

ding on the particular circumstances surrounding each potential investment. A supplement to this prospectus will describe any informati Further data will be made available after any pending investment is consummated, also by means of a supplement to this prospectus, if tment cannot be relied upon as an assurance that we will ultimately consummate such investment or that the information provided conc upplement and any actual purchase.

siderations

anner that we will not be subject to regulation under the Investment Company Act. In order to maintain our exemption from regulations complex rules and regulations.

on from regulation as an investment company, we intend to engage primarily in the business of investing in interests in real estate and m e to invest a significant portion of the proceeds of this offering in properties within one year of the termination of the offering, we may vestment Company Act by temporarily investing any unused proceeds in government securities with low returns. Investments in gover tors and possibly lower your returns.

ew our investment activity and will take appropriate actions to attempt to ensure that we do not come within the application of the Inves f our assets that fall into certain categories specified in the Investment Company Act, which could result in us holding assets we otherw n addition, we may have to acquire additional assets that we might not otherwise have acquired or be forced to forgo investment opportu ant to our investment strategy. In particular, our advisor will monitor our investments in real estate related securities to ensure continued tus under the Investment Company Act and, depending on the particular characteristics of those investments and our overall portfolio, o ted by real estate related securities. If at any time the character of our investments could cause us to be deemed an investment company ction to attempt to ensure that we are not deemed to be an investment company. If we were required to register as an investment compa by the Investment Company Act. See Risk Factors Risks Associated with Our Organizational Structure Your investment return ma vestment Company Act.

INVESTMENTS IN REAL PROPERTIES

ry of the properties acquired by us. For more information regarding the financing of these acquisitions, see Management s Discussion g.

pler Parke I

d all of the membership interests of NNN Southpointe, LLC for a total purchase price of $14,800,000, plus closing costs. NNN Southpo ler Parke I, a portfolio of seven multi-tenant office/medical office buildings located in Indianapolis, Indiana. We acquired the membersh y-owned subsidiary of our former sponsor, NNN Realty Advisors.

l Southpointe Office Parke and Epler Parke I on August 18, 2006 for a purchase price of $14,800,000. In connection with the purchase, National Association, or LaSalle, evidenced by a promissory note in the principal amount of $9,146,000. We financed the purchase pric cured note and used approximately $5,115,000 of the proceeds from a $7,500,000 unsecured loan from NNN Realty Advisors. The bala g. Since we acquired Southpointe Office Parke and Epler Parke I from an indirect subsidiary of NNN Realty Advisors our independent d our board of directors, including a majority of our independent directors, have determined that the transaction is fair and reasonable to or its appraised value, as determined by the independent appraiser. An acquisition fee of $444,000, or 3.0% of the purchase price, was p

fice Parke and Epler Parke I consist of approximately 97,000 square feet of gross leasable area. The buildings are approximately 87.1% l tenants. We intend to continue to lease the buildings to medical, retail and office tenants.

outhpointe Office Parke is comprised of six buildings on approximately 8.5 acres and contains approximately 76,000 square feet of gros care hospital, which is part of the Community Health Network, a five-hospital system located in Indianapolis, Indiana. Community Hos as over 8,800 employees. Approximately 84.9% of the space at Southpointe Office Parke is leased and approximately 93.8% of the spac ed to two small retail tenants. No tenant occupies 10.0% or more of the gross leasable area.

uilding is situated on approximately 2.8 acres and located approximately three miles from the Southpointe Office Parke buildings. The ble area and is approximately 94.9% leased to five tenants. Circle Design Group leases approximately 13,000 square feet, or approxima rcle Design is one of the largest consulting engineering firms in Indiana. The rental rate per annum for Circle Design is approximately $ option on its lease. The four other tenants are Eric Treadwell, DDS, United Auto Credit Corporation, Brookwood Denture Specialists, In of dentistry, auto finance, dentistry and insurance, respectively. Eric Treadwell, DDS is the only tenant besides Circle Design that occu ately 2,000 square feet under a lease that runs until August 31, 2011. Eric Treadwell, DDS has one five-year renewal option with six m August 2007 and $34,000 through August 2009. From August 2009 until the end of the lease the annual rent is approximately $35,000.

, or Realty, serves as the property manager and provides services and receives certain fees and expense reimbursements in connection v ler Parke I.

properties located in the same submarket that might compete with Southpointe Office Parke and Epler Parke I.

o plans for material renovations or other capital improvements to Southpointe Office Parke and Epler Parke I and believes that the prop . For federal income tax purposes, the depreciable basis in Southpointe Office Parke and Epler Parke I is approximately $12.4 million. V ethod. We depreciate buildings based upon estimated useful lives of 39 years. Real estate taxes payable on the property for 2006 were

e lease expirations of Southpointe Office Parke and Epler Parke I for the next 10 years, including the number of tenants whose leases wi
ases and the percentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
5	14,000	$ 237,0
7	20,000	$ 302,0
4	8,000	$ 120,0
4	13,000	$ 178,0
2	7,000	$ 103,0
3	19,000	$ 329,0
		$
1	700	$ 31,0
1	1,000	$ 10,0
		$

rate was 93.7% and the average effective annual rental rate per square foot for Southpointe Office Parke and Epler Parke I was $14.54.

ark and Athens Surgery Center

d all of the membership interests of NNN Crawfordsville, LLC for a total purchase price of $6,900,000, plus closing costs. NNN Crawf
ark and Athens Surgery Center, two medical office buildings located on the north side of Crawfordsville, Indiana. We acquired the mem
y owned subsidiary of our sponsor.

red Crawfordsville Medical Office Park and Athens Surgery Center on September 12, 2006 for a purchase price of $6,900,000. In conn
a secured loan with LaSalle evidenced by a promissory note in the principal amount of $4,264,000. We financed the purchase price of
cured note and used approximately $2,385,000 of the proceeds from our $7,500,000 unsecured note from NNN Realty Advisors. The ba
. Since we acquired Crawfordsville Medical Office Park and Athens Surgery Center from a subsidiary of NNN Realty Advisors, our in
majority of our board of directors, including a majority of our independent directors, have determined that the transaction is fair and re
our sponsor or its appraised value, as determined by the independent appraiser. An acquisition fee of $207,000, or 3.0% of the purchas

ark and Athens Surgery Center is comprised of two buildings, the St. Claire Medical Pavilion, a one-story medical building, and Athens
s consist of approximately 30,000 square feet of gross leasable area on approximately 2.9 acres of land and are 100.0% leased to St. Vi
e nation s largest not-for-profit Catholic healthcare system. The master lease has been assigned to the Sisters of St. Francis Health Serv
ildings to the Sisters of St. Francis.

Pavilion consists of approximately 14,000 square feet of gross leasable area on approximately 1.6 acres. A renovation of the building w
re Medical Pavilion is approximately $211,000, or $14.60 per square foot, as of November 30, 2007. The single tenant credit lease with

n upon 180 days notice. St. Vincent Hospital serves as guarantor on the lease.

enter consists of 15,000 square feet of gross leasable area on approximately 1.4 acres and is adjacent to the St. Claire Medical Pavilion.
ration areas. The rental rate per annum for Athens Surgery Center is approximately $367,000, or $24.48 per square foot, as of Novembe
minates February 29, 2016, with four five-year renewal options upon 180 days notice. St. Vincent Hospital serves as guarantor on the

nager and provides services and receives certain fees and expense reimbursements in connection with the leasing, operation and manage

properties located in the same submarket that might compete with Crawfordsville Medical Office Park and Athens Surgery Center.

o plans for material renovations or other capital improvements to Crawfordsville Medical Office Park and Athens Surgery Center and b
ately covered by insurance. For federal income tax purposes, the depreciable basis in Crawfordsville Medical Office Park and Athens S
come tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. Real estate tax
of approximately 2.7%.

e lease expirations of Crawfordsville Medical Office Park and Athens Surgery Center for the next 10 years, including the number of tena
covered by such leases and the percentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Ann Rent of Expiring Le
		$
		$
		$
		$
		$
		$
5	14,000	$
		$
		$
1	15,000	$

verage occupancy rate and the average effective annual rental rate per square foot for Crawfordsville Medical Office Park and Athens Su

Average Occupancy Rate
100%
100%
100%
100%
100%

62

ng

all of the membership interests of NNN Gallery Medical, LLC for a total purchase price of $8,800,000, plus closing costs. NNN Gallery
g, an eight-story medical building located in downtown St. Paul, Minnesota. We acquired the membership interests from NNN Gallery
N Realty Advisors.

uired The Gallery Professional Building on February 5, 2007, for a purchase price of $8,800,000. In connection with the purchase, NNN
ced by a promissory note in the principal amount of $6,000,000. We financed the purchase price of NNN Medical Gallery, LLC throug
ts for periods prior to March 9, 2007) and a $1,000,000 loan from NNN Realty Advisors. The balance of the purchase price was provide
ional Building from a subsidiary of NNN Realty Advisors, an independent appraiser was engaged by the independent directors to value
y of our board of directors, including a majority of our independent directors, as fair and reasonable to us and at a price no greater than
erty s appraised value, as determined by the independent appraiser. An acquisition fee of $264,000, or 3.0% of the purchase price, was

g consists of approximately 105,000 square feet of gross leasable area. The building is approximately 73.2% leased, with approximately
ilding to medical tenants.

nd is located adjacent to St. Joseph s Hospital via a skywalk, which serves as a feeder hospital for the medical offices in The Gallery Pr
stems hospitals and is a member of the University of Minnesota Family Medicine and Community Health residency program, with 401
ntly began construction on an $80.0 million expansion and renovation of the hospital, which will include building a new hospital tower
.

oximately 24,000 square feet, or approximately 22.5% of the space, pursuant to two leases: one for approximately 13,000 square feet tha
quare feet that expires on March 31, 2017. Summit Orthopedics is comprised of seven clinics and two surgery centers located in Minne
ssional Building. The rental rate per annum for Summit Orthopedics is approximately $403,000, or approximately $17.00 per square fo
ealthEast Care Systems leases approximately 20,000 square feet, or approximately 18.7%, of the space pursuant to leases that expire be
s currently the largest health care provider in the Twin Cities East Metro area, and the adjacent St. Joseph s Hospital is part of this netw
303,000, or approximately $15.38 per square foot. HealthEast Care Systems has two renewal terms of five years each on its lease for ap
tenants are primarily medical tenants, none of which occupies 10.0% or more of the gross leasable area.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

properties located in the same submarket that might compete with The Gallery Professional Building.

lans to spend approximately $2.4 million for both capital and tenant improvements to The Gallery Professional Building in order to attra
ble for its intended purpose and adequately covered by

x purposes, the depreciable basis in The Gallery Professional Building is approximately $8.0 million. We calculate depreciation for inco
based upon estimated useful lives of 39 years. Real estate taxes payable on the property for 2006 were approximately $126,000 at a rat

e lease expirations of The Gallery Professional Building for the next 10 years, including the number of tenants whose leases will expire
he percentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Ann Rent of Expiring Le
4	11,000	$
1	1,000	$
3	7,000	$
1	8,000	$
3	24,000	$
2	13,000	$
		$
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for The Gallery Professional Building for the last five

% of Average Occupancy Rate
68.1%
68.0%
64.8%
71.3%
73.1%

all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC for a total purchase price of $18,50
nterest in Lenox Office Park Building G, and NNN Lenox Medical Land, LLC holds a fee simple interest in two vacant parcels of land
to which Lenox Park Building G is subject has an 11-year term and was entered into by the previous owner of the property with the Indu
County as part of a tax incentive program for the benefit of the tenant. NNN Lenox Medical, LLC has the option to purchase Lenox Of
erests from NNN Lenox Medical Member, LLC, a wholly-owned subsidiary of Triple Net Properties.

red Lenox Office Park Building G and NNN Lenox Medical Land, LLC acquired the two parcels of land on January 3, 2007, for a total
NN Lenox Medical, LLC entered into a secured loan with LaSalle evidenced by a promissory note in the principal amount of $12,000,0

f NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC through the assumption of the $12,000,000 secured note (but not for
the purchase price was provided by funds raised through this offering. Since

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Building G and the two parcels of land from subsidiaries of NNN Realty Advisors, an independent appraiser was engaged by the indepe
n approved by a majority of our board of directors, including a majority of our independent directors, as fair and reasonable to us and at
sors subsidiaries or the property s appraised value, as determined by the independent appraiser. An acquisition fee of $555,000, or 3.0

onsists of approximately 98,000 square feet of gross leasable area. The building is currently 100% leased to Pfizer Inc., one of the larges
y Standard & Poor s. Pfizer currently pays gross annual rent of $2,134,000, which will increase 2.0% each year up to $2,220,000 in 20
on options. Upon renewal of the lease, Pfizer is entitled to rent the property at a rate equal to 97.0% of market rent, as defined in the lea

nd is located in East Memphis, Tennessee. There are at least 15 comparable properties located in the same market that might compete w
$237,000 for both capital and tenant improvements to Lenox Office Park Building G.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of
ectus.

ed within Lenox Office Park and consist of approximately 7.2 acres. Management currently has no plans to develop these parcels.

operty is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis i
calculate depreciation for income tax purposes using the straight-line method. We depreciate buildings based upon estimated useful liv
l estate taxes payable on the property for 2006 were approximately $38,000 at a rate of approximately 1.1%, net of tax credits.

ccupancy rate and the effective annual rental rate per square foot for Lenox Office Park Building G for the last five years:

		E
Occupancy Rate		
100%	$	
100%	$	
100%	$	
100%	$	
100%	$	

our operating partnership, acquired Commons V Medical Office Building, or Commons V, for a purchase price of $14,100,000, plus clo
n Naples, Florida. We acquired the property from an unaffiliated third party.

f $14,100,000 by funds raised through this offering. An acquisition fee of $423,000, or 3.0% of the purchase price, was paid to our adv
roximately 2.0% of the purchase price, was paid by the seller to Grubb & Ellis, which is now our sponsor.

mately 55,000 square feet of gross leasable area. The building is approximately 100% leased. Anchor Health is the largest tenant with 1

t, or approximately 76.4% of the property. Anchor Health s current base annual rent is $758,000 with annual consumer price index incr
are various expiration dates, with a majority of those leases expiring in 2012 with no remaining options for renewal. Collier Surgery Ce
he property and pays a gross base annual rent of $197,000 with annual consumer price index increases. Collier Surgery Center s lease e
ntend to continue to lease the building to medical tenants.

nd is located in Naples, Florida, one-half mile from the Homewood Residence, a 100-room adult living facility, the 250-unit Goodlette

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

operty is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis i
eciation for income tax purposes using the straight line method. We depreciate buildings based upon an estimated useful life of 39 years
5,000 at a rate of approximately 1.2%.

e lease expirations of Commons V for the next 10 years, including the number of tenants whose leases will expire in the applicable year,
s annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Ann Rent of Expiring Le
		$
2	3,000	$
3	13,000	$
2	4,000	$
4	7,000	$
11	28,000	$
		$
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for Commons V for the last five years:

% of Average Occupancy Rate
88.6%
93.4%
96.7%
100%
100%

hakerag Medical Center

operating partnership, acquired Yorktown Medical Center and Shakerag Medical Center, which we refer to collectively as the Fayette p
he property from an unaffiliated third party.

n of the Fayette property, on May 1, 2007, we, through NNN Healthcare/Office REIT Peachtree, LLC, our wholly-owned subsidiary, en
Vachovia, as evidenced by a promissory note in the principal amount of $13,530,000. The balance of the purchase price was provided by
0% of the purchase price, was paid to our advisor and its affiliate.

approximately 108,000 square feet of gross leasable area. The Fayette property is approximately 90.6% leased, with approximately 84.8
ies approximately 74,000 square feet of the Fayette property and pays a gross base annual rent of approximately $1,876,000, with annua
al Care Corporation s leases expire between 2009 and 2013.

as built in 1987 and is located in Fayetteville, Georgia, approximately two miles from the Piedmont Fayette Hospital. The Shakerag Me
ximately seven miles from the Piedmont Fayette Hospital.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

yette property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciabl
calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon an estimated useful
re approximately $173,000 at a rate of approximately 3.2%.

lease expirations of the Fayette property for the next 10 years, including the number of tenants whose leases will expire in the applicab
e of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Ann Rent of Expiring Le
2	2,000	$
1	3,000	$
7	26,000	$
		$
3	12,000	$
4	12,000	$
4	41,000	$ 1
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for Yorktown Medical Center for the last five years:

	% of Average Occupancy Rate
	100%
	100%
	100%
	74.0%
	81.0%

verage occupancy rate and the average effective annual rental rate per square foot for Shakerag Medical Center for the last five years:

	% of Average Occupancy Rate
	100%
	100%
	100%
	86.0%
	100%

ur operating partnership, acquired Thunderbird Medical Plaza in Glendale, Arizona from an unaffiliated third party for a total purchase
mprised of real property located at 5422 and 5410 West Thunderbird Road, or T-Bird 5422/5410, and real property located at 5310 Wes

5,000,000, $11,500,000 was allocated to T-Bird 5422/5410 and $13,5000,000 was allocated to T-Bird 5310. We financed the purchase p
00 loan from Wachovia secured by our Commons V property and funds raised through this offering. An acquisition fee of $750,000, or

sts of approximately 110,000 square feet of gross leasable area. The property is approximately 74.3% leased, with 100% occupied by m
ea.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

ble properties located in the same submarket that might compete with Thunderbird Medical Plaza.

operty is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis i
e calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful liv
ximately $283,000 at a Primary (Limited) rate of approximately 6.7% and a Secondary (Full Cash) rate of approximately 5.4%.

e lease expirations of Thunderbird Medical Plaza for the next 10 years, including the number of tenants whose leases will expire in the a
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases
3	6,000
5	8,000
4	5,000
6	13,000
1	8,000
9	22,000
4	14,000
2	9,000

r operating partnership, acquired the Triumph Hospital Portfolio in suburban Houston, Texas from an unaffiliated third party for a total
tfolio consists of Triumph Hospital Northwest and Triumph Hospital Southwest.

6,500,000, $17,750,000 was allocated to Triumph Hospital Northwest and $18,750,000 was allocated to Triumph Hospital Southwest. W
sing a combination of: (1) $12,605,000 in net proceeds from a $14,000,000 loan from Wachovia secured by the Thunderbird property; (
t of $4,000,000; and (3) funds raised through this offering. An acquisition fee of $1,095,000, or 3.0% of the aggregate purchase price, w
ponsor at the time of the loan, this loan is deemed a related party loan. Therefore, the terms of the unsecured loan and the unsecured not
our independent directors, and deemed fair, competitive and commercially reasonable by our directors.

Triumph Hospital Southwest were originally built in 1986 and 1989, respectively, and are located on 12 and eight acres, respectively, i
proximately 151,000 square feet of gross leasable area, which is currently 100% leased to affiliates of Triumph Healthcare, the largest p
t provider in the United States. Triumph Healthcare s lease of Triumph Hospital Southwest, which includes approximately 68,000 squa
ear renewal options. Triumph Healthcare s lease of Triumph Hospital Northwest, which includes approximately 83,000 square feet of g
ns.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

parable properties located in the Houston market that might compete with the Triumph Hospital Portfolio.

novation plans for the property, and believes that the property is suitable for its intended purpose and adequately covered by insurance. Hospital Portfolio is approximately $34.6 million. We calculate depreciation for income tax purposes using the straight line method. W, Triumph Hospital Northwest paid real estate taxes of approximately $225,000 at a rate of approximately 3.1%, and Triumph Hospital of approximately 2.5%.

lease expirations of the Triumph Hospital Portfolio for the next ten years, including the number of tenants whose leases will expire in t he percentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	
		$
		$
		$
		$
		$
1	68,000	$
1	83,000	$
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for the Triumph Hospital Portfolio for the last five yea

Average Occupancy Rate
37.9%
100%
100%
100%
100%

ur operating partnership, acquired a fee simple interest in Gwinnett Professional Center located in Lawrenceville, Georgia from an unaff

f Gwinnett Professional Center through: (1) the assumption of a $6,000,000 loan from LaSalle, secured by the property, and (2) funds r ggregate purchase price, was paid to our advisor and its affiliate.

three-story multi-tenant medical office building, was originally built in 1985 and is located on approximately 5.2 acres on the hospital c st of downtown Atlanta. Gwinnett Professional Center consists of approximately 60,000 square feet and is approximately 80.0% leased.

ncare providers. Gwinnett Pediatrics leases approximately 8,000 square feet pursuant to a lease that expires in April 2016 and has no ren

n birth through adolescence. The rental rate per annum for Gwinnett Pediatrics is approximately $184,000, or $22.66 per square foot.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

ble properties located in the same submarket that might compete with Gwinnett Professional Center.

novation plans for the property, and believes that the property is suitable for its intended purpose and adequately covered by insurance.
ofessional Center is approximately $8.3 million. We calculate depreciation for income tax purposes using the straight line method. We c
5, Gwinnett Professional Center paid real estate taxes of approximately $89,000 at a rate of approximately 3.4%.

e lease expirations of Gwinnett Professional Center for the next 10 years, including the number of tenants whose leases will expire in the
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases		Gross Annual Rent of Expiring Leases
		$	
8	18,000	$	397,0
5	11,000	$	292,0
2	5,000	$	129,0
2	5,000	$	110,0
1	1,000	$	24,0
		$	
		$	
		$	
1	8,000	$	184,0

verage occupancy rate and the average effective annual rental rate per square foot for Gwinnett Professional Center for the last three yea

Average Occupancy Rate
96.0%
80.0%
68.0%

our wholly-owned subsidiary, NNN Healthcare/Office REIT Market Exchange, LLC, acquired a fee simple interest in 1 Market Excha
s, Ohio, or collectively, 1 and 4 Market Exchange, from unaffiliated third parties for a total purchase price of $21,900,000, plus closing

f 1 and 4 Market Exchange with funds raised through this offering. An acquisition fee of $657,000, or 3.0% of the aggregate purchase

s of two multi-tenant Class A medical office buildings and a vacant parcel of land to be developed as a parking lot. 1 Market Exchange

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treet. 1 Market Exchange was awarded the 2002 Columbus Chapter American Institute of Architecture Sustainability Award due to its unwanted solar gain during the summer months. 4 Market Exchange is a three-story building constructed in 2003 located at 500 Main S et and are approximately 92.6% leased. Both buildings are located less than one mile from Columbus Children s Hospital, just east of t change redevelopment taking place along East Main Street. Additionally, the property is located at the I-70 and I-71 interchange and jus nding communities. The principal businesses and professions of the tenants occupying the buildings are healthcare providers. The vacan once developed, shall serve as a parking lot for 1 and 4 Market Exchange which will provide approximately 85 additional parking spaces

and 4 Market Exchange are Columbus Children s Hospital, OhioHealth and Design Group. Columbus Children s Hospital leases appr imately 2,000 square feet of which have one five-year renewal options.

he nation s 5th largest children s hospital, is the primary pediatric health care provider for 37 counties, with more than 800 medical st n s Hospital is approximately $378,000, or $13.77 per square foot. OhioHealth leases approximately 22,000 square feet pursuant to lea options. OhioHealth is a nationally recognized, not-for-profit, charitable healthcare organization consisting of 15 hospitals, 20 health ar h service suppliers throughout a 46-county area. The rental rate per annum for OhioHealth is approximately $358,000, or $16.25 per sq ease that expires in October 2010 with one ten-year renewal option. Design Group, a firm that provides expertise in planning, architectu ning 1 and 4 Market Exchange. The rental rate per annum for Design Group is approximately $473,000 or $16.71 per square foot.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

ompetition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with whi f nearby hospitals or in surrounding suburban areas.

novation plans for the property other than the development of the vacant parcel of land into a parking lot, and believes that the property . For federal income tax purposes, the depreciable basis in 1 and 4 Market Exchange is approximately $20.2 million. We calculate depre ate buildings based upon estimated useful lives of 39 years. For 2006, 1 and 4 Market Exchange paid real estate taxes of approximately

e lease expirations of 1 and 4 Market Exchange for the next 10 years, including the number of tenants whose leases will expire in the ap
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
2	7,000	$ 124,0
2	4,000	$ 73,0
4	11,000	$ 176,0
5	65,000	$ 1,042,0
2	6,000	$ 92,0
2	14,000	$ 242,0
		$
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for 1 and 4 Market Exchange for the last four years.

Average Occupancy Rate
88.6%
90.2%
91.0%
92.6%

our wholly-owned subsidiary, NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC, acquired a fee simple interest in Kok
iated third party for a total purchase price of $13,350,000, plus closing costs.

of Kokomo Medical Office Park using funds raised through this offering and an unsecured loan of $1,300,000 from NNN Realty Adviso
tion fee of $401,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. Since NNN Realty Advisors was our spons
refore, the terms of the unsecured loan and the unsecured promissory note were approved by a majority of our directors, including a ma
mmercially reasonable by our directors.

comprised of four one-story medical office buildings. All of the buildings are located within two miles of St. Vincent/St. Joseph Hospita
mpuses of the hospital facilities. Two of the buildings were constructed in 1992, with an addition to one being completed in 2003. The th
he buildings consist of approximately 87,000 square feet located on approximately 12.1 acres of land, of which approximately 1.4 acres

a multi-tenant medical office property with 10 different medical tenants currently occupying the property. The tenants have a long histo
tely 81.7% of the total area, having been occupied by the same tenants for a period of at least six years. Further, the three largest tenants
), Howard Regional Specialty Care, LLC and RCG Indiana, LLC have all been occupants of the property since 1992. Kokomo Medical

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iana, LLC, or American Health Network, leases approximately 38,000 square feet pursuant to a lease that expires in August 2017. Ame
60 offices throughout Ohio and Indiana with nearly 200 physicians and 1,300 employees. Services offered by American Health Networ
s. The rental rate per annum for American Health Network is approximately $600,000, or $15.67 per square foot. Howard Regional Spe
t pursuant to a lease that expires in August 2012. Howard Regional is a certified rehabilitation facility specializing in the treatment of al
m for Howard Regional is approximately $329,000, or $16.48 per square foot. RCG Indiana, LLC, a provider of dialysis services, lease
2010. The rental rate per annum for RCG Indiana, LLC is approximately $127,000, or $15.50 per square foot.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

ces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with
e campuses of nearby hospitals or in surrounding suburban areas.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F
dical Office Park is approximately $12.0 million. We calculate depreciation for income tax purposes using the straight line method. We
5, Kokomo Medical Office Park paid real estate taxes of approximately $190,000 at a rate of approximately 2.6%.

e lease expirations of Kokomo Medical Office Park for the next ten years, including the number of tenants whose leases will expire in th
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
		$
2	5,000	$ 76,0
1	2,000	$ 35,0
3	13,000	$ 261,0
1	2,000	$ 37,0
2	22,000	$ 365,0
		$
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for Kokomo Medical Office Park for the last five year

	Average Occupancy Rate
	90.5%
	97.2%
	94.7%
	93.9%
	94.8%

gh our wholly-owned subsidiary, NNN Healthcare/Office REIT St. Mary Physician Center, LLC acquired a fee simple interest in St. M Physicians Center, LLC, an unaffiliated third party, for a total purchase price of $13,800,000, plus closing costs.

f St. Mary Physicians Center through a secured loan of $8,280,000 on the property from the seller, and an unsecured loan of $6,100,00 urchase price, was paid to our advisor and its affiliate. Since NNN Realty Advisors was our sponsor at the time of the loan, this loan is he unsecured promissory note were approved by a majority of our directors, including a majority of our independent directors, and deem

sts of a four-story multi-tenant medical office building located on the campus of St. Mary Medical Center, a 539-bed, not-for-profit me lt in 1992, St. Mary Physicians Center is located on approximately 0.7 acres. The property consists of approximately 67,000 square feet ng structure on the St. Mary Medical Center campus with approximately 300 parking spaces allocated to St. Mary Physicians Center fo feet. In addition, there are two adjacent surface parking lots available for tenants and visitors to the building. The building s constructio er is approximately 82.4% leased.

ases approximately 9,000 square feet pursuant to a lease that expires in October 2007 and has no renewal option. Pacific Shores Medica m for Pacific Shores Medical Group is approximately $221,000, or $26.07 per square foot. St. Mary Medical Center/Radiology leases a l rate per annum for St. Mary Medical Center/Radiology is approximately $229,000, or $25.74 per square foot. St. Mary Medical Cente ease that expires in September 2010 with two one-year renewal options remaining. The rental rate per annum for St. Mary Medical Cen enter/C.A.R.E leases approximately 8,000 square feet pursuant to a lease that is on a month-to-moth basis and has no renewal option. Th 26.23 per square foot.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with wh f nearby hospitals or in surrounding suburban areas.

believe that any capital improvements will be required for the property but anticipates spending approximately $50,000 for routine repai
s intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in St. Mary Physicians
e tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. For 2006, St. Mary
of approximately 1.3%.

e lease expirations of St. Mary Physicians Center for the next 10 years, including the number of tenants whose leases will expire in the a
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases		Gross Annual Rent of Expiring Leases
5	31,000	$	797,0
		$	
3	7,000	$	173,0
2	10,000	$	300,0
1	3,000	$	64,0
		$	
		$	
		$	
		$	
1	4,000	$	107,0

verage occupancy rate and the average effective annual rental rate per square foot for St. Mary Physicians Center for the last five years.

Average Occupancy Rate
78.9%
78.5%
81.1%
81.9%
83.8%

ough our wholly-owned subsidiary, NNN Healthcare/Office REIT 2750 Monroe, LLC, acquired a fee simple interest in certain real prop
n an unaffiliated third party, for a purchase price of $26,700,000, plus closing costs. We have previously referred to this property as the

of 2750 Monroe Boulevard with $27,870,000 in borrowings under our secured revolving line of credit with LaSalle. We paid an acquisit
ate. A real estate sales commission of $339,000, or 1.3% of the sales price, was also paid by the seller to Grubb & Ellis, which is now o

rised of a two-story office building and an accessory building for storage, located in Valley Forge, Pennsylvania, within the Valley Forg
building was originally built in 1985 and underwent $2.0 million in renovations in 2001. 2750 Monroe Boulevard consists of approxima
.

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gle-tenant office property. Quest Diagnostics Incorporated, or Quest, has occupied 2750 Monroe Boulevard since January 2001, pursuan
t is one of the nation s leading providers of diagnostic testing, with over 2,000 patient service centers where samples are collected, 30 p
ed States, Mexico and the United Kingdom. Laboratory services provided by Quest include routine tests such as blood tests, cholesterol
s approximately $2,623,000, or $24.00 per square foot.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

ompetition from other nearby office buildings that provide comparable services. Most of the office buildings with which 2750 Monroe B

to expend approximately $17,000 in repairs and maintenance and believes that the property is suitable for its intended purpose and adeq
able basis in 2750 Monroe Boulevard is approximately $25.6 million. We calculate depreciation for income tax purposes using the strai
fe of 39 years. For 2006, 2750 Monroe Boulevard paid real estate taxes of approximately $204,000 at a rate of approximately 2.6%.

verage occupancy rate and the average effective annual rental rate per square foot for 2750 Monroe Boulevard for the last five years.

	Average Occupancy Rate
	100%
	100%
	100%
	100%
	100%

lio

ugh our subsidiary, NNN Healthcare/Office REIT E Florida LTC, LLC, acquired a fee simple interest in certain real property and impr
we refer to collectively as the East Florida Senior Care Portfolio, from unaffiliated third parties for a total purchase price of $52,000,00
nstitute for Senior Living of Florida Portfolio.

f the East Florida Senior Care Portfolio using funds raised through this offering, $11,000,000 in net proceeds from our secured revolvi
et of closing costs, a lender holdback of $4,500,000 and lender required reserves) from a $30,500,000 loan with KeyBank National Asso
ase price, was paid to our advisor and its affiliate.

rtfolio is comprised of six facilities located on three campuses in Jacksonville, Winter Park and Sunrise, Florida. Each campus has one s
other and connected by an enclosed hallway. The Jacksonville, Winter Park and Sunrise campuses were built in 1985, 1988 and 1989, r
ively. Combined, the facilities account for 733 licensed beds and 667 operating beds, consisting of approximately 355,000 square feet.

assisted living facilities are master leased to the Institute for Senior Living of Florida, a single purpose, not-for-profit entity which hold
asis and the term expires in May 2014. In a triple-net lease the tenant is responsible for the rent and any other expenses relating to the pr
titute for Senior Living of Florida contracts with Senior Health Management, a privately-held healthcare facilities operator based in St.
ior Health Management and its principals to the extent of the management fees received from each tenant.

nager and provides services and receives certain fees and expense reimbursements in connection with the management of the East Flori

rtfolio competes with the facilities of other landlords or healthcare operators of skilled nursing and assisted living facilities and the level
ns referring patients to the facilities, the demographics and population of the surrounding area and the capital resources of the landlords
s tenant could also be impacted by changes to private, federal and state payment programs associated with healthcare.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F
ida Senior Care Portfolio is approximately $43.7 million. We calculate depreciation for income tax purposes using the straight line meth
For 2006, real estate taxes for the East Florida Senior Care Portfolio were approximately $501,000 at a rate of approximately 2.1%. Pur
folio are paid by the tenant of the property.

sed to provide housing and personal care to elderly who may need assistance with activities of daily living but require only limited med
rectly or though private insurance. Skilled nursing facilities are licensed to provide a higher level of care for those in need of rehabilitat
are primarily paid for by private sources or the Medicare or Medicaid programs. For the fiscal year ended May 31, 2007, the average sk
erties were as follows:

	Skilled Nursing
	92.9%
	85.3%
	87.7%

ugh our wholly-owned subsidiary, NNN Healthcare/Office REIT Northmeadow, LLC, acquired a fee simple interest in Northmeadow M
om an unaffiliated third party for a purchase price of $11,850,000, plus closing costs.

closing costs and working capital through $12,400,000 in borrowings under our secured revolving line of credit with LaSalle. An acquis
dvisor and its affiliate.

ists of a two-story, multi-tenant medical office building located across the street from North Fulton Regional Hospital in Roswell, Geor
ly 51,000 square feet of gross leasable area located on approximately 5.5 acres of land.

multi-tenant medical office building with nine different medical tenants currently occupying the property. The four largest tenants, Nort
nta Cancer Care, have been occupants of the property since February 2005, June 2004, June 2004 and November 2005, respectively. Th

roximately 10,000 square feet pursuant to a lease that expires in June 2012. North Fulton Urology is a urologic care practice. The rental
oot.

proximately 10,000 square feet pursuant to a lease that expires in February 2014. Cardiology of Georgia is a cardiac services practice. T
87 per square foot.

proximately 9,000 square feet pursuant to a lease that expires in May 2014. North Point Pulmonary is a pulmonary disease practice. The
59 per square foot.

ximately 7,000 square feet pursuant to a lease that expires in November 2012. Atlanta Cancer Care is a medical oncology practice. The
99 per square foot.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

s competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with w
g North Fulton Regional Hospital.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F
adow property is approximately $10.9 million. We calculate depreciation for income tax purposes using the straight line method. We de
, the Northmeadow property paid Fulton County real estate taxes of approximately $83,000 at a rate of approximately 3.3%. For 2006,
oximately $15,000 at a rate of approximately 0.6%.

lease expirations of the Northmeadow property for the next ten years, including the number of tenants whose leases will expire in the a
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases		Gross Annual Rent of Expiring Leases
		$	
		$	
		$	
		$	
		$	
4	21,000	$	496,0
1	3,000	$	72,0
2	12,000	$	296,0
1	10,000	$	239,0
0		$	
1	4,000	$	82,0

verage occupancy rate and the average effective annual rental rate per square foot for the Northmeadow property for the last five years.

	Average Occupancy Rate
	100%
	47.4%
	49.8%
	50.1%
	68.7%

ugh our wholly-owned subsidiary, NNN Healthcare/Office REIT Tucson Medical Office, LLC, acquired a fee simple interest in certain
r the Desert Life property, and a long-term leasehold interest in certain real property located at 6261 North La Cholla Boulevard, Tucson
llectively refer to as the Tucson Medical Office Portfolio, from unaffiliated third parties for a total purchase price of $21,050,000, plus

ngs under our secured revolving line of credit with LaSalle to finance the purchase price of the Tucson Medical Office Portfolio as well
2,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

folio is a two project portfolio comprised of seven multi-tenant medical office buildings located on 10.2 acres of land on the Northwest
s of six multi-tenant contiguous buildings built between 1979 and 1980, that consists of approximately 56,000 square feet of gross leasa
built in 1994, consists of approximately 55,000 square feet of gross leasable area that is approximately 68.9% leased.

ng the buildings are healthcare providers and researchers. Tenants typically require proximity to the Northwest Medical Center, a 300-b
ucson Medical Office Portfolio. The three largest tenants, Fresenius Medical Care North America, Genova Clinical Research and Labora
007, 2005, and 1993, respectively.

0,000 square feet pursuant to a lease that expires in April 2017. Fresenius provides dialysis care, products and services. The rental rate
oot.

00 square feet pursuant to a lease that expires in October 2009. Genova provides research services for the pharmaceutical industry. The
0 per square foot.

ica leases approximately 7,000 square feet pursuant to a lease that expires in May 2008. Laboratory Corporation operates a nationwide
l rate per annum for Laboratory Corporation of America is approximately $137,000, or $20.47 per square foot.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of
ent.

folio faces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildin
n or near the Northwest Medical Center campus.

nal renovation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insura
Medical Office Portfolio is approximately $19.6 million. We calculate depreciation for income tax purposes using the straight line metho
For 2006, the Tucson Medical Office Portfolio paid real estate taxes of approximately $154,000 at a primary rate of approximately 8.42

e lease expirations of the Tucson Medical Office Portfolio for the next 10 years, including the number of tenants whose leases will expir
es and the percentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases
5	14,000
3	5,000
9	21,000
5	13,000
4	9,000
2	2,000
2	10,000

ed Lima Medical Office Portfolio, located in Lima, Ohio, or the Lima Medical property, for a total purchase price of $25,250,000, plus
nanced the purchase price using a combination of $26,000,000 in borrowings under a secured revolving line of credit with LaSalle. An a
dvisor and its affiliate.

ists of six multi-tenant medical office buildings, five of which are located on the campus of St. Rita s Medical Center in Lima, Ohio. T
pproximately one mile away from the hospital campus. The on-campus buildings were built in 1970, 1985, 1990, 1996, and 2004. The o
he 1920 s. The property is comprised of approximately 193,000 square feet with St. Rita s Medical Center occupying approximately 5

in Lima, Ohio, is a non-profit healthcare provider serving a 10-county area of northwest and west-central Ohio. St. Rita s Medical Cen
of the largest not-for-profit health systems in the country and the largest in Ohio. This organization structure makes St. Rita s Medical C
f Lima, Ohio. St. Rita s Medical Center is a member of West Central Ohio Health Partner s, one of CHP s nine regional consortiums.
- and its operating revenue was $3.36 billion in its fiscal year ended December 31, 2005.

s Medical Center operated 330 of 425 licensed beds. The construction of a new tower connected to the main hospital will add an additio
mergency Department treats approximately 58,000 cases annually and has approximately 4,000 employees. As of June 2006, it is Allen
llion expansion project that will add six new inpatient and outpatient service

uare feet in new and renovated space. St. Rita s Medical Center began utilizing the new space in May 2007, with full utilization expec
gs in the Lima Medical property will enjoy significantly closer physical integration with the hospital.

nager and provide services and receives certain fees and expense reimbursements in connection with the operation and management of t

s competition from other nearby medical office buildings that provide comparable services. Most medical office buildings with which th
f nearby hospitals or in surrounding suburban areas.

ribed above, management currently has minimal renovation plans for the property and believes that the property is suitable for its intend
x purposes, the depreciable basis in the Lima Medical property is approximately $25.6 million. We calculate depreciation for income tax
an estimated useful life of 39 years. For 2006, the Lima Medical property paid real estate taxes of approximately $385,000 at a primary

e lease expirations of the Lima Medical property for the next 10 years, including the number of tenants whose leases will expire in the ap
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
		$
6	17,000	$ 178,000
3	4,000	$ 33,000
4	5,000	$ 61,000
5	17,000	$ 237,000
14	98,000	$ 1,295,000
1	6,000	$ 68,000
		$
2	4,000	$ 58,000
1	3,000	$ 45,000

verage occupancy rate and the average effective annual rental rate per square foot for the Lima Medical property for the last three years:

% of Average Occupancy Rate
58.0%
69.8%
71.4%

rd of directors approved the acquisition of Park Place Office Park located in Dayton, Ohio, or the Park Place property. We anticipate pu
lus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advis

e price, in connection with the acquisition. We anticipate that the closing will occur in

ver, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition o

laza

rd of directors approved the acquisition of Highlands Ranch Healthcare Plaza, or the Highlands Ranch property. We anticipate purchasi
lus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advis
se price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is s
e will be able to complete the acquisition of the Highlands Ranch property.

d of directors approved the acquisition of an 80.0% interest in certain real property and improvements located in Chesterfield, Missouri
Duke Realty Corporation, or Duke, the current owner of the Chesterfield property. The Chesterfield property is 100.0% leased to St. Jo
on Hospital. In the proposed transaction, Duke will contribute the Chesterfield property, valued at approximately $36,500,000, to the jo
ch we expect to fund through a combination of debt and equity financing. In addition, the joint venture is expected to obtain debt financ
will receive an 80.0% interest in the joint venture, and Duke will receive a 20.0% interest in the joint venture as well as a distribution of
cur in December of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be a

MANAGEMENT

f our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. The board of directors is respo
nd the board of directors has retained our advisor to manage our day-to-day operations and to implement our investment strategy, subje

on our board of directors, five of whom are independent of us, our advisor and our advisor s affiliates. Our charter and bylaws provide
ntire board of directors, but that number may not be fewer than three nor more than 15. The charter also provides that a majority of the
nt directors must have at least three years of relevant real estate experience. An independent director is a person who is not an office
with such entities for the previous two years.

d serve until the next annual meeting of stockholders or until their successor has been duly elected and qualified. There is no limit on th
f directors may be increased or decreased, a decrease will not have the effect of shortening the term of any incumbent director.

me and may be removed with or without cause by the stockholders upon the affirmative vote of at least a majority of all the votes entitl
. The notice of the meeting shall indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be

ase in the number of directors or the death, resignation, removal, adjudicated incompetence or other incapacity of a director shall be fill
ors will nominate replacements for vacancies in the independent director positions.

ified by a unanimous vote of our directors, including our independent directors. The responsibilities of our board of directors include:

eeing our overall investment strategy, which will consist of elements such as (1) allocation of percentages of
d in real estate properties and real estate related securities, (2) allocation of percentages of capital to be invested in
erties, healthcare-related facilities and quality commercial office properties, (3) diversification strategies,
tion criteria and (5) investment disposition strategies;

roperty acquisitions, developments and dispositions, including the financing of such acquisitions and

iscretionary limits and authority to be granted to our advisor in connection with the purchase and disposition of
curities that fit within the asset allocation framework;

eeing our debt financing strategy;

toring the performance of our advisor;

ures, limited partnerships and other such relationships with third parties;

ribution policy and declaring distributions from time to time;

available for repurchases of shares of our common stock; and

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y event, such as the listing of our shares on a national securities exchange, the liquidation of our portfolio, our company or similar transaction providing liquidity to our stockholders.

devote all of their time to our business and are only required to devote the time to our affairs as their duties may require. Our directors r

d periodically review written policies on investments and borrowings consistent with our investment objectives and monitor our admin r advisor to assure that such policies are carried out.

o responsible for reviewing our fees and expenses on at least an annual basis and with sufficient frequency to determine that the expens

rtain potential conflicts of interest, our charter requires that a majority of the independent directors, and a majority of directors not othe of our directors, our advisor, or any of their affiliates. The independent directors are also responsible for reviewing the performance of r and the distributions that may be payable to our advisor pursuant to its subordinated participation interest in our operating partnership ed and that the provisions of the advisory agreement are being carried out. As a part of their review of our advisor s compensation, the

nt of service and advice furnished by our advisor;

es and other compensation paid to our advisor in relation to the size, composition and performance of our

dvisor in generating appropriate investment opportunities;

nparable externally advised REITs and other investors by advisors performing similar services;

realized by our advisor and its affiliates through their relationship with us, whether paid by us or by others with ss; and

our investment portfolio.

rectors

lish committees it deems appropriate to address specific areas in more depth than may be possible at a full board meeting, provided that tors. Our board of directors has established an audit committee. We do not have a compensation committee because we do not plan to p vide any compensation to our officers, we will establish a compensation committee comprised entirely of independent directors to deter

function is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided ent has established, and the audit and financial reporting process. The audit committee is responsible for the selection, evaluation and, v counting firm. Under our audit committee charter, the audit committee will always be comprised solely of independent directors. The au DeWald, Warren D. Fix and Gary T. Wescombe, all of whom are independent directors. Mr. DeWald currently serves as the chairman a

rs

our directors and our executive officers, their ages and their positions and offices are as follows:

	Age	Position
	49	Chief Executive Officer, President and Chairman of the Boa
	30	Chief Financial Officer
	58	Executive Vice President and Secretary
	42	Vice President Acquisitions
	62	Independent Director
	66	Independent Director
	68	Independent Director
	63	Independent Director
	63	Independent Director

Chief Executive Officer since April 2006, President since June 2007, and Chairman of the Board since July 2006 and as the Chief Exec since July 2006. He has also served as the Chief Executive Officer, President and a director of Grubb & Ellis, our sponsor, since Dece NNN Realty Advisors, a wholly owned subsidiary of Grubb & Ellis and our former sponsor, since its formation in September 2006 an has served as the Chief Executive Officer of Triple Net Properties since November 2006. From September 2004 to October 2006, Mr. P riple Net Properties. Since December 2005, Mr. Peters has also served as the Chief Executive Officer and President of G REIT, Inc., ha ficer since September 2004. Mr. Peters also served as the Executive Vice President and Chief Financial Officer of T REIT, Inc. from Se ident of Grubb & Ellis Apartment REIT, Inc. since April 2007 and January 2006, respectively. From February 1997 to February 2007, ector of Golf Trust of America, Inc., a publicly traded real estate investment trust. Mr. Peters received his B.B.A. degree in accounting

as our Chief Financial Officer since August 2006. Ms. Johnson has also served as a Financial Reporting Manager for Triple Net Proper & Ellis Apartment REIT, Inc. since April 2006. From June 2002 to January 2006, Ms. Johnson gained public accounting and auditing rior to joining PricewaterhouseCoopers LLP, from September 1999 to June 2002, Ms. Johnson worked as an auditor with Arthur Ander ties. Ms. Johnson is a Certified Public Accountant and graduated summa cum laude with her B.A. degree in Business-Economics and a

r Executive Vice President and Secretary since April 2006 and as the Executive Vice President of our advisor since July 2006. She has cretary of Grubb & Ellis, our sponsor, since December 2007, and NNN Realty Advisors, a wholly owned subsidiary of Grubb & Ellis a of NNN Realty Advisors since December 2007. She has served as General Counsel for Triple Net Properties since March 2003 and as as the Secretary and Executive Vice President of G REIT, Inc. since June 2004 and December 2005, respectively, the Secretary of T RE ment REIT, Inc. since January 2006. Ms. Biller practiced as a private attorney specializing in securities and corporate law from 1990 to g two years as special counsel for the Division of Corporation Finance. Ms. Biller earned a B.A.

hington University, an M.A. degree in Psychology from Glassboro State University in New Jersey and a J.D. degree from George Maso with distinction. Ms. Biller is a member of the California, Virginia and the District of Columbia State Bar Associations.

President Acquisitions. He has served as Triple Net Properties Managing Director Health Care Properties since March 2006 and spositions. Mr. Prosky previously worked with Health Care Property Investors, Inc., a healthcare-focused real estate investment trust, o ositions from 2005 to March 2006, and as Assistant Vice President Asset Management from 1999 to 2005. From 1992 to 1999, he ser ican Health Properties, Inc. Mr. Prosky received a B.S. degree in Finance from the University of Colorado and an M.S. degree in Mana

s an independent director of our company since September 2006. Mr. Blair served as the Chief Executive Officer, President and Chairm s initial public offering in 1997 until his resignation and retirement in November 2007. From 1993 until February 1997, Mr. Blair serve ounsel for The Legends Group. As an officer of The Legends Group, Mr. Blair was responsible for all aspects of operations, including a s the managing partner at Blair Conaway Bograd & Martin, P.A., a law firm specializing in real estate, finance, taxation and acquisitio J.D. degree from the University of North Carolina at Chapel Hill Law School.

s an independent director of our company since September 2006. He has served as the Chairman and Chief Executive Officer of Verity so serves as a director of Advanced Materials Group, Inc., Integrated Healthcare Holdings, Inc. and Mizuho Corporate Bank of Californ ational accounting firm KPMG, LLP from 1962 to 1991. Mr. DeWald holds a B.B.A. degree from the University of Notre Dame in Indi Ir. DeWald is a certified public accountant in California.

ndependent director of our company since September 2006. He serves as the Chief Executive Officer and a director of WCH, Inc., form ice-President, Chief Financial Officer and Secretary since 1995. From July 1994 to October 1995, Mr. Fix was a consultant to Doubletr l acquisitions and refinancings. Mr. Fix has been a partner in The Contrarian Group, a business management company, from December t of the Pacific Company, a real estate investment and development company. From 1964 to 1989, Mr. Fix held numerous positions wit pany, including, Chief Financial Officer. Mr. Fix also serves as a director of Clark Investment Group, Clark Equity Capital, The Keller rtified Public Accountant. Mr. Fix received his B.A. degree from Claremont McKenna College in California and is a graduate of the UC Program and the UCLA Anderson Corporate Director Program.

independent director of our company since April 2007. Mr. Mathis, has served as an executive consultant since 1998 with D. Petersen nt, governance, and strategy. He served in various capacities within The Methodist Hospital System, located in Houston, Texas, for the to the chairman of the board from 1997 to 1998, and President and Chief Executive Officer, as well as a member of the board of directo of directors, chairman of the governance and nominating committee, and a member of the audit committee of Alexion Pharmaceuticals. . degree in Social Sciences from Pittsburg State University in Kansas and a M.A. degree in Health Administration from Washington Un

an independent director of our company since October 2006. He provides consulting services to various entities in the real estate sector
tor, chief financial officer and treasurer of the Arnold and Mabel Beckman Foundation, a nonprofit foundation established for the purpo
, he was a partner in Warmington Wescombe Realty Partners in Costa Mesa, California, where he focused on real estate investments an
ner with Ernst & Young, LLP (previously Kenneth Leventhal & Company) from 1970 to 1999. In addition, Mr. Wescombe has also ser
received a B.S. degree in Accounting and Finance from California State University, San Jose in 1965 and is a member of the American
ublic Accountants.

l Officers

-to-day management functions are performed by employees of our advisor and its affiliates. The individuals who serve as our executive
us, and we do not currently intend to pay any compensation directly to our executive officers. As a result, we do not have, and our board
for our executive officers.

cluding those officers who serve as directors, is employed by our advisor or its affiliates, and is compensated by these entities for their
ur advisory agreement between us, our advisor and Triple Net Properties.

ctor compensation program, which are contained in our 2006 Independent Directors Compensation Plan, a sub-plan of our 2006 Incentiv
:

ur independent directors receive an annual retainer of $36,000.

independent directors receive $1,000 for each board meeting attended in person or by telephone, $500 for each
attended in person or by telephone, and an additional $500 to the Audit Committee chair for each audit committee
person or by telephone. If a board meeting is held on the same day as a committee meeting, an additional fee will
ding the committee meeting.

n. Upon initial election to the board of directors, each independent director receives 5,000 shares of restricted
an additional 2,500 shares of restricted common stock upon his or her subsequent election each year. The
l vest as to 20.0% of the shares on the date of grant and on each anniversary thereafter over four years from the

n. We reimburse our directors for reasonable out-of-pocket expenses incurred in connection with attendance at
committee meetings, of the board of directors. Independent directors do not receive other benefits from us.

es not receive any compensation from us.

e compensation earned by our directors from us in 2006:

	Fees Earned or Paid in Cash ($) (b)(1)	Stock Awards ($) (c)(2)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (f)
	$	$	$	$	$
	$ 14,500	$ 12,778	$	$	$
	$ 15,000	$ 12,778	$	$	$
	$ 14,500	$ 12,778	$	$	$
	$ 10,500	$ 12,391	$	$	$
	$	$	$	$	$

escribed below.

Role	Basic A Retaine
Chairman of the Board	$
Member, Audit Committee	$
Chairman, Audit Committee	$
Member, Audit Committee	$
Member, Audit Committee	$
Member	$

n represent the proportionate amount of the total fair value of stock awards recognized by the Company in ing purposes, disregarding for this purpose the estimate of forfeitures related to service-based vesting ncluded in the table for each award include the amount recorded as expense in our statement of operations 8, 2006 (Date of Inception) through December 31, 2006. The fair values of these awards and the amounts ermined in accordance with Statement of Financial Accounting Standards, or SFAS, No. 123(R),

ws the shares of restricted common stock awarded to each independent director during 2006, and the aggregate each award (computed in accordance with SFAS No. 123(R)).

Grant Date	N F S

9/20/06
9/20/06
9/20/06
10/4/06

ggregate numbers of nonvested restricted shares of common stock held by each director as of December 31, 2006:

	Nonvested Restricted Stock
	4,000
	4,000
	4,000
	4,000

ndent director and did not receive any compensation from us as a director.

to serve as a member of the Board of Directors on April 12, 2007 and did not receive any compensation

ock plan, which we will use to attract and retain qualified independent directors, employees and consultants providing services to us wh
uals an opportunity to participate in our growth through awards in the form of, or based on, our common stock. Although we do not cur
ture would also be eligible to participate in our incentive stock plan.

s for the granting of awards to participants in the following forms to those independent directors, employees, and consultants selected b

shares of our common stock, which may be nonstatutory stock options or incentive stock options under the

ghts, which give the holder the right to receive the difference between the fair market value per share on the date
grant price;

, which are payable in cash or stock upon the attainment of specified performance goals;

ch is subject to restrictions on transferability and other restrictions set by the committee;

s, which give the holder the right to receive shares of stock, or the equivalent value in cash or other property, in the

which give the holder the right to receive shares of stock, or the equivalent value in cash or other property, at a

s, which entitle the participant to payments equal to any dividends paid on the shares of stock underlying an award;

vards in the discretion of the plan administrator, including unrestricted stock grants.

r exercise prices, where applicable, that are not less than the fair market value of our common stock on the date of the grant. Any shares
ontained in our charter.

nittee of its independent directors will administer the incentive stock plan, with sole authority to select participants, determine the types
luding whether the grant, vesting or settlement of awards may be subject to the attainment of one or more performance goals. No award

ards would jeopardize our status as a REIT under the Internal Revenue Code or otherwise violate the ownership and transfer restrictions

of common stock that may be issued upon the exercise or grant of an award under the incentive stock plan is 2,000,000. In the event of
common stock to change, such as a stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend, the share a
tely.

award certificate, upon the death or disability of a participant, or upon a change in control, all of such participant s outstanding awards
atically expire on the tenth anniversary of the date on which it is adopted, unless extended or earlier terminated by the board of director
ation will have no adverse impact on any award that is outstanding at the time of such termination. The board of directors may amend th
approval if, in the reasonable judgment of the board, stockholder approval would be required by any law, regulation or rule applicable to
consent of the participant, reduce or diminish the value of an outstanding award determined as if the award had been exercised, vested,
The board may amend or terminate outstanding awards, but those amendments may require consent of the participant and, unless appro
visions of the plan, the exercise price of an outstanding option may not be reduced, directly or indirectly, and the original term of an opt

rnal Revenue Code, a public company generally may not deduct compensation in excess of $1 million paid to its chief executive officer
wards granted after the expiration of such grace period to be exempt, the incentive stock plan must be amended to comply with the exem

fication of Directors, Officers and Others

mit the personal liability of our stockholders, directors and officers for monetary damages subject to the limitations of the Statement of P
erican Securities Administrators Association, or the NASAA Guidelines. We also maintain a directors and officers liability insurance po
s to be indemnified against judgments, penalties, fines, settlements and reasonable expenses actually incurred in connection with a proce

f the director or officer was material to the cause of action adjudicated in the proceeding, and was committed in
result of active and deliberate dishonesty;

r actually received an improper personal benefit in money, property or services; or

criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

f the Maryland General Corporation Law, our charter provides that our directors, our advisor and its affiliates will be held harmless and

rmined, in good faith, that the course of conduct which caused the loss, liability or expense was in our best

acting on our behalf or performing services for us;

ted directors, our advisor or its affiliates, the liability or loss was not the result of negligence or misconduct by the
nification; and

endent directors, the liability or loss was not the result of gross negligence or willful misconduct by the party
tion.

or any agreement to hold harmless is recoverable only out of our assets and not from our stockholders.

into indemnification agreements with four of our independent directors, W. Bradley Blair, II, Maurice J. DeWald, Warren D. Fix, Gary
D. Peters, Danny Prosky and Andrea R. Biller. On March 1, 2007, we entered into an indemnification agreement with our officer, Shann
greement with our independent director, Larry L. Mathis. Pursuant to the terms of these indemnification agreements, we will indemnify
ection with any claims, suits or proceedings brought against such directors and officers as a result of his or her service. However, our in
nification agreements and in our charter.

any arrangement under which any of our controlling persons, directors or officers are insured or indemnified against liability is a poten
tibles and other costs associated with such insurance or, to the extent any such loss is not covered by insurance, our payment of indemn
available to us and our stockholders against the indemnified individuals, however this provision does not reduce the exposure of our dire
imit our stockholder s ability to obtain injunctive relief or other equitable remedies for a violation of a director s or an officer s duties
remedy in some circumstances.

ndemnification against liabilities arising under the Securities Act of 1933 is against public policy and unenforceable. Indemnification of
a broker-dealer on our behalf, including our dealer manager, will not be allowed for liabilities arising from or out of a violation of state
et:

cessful adjudication on the merits of each count involving alleged securities law violations;

en dismissed with prejudice on the merits by a court of competent jurisdiction; or

t jurisdiction approves a settlement of the claims against the indemnitee and finds that indemnification of the
elated costs should be made, and the court considering the request for indemnification has been advised of the
and of the published position of any state securities regulatory authority in the state in which our securities were
nification for violations of securities laws.

lso indemnify us and our directors, officers and other persons we may designate against damages and other liabilities in our capacity as
nification.

n indirect wholly owned subsidiary of our sponsor Grubb & Ellis, owns a 75.0% managing member interest in our advisor. Grubb & Ell
terest in our advisor. The members of Grubb & Ellis Healthcare Management, LLC include Scott D. Peters, our Chief Executive Office
er, Grubb & Ellis Chief Executive Officer, President and director, NNN Realty Advisors Chief Executive Officer, President and Cha
R. Biller, our Executive Vice President and Secretary, our advisor s Executive Vice President, Grubb & Ellis Executive Vice Preside
lent, Secretary, General Counsel and director and Triple Net Properties Executive Vice President and General Counsel; and Triple Net
h of Mr. Peters and Ms. Biller own 18.0% membership interests in Grubb & Ellis Healthcare Management, LLC. Triple Net Properties
tement, LLC. Anthony W. Thompson, the Chairman of the Board of Grubb & Ellis, is a special member of Grubb & Ellis Healthcare M
annually.

anage our day-to-day activities and to implement our investment strategy. We, our operating partnership and our advisor are parties to a
esponsibilities as our fiduciary.

rts, subject to the oversight, review and approval of the board of directors, to perform the following duties pursuant to the terms of the a

lating an investment strategy and asset allocation framework consistent with achieving our investment objectives;

eview and recommend to our board of directors for approval of real property and real estate related securities
positions consistent with our investment policies and objectives;

ate the terms and conditions of transactions pursuant to which acquisitions and dispositions of real properties will

l manage our real property and real estate related securities investment portfolio for purposes of meeting our
es;

day affairs, including financial accounting and reporting, investor relations, marketing, informational systems and
services on our behalf;

partners, structure corresponding agreements and oversee and monitor these relationships;

g and refinancing of our assets; and

oard of directors when appropriate various transactions which would provide liquidity to our stockholders (such as
common stock on a national securities exchange, liquidating our portfolio, or the sale or merger of our company).

to illustrate the material functions which our advisor will perform for us as our advisor and it is not intended to include all of the service

dvisors and Triple Net Properties

Santa Ana, California, is one of the most recognized full-service commercial real estate services firms in the United States. Drawing on
age sales force of approximately 1,800 brokers nationwide, Grubb & Ellis and

t knowledge with a national service network to provide innovative, customized solutions for real estate owners, corporate occupants an

lty Advisors, which previously served as our sponsor, merged with and into a wholly owned subsidiary of our current sponsor, Grubb &
ders of NNN Realty Advisors received shares of Grubb & Ellis in exchange for their NNN Realty Advisors shares and, immediately fo
roximately 60.1% of Grubb & Ellis. Additionally, six of the nine post-merger directors of Grubb & Ellis were directors of NNN Realty
of the Board, Anthony W. Thompson. Scott D. Peters, the Chief Executive Officer, President and current Chairman of the Board of NN
a director of Grubb & Ellis.

world s leading full-service commercial real estate organizations with a leading sponsor of commercial real estate programs to create a
nsaction, management and consulting services, and possessing a strong platform for continued growth. Grubb & Ellis continues to use
change under the ticker symbol GBE.

sider Grubb & Ellis to be our sponsor. Upon Grubb & Ellis becoming our sponsor, we changed our name from NNN Healthcare/Offic

and manager of our advisor and an indirect wholly owned subsidiary of our sponsor, offers a diverse line of investment products as wel
rage, leasing, analysis and consultation. Triple Net Properties is also an active seller of real estate, bringing many of its investment prog

as the executive officers and directors of Grubb & Ellis, NNN Realty Advisors or Triple Net Properties and, as such, perform services fo

Age	Position
60	Chairman of Grubb & Ellis and Founder of Triple Net Prope
49	Chief Executive Officer, President and Director of Grubb & Chairman of NNN Realty Advisors; Chief Executive Officer
58	General Counsel, Executive Vice President and Secretary of Vice President, Secretary and a director of NNN Realty Adv President of Triple Net Properties
42	Executive Vice President, Accounting and Finance, of Grubb director of NNN Realty Advisors; Chief Financial Officer of
46	Executive Vice President, Human Resources and Operations Human Resources of NNN Realty Advisors
36	Executive Vice President, Investment Programs, of Grubb & Realty Advisors; President and Chief Investment Officer of

Age	Position
41	Chief Executive Officer and President of NNN Capital Corp
53	Executive Vice President, Multifamily Division, of Grubb &
53	Executive Vice President and Chief Financial Officer of Gru
63	Independent Director of Grubb & Ellis
67	Independent Director of Grubb & Ellis
57	Independent Director of Grubb & Ellis
45	Independent Director of Grubb & Ellis
73	Independent Director of Grubb & Ellis
39	Independent Director of Grubb & Ellis
61	Independent Director of Grubb & Ellis

arding Mr. Peters and Ms. Biller, see Directors and Executive Officers. Below is a brief description of the other officers and direct
bove.

n is the Chairman of Grubb & Ellis, our sponsor, and currently owns approximately 14% of its outstanding common stock. Mr. Thomps
ember 2006 to December 2007 and is the founder of Triple Net Properties, the managing member of our advisor. Mr. Thompson is a sp
ive compensation of up to $175,000 annually. Mr. Thompson was the Chairman of the Board of Managers of Triple Net Properties fro
fficer from inception to October 2006, and was its President from inception until September 2004. He was also the Chairman of Realty,
des certain real estate brokerage and management services to us, from its inception to March 2007, and was its Chief Executive Officer
lder, director and an executive officer of TMP Group, Inc., a full-service real investment group. Mr. Thompson is a FINRA-registered s
rectors of G REIT, Inc. from December 2001 to December 2005. Mr. Thompson is also a member of the Sterling College Board of Trus
f Sterling College with a B.S. degree in Economics.

the Executive Vice President, Accounting and Finance, of Grubb & Ellis since December 2007. She has also served as the Chief Financ
directors since December 2007. Ms. LaPoint has also served as the Chief Financial Officer of Triple Net Properties since November 20
ly 2004. Ms. LaPoint has also served as Chief Financial Officer of Realty since March 2007. Ms. LaPoint served as Senior Vice Preside
cial Corporation), a publicly traded financial institution, from June 1999 to June 2004. Ms. LaPoint obtained her license to be a Certifie
nuary 1996 to June 1999. She graduated from California State University, Fullerton with a B.A. degree in Business Administration A
ed Public Accountants.

e Executive Vice President, Human Resources and Operations, of Grubb & Ellis since December 2007 and as Senior Vice President, Hu
kel joined NNN Realty Advisors to oversee the integration of Grubb & Ellis and NNN Realty Advisors. From 2002 until he joined NNN
n Resources, of CB Richard Ellis. Including his experience at CB Richard Ellis, he has more than 25 years of experience in human reso

b & Ellis, human resources initiatives, including training, recruiting, employee relations, compensation and benefits.

he Executive Vice President, Investment Programs, of Grubb & Ellis since December 2007. He has also served as the Chief Investment
ved as the President and Chief Investment Officer of Triple Net Properties since December 2007 and January 2007, respectively, and ha
and as its Chairman of the Board of Directors since April 2007. Mr. Hanson s responsibilities include managing the company s real e
mpany s public and private real estate programs. From 1996 to July 2006, Mr. Hanson served as Senior Vice President with Grubb & E
ice. While with Grubb & Ellis, he managed investment sale assignments throughout Southern California and other Western US markets
terling College Board of Trustees and formerly served as a member of the Grubb & Ellis President s Counsel and Institutional Investm
from the University of Southern California with an emphasis in Real Estate Finance.

Chief Executive Officer and President of NNN Capital Corp. since February 2005. From January 2001 to January 2005, Mr. Hull was a
began his career in the securities industry in 1988 as an examiner in the Los Angeles office of FINRA and then served in a registered ca
nt broker-dealer. Mr. Hull is a member of the MA Compliance and Legal Division and holds securities registrations as a general securiti
d options principal. Mr. Hull earned a J.D. degree from The Catholic University of America, Columbus School of Law and a B.A. in Bu
tted to practice law in California, New York and Massachusetts.

d as the Executive Vice President, Multifamily Division, of Grubb & Ellis since December 2007. He has also served as the Chief Execu
ief Executive Officer of Grubb & Ellis Apartment REIT Advisor, LLC since December 2005. Since December 2006, he has also served
April 2007, he has served as President of Grubb & Ellis Apartment REIT, Inc., and President of Grubb & Ellis Apartment REIT Adviso
T Advisors since 2006 and was a Managing Member of ROC Realty Advisors from 2005 to July 2007. Since July 2007, Mr. Olander ha
Residential Management Inc., an indirect wholly owned subsidiary of Grubb & Ellis that provides property management services to apa
a member of the board of directors of Cornerstone Realty Income Trust, Inc. from 1996 until April 2005. Prior to the sale of Cornerston
change, and it owned approximately 23,000 apartment units in five states and had a total market capitalization of approximately $1.5 bi
pproximately 40,000 apartment units. He holds a bachelor s degree in Business Administration from Radford University in Virginia an
a Commonwealth University.

the Executive Vice President and Chief Financial Officer of Grubb & Ellis since February 15, 2007. Prior to joining Grubb & Ellis, Mr
a member of the Board of Directors of Hudson Highland Group, a publicly held global professional staffing and recruiting business, fro
sulting business specializing in financial strategy and leadership development. In 2000, he was Executive Vice President and Chief Fina
s. Prior to 2000, Mr. Pehlke held senior financial positions in the telecommunications, financial services and food and consumer produc
unting from Valparaiso University and an MBA in Finance from DePaul University.

ed to the board of directors of Grubb & Ellis in December 2007 to serve as an independent director. He also served as an independent di
07. Mr. Carpenter is the Chief Executive Officer, President and Chairman of FountainGlen Properties, LP, a privately held company in
mmunities for active seniors. Prior to serving with FountainGlen, from 1994 to 2001, Mr. Carpenter was the Chief Executive Officer an
ped and operated industrial business parks and various types of apartment communities. From 1970 to 1994, Mr. Carpenter served as C
Anita Realty Enterprises Inc., a publicly traded REIT that owned and managed industrial office buildings, apartments and shopping cente
nia State University, Long Beach. He has received numerous honors in the real estate field including the 2000 Real Estate Man of the Y
for real estate. Mr. Carpenter sits on the board of councilors of the School of Gerontology at the University of Southern California and
ssociation.

to the board of directors of Grubb & Ellis in December 2007 to serve as an independent director. He also served as an independent dire
07. Mr. Greene is a 40-year veteran of the commercial and residential real estate lending industry. He most recently served as the Mana
te Division from 1998 to 2001 where he was responsible for lending to commercial real estate developers in California and managed ar
Mr. Greene was the Executive Vice President of SeaFirst Bank in Seattle, Washington and prior to that he served as the Vice Chairman
or Vice President in charge of the Asset Based Finance Group, with Union Bank, where he worked for 27 years. Mr. Greene currently s
rector and member of the audit committee of Paladin Realty Income Properties, Inc. and as a director and member of the audit, compens
m Lyon Homes.

he board of directors of Grubb & Ellis in December 2007 to serve as an independent director. He also served as an independent director
nt has served as director of G REIT, Inc. since July 2005. Mr. Hunt has served as the managing partner of California Strategies, LLC, a
homebuilders, real estate companies and government entities since 2001. Prior to serving with California Strategies, Mr. Hunt was the e
ecutive Committee of the Board of The Irvine Company, a 110-year-old privately held company that plans, develops and invests in real
erves on the Board of Directors of Glenair Inc., The Beckman Foundation and William Lyon Homes. Mr. Hunt holds a J.D. from the Ir

ed to the board of directors of Grubb & Ellis in December 1996 and served as Chairman from June 2002 until December 2007. Mr. Koja
t, a director and a shareholder of Kojaian Management Corporation, both of which are investment firms headquartered in Bloomfield H
s been a director of Grubb & Ellis Realty Advisors, Inc., an affiliate of Grubb & Ellis, since its inception in September 2005.

nted to the board of directors of Grubb & Ellis in July 2004 to serve as an independent director for each company. Mr. McLaughlin prev
2001. He founded The Sutter Group in 1982, a management consulting company that focuses on enhancing shareholder value, and curre
of Meridian Automotive Systems from March 2005 until December 2006, as President and Chief Executive Officer of Tru-Circle Corp
nd as Chairman of the Board of Directors of Imperial Sugar Company from August 2001

an and Chief Executive Officer from October 2001 to April 2002. He is a director of Imperial Sugar Company and Meridian Automotiv

to the board of directors of Grubb & Ellis in December 2007 to serve as an independent director. He also served as an independent direc
llace is a principal and co-founder of McCann Realty Partners, LLC, an apartment investment company focusing on garden apartment p
principal of Greystone Capital Management, LLC, formed in September 2001, and helps manage Greystone Fund, L.P. Greystone Fun
ily in promising venture capital opportunities and distressed assets. From April 1998 to August 2001, Mr. Wallace served as corporate
ublicly-traded real estate investment trust. From September 1994 to April 1998, Mr. Wallace was in the private practice of law with Mc
ctor of G REIT, Inc. Mr. Wallace received a J.D. degree and M.A. degree in History from the University of Virginia.

to the board of directors of Grubb & Ellis in April 2003 to serve as an independent director. Mr. Young has been a name partner of the
itigation with offices in Southfield, Michigan and New York City, since its founding in 1991. In 2001, Mr. Young was named Chairma
Committee by Governor John Engler and Michigan s Republican Congressional Delegation. Mr. Young is a member of the American C
America. Mr. Young was named by Chambers International and by *Best Lawyers in America* as one of the top commercial litigators in t

ent is one year and ends on October 24, 2008. The advisory agreement may be renewed for an unlimited number of successive one-year
s will evaluate the performance of our advisor before renewing the advisory agreement. The advisory agreement may be terminated:

or cause , or upon the bankruptcy of our advisor;

advisor for good reason; or

nalty upon 60 days written notice by our advisor or by us upon the approval of a majority of our independent

ry agreement to mean fraud, criminal conduct, willful misconduct or willful or grossly negligent breach of fiduciary duty by our adviso
d reason is defined in the advisory agreement to mean either:

obtain a satisfactory agreement from a successor to assume and agree to perform our obligations under the
or

l breach of the advisory agreement by us.

the advisory agreement, our advisor will cooperate with us and take all reasonable steps requested to assist our board of directors in ma
f the advisory agreement with our current advisor occur, our board of directors will select a successor advisor that the board of directors
isory services. Our board of directors would also be required to determine the compensation that we will pay to any successor advisor is
ormed for us and is within the limits prescribed in our charter.

ect to engage in other business ventures and, as a result, their resources will not be dedicated exclusively to our business. However, purs
ient resources to management of our operations to permit our advisor to discharge its obligations. Our advisor may assign the advisory
ajority of our independent directors. We may assign or transfer the advisory agreement to a successor entity in which case the successor

eal property acquisitions, developments or dispositions, including real property portfolio acquisitions, developments and dispositions, w
l terms and conditions of transactions involving investments in real estate shall be determined by our advisor, subject to the approval of

r all of the costs it incurs in connection with the services provided to us under the advisory agreement, including, but not limited to:

offering expenses, which consist of, among other items, the cumulative cost of actual legal, accounting, printing
le offering expenses, including, but not limited to, amounts to reimburse our advisor for marketing, salaries and
s employees, employees of its affiliates and others while engaged in registering and marketing the shares of our
sold in this offering, which shall include, but not be limited to, development of marketing materials and marketing
ipating in due diligence and marketing meetings and coordinating generally the marketing process for this
r and its affiliates will be responsible for the payment of our cumulative organizational and offering expenses,
g commissions, the marketing support fee and the due diligence reimbursement, to the extent they exceed 1.5% of
proceeds from the sale of shares of our common stock sold in the primary offering without recourse against or
s;

ods and services used by us and obtained from entities not affiliated with our advisor, including brokerage fees
vith the purchase and sale of our properties and other investments;

ces including personnel costs, provided, however, that no reimbursement shall be made for personnel costs in
vices for which our advisor receives a separate fee; and

expenses, including real estate commissions paid to third parties, which will not exceed, in the aggregate, 6.0% of
r total development cost, unless fees in excess of such limits are approved by a majority of our disinterested
rity of our independent disinterested directors; acquisition expenses are defined to include expenses related to the
ition of properties, whether or not acquired.

it as to the amount of the administrative services that our advisor or its affiliates may provide to us, such as accounting and finance, inte
dvisor and its affiliates for these services at cost and they may not be reimbursed for services for which they otherwise receive a fee und
ces is included in our operating expenses and therefore is subject to the reimbursement limitations described below.

least annually for reimbursements paid to the advisor in any year to the extent that such reimbursements to the advisor cause our total
assets, which means the average monthly book value of our assets invested directly or indirectly in equity interests and loans secured b
d debts or other non-cash reserves, or (2) 25.0% of our net income, which is defined as our total revenues less total operating expenses

directors have determined that such excess expenses were justified based on unusual and non-recurring factors. The total operating exp
ng principles generally accepted in the United States of America, or GAAP, that are in any way related to our operation, including asset
s organizational and offering expenses, legal, audit, accounting, underwriting, brokerage, registration and other fees, printing and other
tribution, transfer and registration of shares of our common stock; (b) interest payments; (c) taxes; (d) non-cash expenditures such as de
e fees based on the gain in the sale of our assets; and (f) acquisition fees and expenses (including expenses relating to potential acquisitio
her expenses connected with the acquisition, disposition, management and ownership of real estate interests, mortgage loans or other rea
es, maintenance, repair and improvement of real property). Our advisor must reimburse the excess expenses to us unless the independen
unusual and nonrecurring factors which they deem sufficient. Within 60 days after the end of any of our fiscal quarters for which total e
, we will send to our stockholders a written disclosure, together with an explanation of the factors the independent directors considered
r, at our advisor s option, our advisor or its affiliates, as applicable, may defer receipt of any portion of the asset management fee or rei
in any subsequent fiscal year that our advisor designates.

be paid compensation, fees, expense reimbursements, interest and distributions in connection with services provided to us. See Comp
isor and its affiliates will be paid all accrued and unpaid fees and expense reimbursements earned prior to the termination.

efend and hold harmless our advisor and its affiliates, including all of their respective officers, managers and employees, from and again
of their duties under the advisory agreement, and related expenses, including reasonable attorneys fees, to the extent such liability, cla
ance, provided that (1) our advisor and its affiliates have determined that the cause of conduct which caused the loss or liability was in
f or performing services for us, and (3) the indemnified claim was not the result of negligence, misconduct, or fraud of our advisor or its
ffiliates.

r advisor, its affiliates or their officers, managers or employees may be made only out of our net assets and not from our stockholders. C
iability, claims, damages, taxes or losses and related expenses, including attorneys fees, to the extent that such liability, claims, damag
d are incurred by reason of our advisor s bad faith, fraud, willful misfeasance, misconduct, or reckless disregard of its duties, but our a
n following or declining to follow the advice or recommendation given by our advisor.

le Net Properties and their affiliates have sponsored other real estate programs and may in the future sponsor real estate programs that h
ates, including Triple Net Properties, could be subject to conflicts of interest between us and other NNN programs. Our advisory agreem
e an investment in one or more office buildings or other facilities for which greater than 50% of the gross rentable space is leased to, or
ed tenants, either directly or indirectly through an affiliate or in a joint venture or other co-ownership arrangement, for itself or for any
he first opportunity to purchase such investment. Triple Net Properties will provide all

such investment to our advisor, in order to enable our board of directors to determine whether to proceed with such investment. Our adv
days of receipt from Triple Net Properties. If our board of directors does not affirmatively authorize our advisor to proceed with the inv
our advisor, then Triple Net Properties may proceed with the investment opportunity for its own account or offer the investment opport

20,000 limited partnership units of our operating partnership, for which it contributed $200,000. As of the date of this prospectus, Heal
care Advisor may not sell any of these units during the period it serves as our advisor. Any resale of our shares that our advisor or its af
144 promulgated under the Securities Act of 1933, which rule limits the number of shares that may be sold at any one time and the man
Although our advisor and its affiliates are not prohibited from acquiring additional shares, our advisor currently has no options or warr
of our common stock.

ate with other partners in our operating partnership on a proportionate basis in distributions, our advisor s limited partnership interest in
st. The subordinated participation interest entitles our advisor to receive a cash distribution under the circumstances described below:

bution of Net Sales Proceeds. After our operating partnership has paid us distributions (all of which we intend to
kholders) in an amount necessary to provide our stockholders, collectively, a return of the total amount of capital
lders (less amounts paid to repurchase shares pursuant to our share repurchase plan program) plus an annual 8.0%
mpounded return on average invested capital, Healthcare Advisor is entitled to receive a cash distribution from our
p equal to 15.0% of the remaining net proceeds from the sales of properties. Healthcare Advisor shall not be
er participating distributions described in the preceding sentence if (1) our shares become listed on a national
or (2) the advisory agreement is terminated for any reason.

bution Upon Listing. Upon the listing of our shares on a national securities exchange, Healthcare Advisor would
eceive a cash distribution from our operating partnership equal to 15.0% of the amount by which (1) the market
ding shares of common stock plus distributions paid prior to listing, exceeds (2) the sum of the total amount of
tockholders (less amounts paid to repurchase shares pursuant to our share repurchase program) and an amount of
ted to the stockholders as of the date of listing, would have provided them an annual 8.0% cumulative,
turn on average invested capital through the date of listing. Healthcare Advisor shall not be entitled to receive this
ares are listed following the termination of the advisory agreement for any reason. The market value of the shares
ed on the market value of the outstanding common stock averaged over the 30 trading days beginning 180 days
irst listed. The subordinated distribution upon listing may be paid in cash or shares of our common stock, as
oard of directors, including a majority of our independent directors. In the event that we elect to satisfy the
on in the form of shares of our common stock, the number of shares will be determined based on the market value

bution Upon Termination. Upon termination or non-renewal of the advisory agreement, other than a termination
us for cause, Healthcare Advisor would become entitled to receive a cash distribution from our operating
nount equal to

t, if any, by which (1) the appraised value of our assets on the termination date, less any indebtedness secured by
al distributions paid through the termination date, exceeds (2) the sum of the total amount of capital raised from
mounts paid to repurchase shares pursuant to our share repurchase plan) and the total amount of cash that, if
as of the termination date, would have provided them an annual 8.0% cumulative, non-compounded return on
pital through the termination date. Healthcare Advisor shall not be entitled to receive this distribution if our shares
ve been listed on a national securities exchange prior to the termination of the advisory agreement. Our operating
sfy the distribution obligation by either paying cash or issuing an interest-bearing promissory note. If the
ssued and not paid within five years after the termination date, we would be required to purchase the promissory
ued but unpaid interest) in exchange for cash or shares of our common stock.

butions cannot be determined at this time as they are dependent upon our results of operations and, in the case of the subordinated distri
See Compensation Table and The Operating Partnership Agreement Distributions and Allocations.

y be managed and leased by Triple Net Properties Realty, Inc., or Realty. Realty, an indirect wholly owned subsidiary of Grubb & Ellis
properties acquired by affiliated entities or other third parties.

anagement fee equal to 4.0% of the gross income from each of our real properties that it manages. For each property managed directly b
f up to 1.0% of the gross income of the property. In addition, we may pay Realty a separate fee for the one-time initial lease-up of newly
e customarily charged in arm s length transactions by others rendering similar services in the same geographic area for similar real pro
is generally expected to range from 3.0% to 8.0% of the projected first years annual gross revenues of the property. However, the actu
on and real property type (for example, commercial office or medical office).

tenant with tenant improvements, a separate fee may be charged to the tenant and paid by the tenant. This fee will not exceed 5.0% of th
f the provision of the services does not cause any of our income from the applicable real property to be treated as other than rents from
der Federal Income Tax Considerations.

ish policies for employees who will have direct responsibility for the operations of each real property it manages, which may include bu
nel. Certain employees of Realty may be employed on a part-time basis and may also be employed by our advisor, the dealer manager o
se of equipment and supplies and will supervise all maintenance activity. The management fees to be paid to Realty will include, witho

nt interest in a title insurance agency joint venture with unaffiliated third party title insurance professionals that will provide title and es

We expect that we will pay a material amount of title insurance premiums to this joint venture on an annual basis.

wholly owned subsidiary of Grubb & Ellis and a member of FINRA. Since August 1986, our dealer manager has participated in and fa
Properties. Our dealer manager will provide certain sales, promotional and marketing services to us in connection with the distribution
Plan of Distribution.

a selling commission of up to 7.0% of the gross proceeds from the sale of shares of our common stock sold in the primary offering and
hares of our common stock sold in the primary offering. In addition, we will pay our dealer manager up to 0.5% of the gross proceeds fr
ursement of actual *bona fide* due diligence expenses. No such fees or expense reimbursement will be paid for shares of our common sto

COMPENSATION TABLE

and discloses all of the compensation, fees, expense reimbursements and distributions, to be paid by us to our advisor and its affiliates i

Compensation cipient)	Description and Method of Computation	
manager)(1)	Up to 7.0% of gross offering proceeds from the sale of shares of our common stock in the primary offering (all or a portion of which may be reallowed to participating broker-dealers). No selling commissions are payable on shares sold under our distribution reinvestment plan.	Actual amount deper pay a total of $140,0 $140,000,000 if we s
Diligence Expense Reimbursement	Non-accountable marketing support fee equal to 2.5% of gross offering proceeds from the sale of shares of our common stock in the primary offering (up to 1.5% of which may be reallowed to participating broker-dealers). An additional accountable 0.5% of gross offering proceeds from the sale of shares of our common stock in the primary offering (all or a portion of which may be reallowed to participating broker- dealers) for *bona fide* due diligence expenses. No marketing support fee, due diligence expense reimbursement or selling commission will be charged for shares sold under our distribution reinvestment plan.	Actual amount deper pay a total of $60,00 $60,000,000 if we se
g Expenses (our advisor or its	Up to 1.5% of gross offering proceeds for shares sold under our primary offering.	Actual amount deper estimate that we will minimum offering ar offering.
its affiliates)(3)	Up to 3.0% of the contract purchase price for each property acquired or up to 4.0% of the total development cost of any	Actual amounts depe acquired and the tota

Compensation cipient)	Description and Method of Computation	
	development property acquired, as applicable.	cost of properties ac
xpenses (our advisor or its	All expenses related to selecting, evaluating, acquiring and investing in properties, whether or not acquired. Acquisition expenses will not exceed 0.5% of the purchase price of properties. The reimbursement of acquisition fees and expenses, including real estate commission paid to third parties, will not exceed, in the aggregate, 6.0% of the purchase price or total development costs, unless fees in excess of such limits are approved by a majority of disinterested directors and by a majority of disinterested independent directors.	Actual amounts depe
sor or its affiliates)	Subject to our stockholders receiving annualized distributions in an amount equal to 5.0% per annum on average invested capital, a monthly asset management fee equal to one-twelfth of 1.0% of the average invested assets. For such purposes, average invested capital means, for a specified period, the aggregate issue price of shares purchased by our stockholders, reduced by distributions of net sales proceeds by us to our stockholders and by any amounts paid by us to repurchase shares pursuant to our share repurchase plan; and average invested assets means the sum of (i) the average of the aggregate book value of our assets invested in real estate, before deducting depreciation, depletion, bad debts or other similar non-cash reserves, computed by taking the average of such values at the end of each month during the period of calculation and (ii) the aggregate value of the real estate related securities at the end of such month.	Actual amounts depe therefore, cannot be
advisor or its affiliates)(4)	4.0% of the gross cash receipts from each property managed by	Actual amounts depe

Compensation cipient)	Description and Method of Computation	
	our affiliated property manager. For each property managed directly by entities other than our advisor or its affiliates, we will pay our advisor or its affiliates a monthly oversight fee of up to 1.0% of the gross cash receipts from the property. In addition, we may pay our affiliated property manager a separate fee for any leasing activities in an amount not to exceed the fee customarily charged in arm s-length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area. Such fee is generally expected to range from 3.0% to 8.0% of the gross revenues generated during the initial term of the lease. However, the actual percentage is variable and will depend on factors such as geographic location and real property type (such as medical office, healthcare-related property or quality commercial office property).	and, therefore, canno
or its affiliates)(4)	Reimbursement of cost of providing administrative services to us.	Actual amounts depe therefore, cannot be
its affiliates)(5)	Up to the lesser of 1.75% of the contract sales price or 50.0% of a customary competitive real estate commission given the circumstances surrounding the sale, in each case as determined by our board of directors (including a majority of our independent directors) and will not exceed market norms. The amount of disposition fees paid, when added to the real estate commissions paid to unaffiliated parties, will not exceed the lesser of the customary competitive real estate commission or an amount equal to 6.0% of the contract sales price.	Actual amounts depe therefore, cannot be

Compensation cipient)	Description and Method of Computation	
st in Healthcare OP (our advisor)		
Net Sales Proceeds (payable only if we lthcare Advisor is serving as our	After distributions to our stockholders, in the aggregate, of a full return of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase program) plus an annual cumulative, non-compounded return of 8.0% on average invested capital, the distribution will be equal to 15.0% of the remaining net proceeds from the sales of properties.	Actual amounts depe therefore, cannot be
on Listing (payable only if our shares exchange while Healthcare Advisor	Upon the listing of our shares of common stock on a national securities exchange, a distribution equal to 15.0% of the amount by which (1) the market value of our outstanding common stock at listing plus distributions paid prior to listing exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan) and the amount of cash that, if distributed to stockholders as of the date of listing would have provided them an annual 8.0% cumulative, non-compounded return on average invested capital through the date of listing.	Actual amounts depe stock at the time of l cannot be determine

be reduced or waived in connection with certain categories of sales, such as sales for which a volume ough investment advisors or banks acting as trustees or fiduciaries and sales to our affiliates.

fering expense reimbursement consists of compensation for incurrence on our behalf of legal, accounting, expenses, including for marketing, salaries and director expenses of our advisor s employees, employees of ile engaged in registering and marketing the shares of our common stock, which shall include development marketing presentations, planning and participating in due diligence and marketing meetings

g the marketing process for us. Our advisor and its affiliates will be responsible for the payment of our and offering expenses, other than the selling commissions, the marketing support fee and due diligence o the extent they exceed 1.5% of the aggregate gross proceeds from the sale of shares of our common stock g on a best efforts basis without recourse against or reimbursement by us.

r its affiliates the acquisition fee upon the closing of a real property acquisition transaction for properties that e or as a percentage of completion for properties in the development stage. Acquisition expenses include any n connection with the selection, evaluation and acquisition of, and investment in properties, including, but nd expenses, travel and communications expenses, cost of appraisals and surveys, nonrefundable option acquired, accounting fees and expenses, computer use related expenses, architectural, engineering and other ental and asbestos audits, title insurance and escrow fees, loan fees or points or any fee of a similar nature ver designated, transfer taxes, and personnel and miscellaneous expenses related to the selection, evaluation es. We will reimburse our advisor for acquisition expenses, whether or not the evaluated property is ur acquisitions expenses will equal no more than 0.5% of the purchase price of acquired properties. Our o pay acquisition fees if the total of all acquisition fees and expenses, including real estate commissions paid eed 6.0% of the contract purchase price or total development cost. Under our charter, a majority of our luding a majority of the disinterested independent directors, would have to approve any acquisition fees (or uld cause the total of all acquisition fees and expenses relating to a real property acquisition to exceed 6.0%

e us at least annually for reimbursements paid to the advisor in any year to the extent that such isor cause our total operating expenses to exceed the greater of (1) 2.0% of our average invested assets, or ne, which is defined as our total revenues less total expenses for any given period excluding reserves for unless the independent directors have determined that such excess expenses were justified based on unusual Average invested assets means the average monthly book value of our assets invested directly or indirectly s secured by real estate during the 12-month period before deducting depreciation, bad debts or other operating expenses means all expenses paid or incurred by us, as determined under GAAP, that are in any n, including asset management fees, but excluding (a) the expenses of raising capital such as organizational al, audit, accounting, underwriting, brokerage, registration and other fees, printing and other such expenses ection with the issuance, distribution, transfer and registration of shares of our common stock; (b) interest n-cash expenditures such as depreciation, amortization and bad debt reserves; (e) reasonable incentive fees le of our assets; and (f) acquisition fees and expenses (including expenses relating to potential acquisitions osition fees on the resale of real property and other expenses connected with the acquisition, disposition, p of real estate interests, mortgage loans or other real property (including the costs of foreclosure, insurance maintenance, repair and improvement of real property).

ly to pay disposition fees in our liquidity stage, these fees may also be earned during our operational stage.

only if we liquidate our portfolio while Healthcare Advisor is serving as our advisor.

ares at listing will be based on the market value of the outstanding common stock averaged over the 30 0 days after the shares are first listed. The subordinated distribution upon listing may be paid in cash or ur board of directors, including a majority of the independent directors. In the event that we elect to satisfy in the form of shares, the number of shares will be determined based on the listed market price described payable only if our shares are listed on a national securities exchange.

dvisory agreement without cause, our advisor will be entitled to a similar distribution, which we refer to as on upon termination. Such distribution, if any, will equal 15.0% of the amount by which (1) the appraised ermination date, less any indebtedness secured by such assets, plus total distributions paid through the (2) the sum of the total amount of capital raised from our stockholders (less amounts paid to repurchase e repurchase plan) and the total amount of cash that, if distributed to them as of the termination, would have .0% cumulative, non-compounded return on average invested capital through the date of termination. Our ld satisfy the distribution obligation by either paying cash or issuing an interest-bearing promissory note. If ed and not paid within five years, we would be required to purchase the promissory note in exchange for non stock. Our advisor cannot earn the subordinated distribution upon termination if it has already received on upon listing. The subordinated distribution upon termination may occur during the liquidity stage or e.

listed on a national securities exchange, we will negotiate in good faith with our advisor a fee structure appropriate for an entity with a ee structure negotiated with our advisor. In negotiating a new fee structure, the independent directors shall consider all of the factors the

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

dvisor in generating opportunities that meet our investment objectives;

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

realized by our advisor and its affiliates through their relationship with us;

nt of service and advice furnished by our advisor;

our investment portfolio, including income, conservation or appreciation of capital, frequency of problem npetence in dealing with distress situations;

rtfolio in relationship to the investments generated by our advisor for its own account or for other clients; and

to managing a public company, such as stockholder services and support and compliance with securities laws, nes-Oxley Act.

ffering levels of compensation for undertaking different transactions on our behalf, such as the real estate commissions, the asset manag , our advisor has the ability to affect the nature of the compensation it receives by undertaking different transactions. However, our advi nt to the advisory agreement to provide us a continuing and suitable investment program consistent with our investment objectives and p he Advisory Agreement. Because these fees or expenses are payable only with respect to certain transactions or services, they may no ent category.

BENEFICIAL OWNERSHIP

November 30, 2007, the amount of shares of our common stock and units of our operating partnership beneficially owned by (1) any pe
outstanding shares of our common stock, (2) our directors and chief executive officer and (3) all of our directors and executive officers a
9,802,667 shares of our common stock outstanding as of November 30, 2007. Beneficial ownership is determined in accordance with th
s voting or investment power and securities that a person has the right to acquire within 60 days.

	Number of Shares Beneficially Owned	P
Officer, President and Chairman of the Board(2)	200	
t Director	7,500	
Director	7,500	
ctor	7,892	
Director	7,500	
rector	7,500	
rs as a group (9 persons)	41,092	

our outstanding common stock

cial owner listed is c/o Grubb & Ellis Healthcare REIT, Inc., 1551 N. Tustin Avenue, Suite 300, Santa Ana,

common stock owned by our advisor. Scott D. Peters is the Chief Executive Officer of our advisor. Our
units of Grubb & Ellis Healthcare REIT Holdings, L.P., or our operating partnership.

CONFLICTS OF INTEREST

ts of interest arising out of our relationship with our advisor and its affiliates, including conflicts related to the existing advisory agreem
nsation Table. Our independent directors have an obligation to function on our behalf in all situations in which a conflict of interest m
rs. See Management. However, we cannot assure you that the independent directors will be able to eliminate or reduce the risks rela
ns and procedures we have adopted to address these conflicts are described below.

Programs

s our advisor, our advisor presently has no interests in other real estate programs. However, some of our officers and our non-independe
y Advisors, our former sponsor and wholly owned subsidiary of our current sponsor, and Triple Net Properties, which manages our adv
his offering and operations. Scott D. Peters is our Chief Executive Officer, President and Chairman of the Board and also serves as the C
ident of Triple Net Properties, the Chief Executive Officer, President and a director of our sponsor and the Chief Executive Officer, Pre
ently owns approximately 2.0% of our sponsor s outstanding common stock and he has de minimis ownership in several other NNN pr

ing Manager of Triple Net Properties. Ms. Johnson has de minimis ownership in our sponsor and no equity ownership in any NNN prog
serves as the Executive Vice President of our advisor, General Counsel and Executive Vice President of Triple Net Properties, General
General Counsel, Executive Vice President, Secretary and a director of NNN Realty Advisors. Ms. Biller owns less than 1.0% of our sp
eral NNN programs. Danny Prosky is our Vice President Acquisitions and also serves as the Managing Director Health Care Proper
or any NNN programs, other than 3,000 shares of our common stock. In addition, each of Mr. Peters, Ms. Johnson, Ms. Biller and Mr. P
s outstanding common stock. As of December 14, 2007, each of Mr. Peters and Ms. Biller own 18.0% membership interests in Grubb &
nterest of our advisor. These persons are presently, and plan in the future to continue to be, involved with other real estate programs and
e investment objectives similar to ours. In addition, to the extent that Grubb & Ellis acts as a broker for the seller or us in a transaction in
a higher price for the property than we might otherwise pay to increase the commission that Grubb & Ellis is entitled to receive.

r entity formed or managed by Grubb & Ellis or its affiliates are in the market for similar real estate, Grubb & Ellis and its affiliates wil
io of each such affiliated entity and following the conflict resolution procedures described below in making a decision as to which real e
on Restrictions and Procedures below.

re not prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business venture o
lopment, ownership, management, leasing or sale of real estate projects of the type that we will seek to acquire. None of the NNN affilia
kes the same types of investments that we target and we may co-invest with any such entity. All such potential co-investments will be s

ime

e our day-to-day activities and to implement our investment strategy. Our advisor and certain of its affiliates, including its principals an
e, involved with real estate programs and activities unrelated to us. As a result, our advisor and its affiliates will have conflicts of intere
which they are involved. See Risk Factors Risk Related to Conflicts of Interest. However, our advisor believes that it and its affilia
programs and ventures in which they are or will be involved.

es and some of our officers are also officers of our advisor and officers and/or members of our sponsor and its affiliates. Our advisor wi
manage and operate our business. The same employees of our advisor and its affiliates who will manage and operate our business will a
uals spend a material amount of time managing those activities and operations that are unrelated to our business. As a result, those indiv
operations and those other activities and operations. In addition, our officers owe fiduciary duties to these other entities, which may co
Factors Risks Related to Conflicts of Interest.

the extent that we may acquire properties in the same geographic areas where other NNN programs own the same type of properties. In
vent that we and another program managed by Grubb & Ellis or its affiliates were to compete for the same tenants in negotiating leases,
event that we and another program managed by Grubb & Ellis or its affiliates were to attempt to sell similar properties at the same time

to reduce conflicts that may arise with respect to properties available for sale or rent by making prospective purchasers or tenants awar
in that our advisor may establish differing compensation arrangements for employees at different properties or differing terms for resal

anager is an indirect wholly owned subsidiary of Grubb & Ellis. This relationship may create conflicts of interest in connection with th
nager will examine the information in the prospectus for accuracy and completeness, the dealer manager is an affiliate of our advisor a
n of our company or this offering of the type normally performed by an unaffiliated, independent underwriter in connection with the of
dent review and investigation. However, certain of the participating brokers-dealers may make their own independent due diligence inve

nvolved in offerings for other NNN programs. The dealer manager is not prohibited from acting in any capacity in connection with the
all investment objectives similar to ours.

ed subsidiary of Grubb & Ellis. Realty performs certain property management services for us and our operating partnership. The proper
nages our advisor, and in the future there is potential for a number of the members of our sponsor s management team and the property
endent property management to the same extent as if our sponsor and the property manager were unaffiliated and did not share any emp
d with us, our sponsor and our advisor, any agreements with the property manager will not be at arm s length. As a result, any such agr
conducted between unrelated parties.

on

us, our advisor and certain affiliates in connection with this offering and other matters and may in the future act as counsel to us, our ad
nterests of the various parties may become adverse. In the event that a dispute was to arise between us and our advisor or any of our res
when appropriate.

f Our Advisor

of directors and a separate approval of our independent directors, we may enter into joint ventures or other arrangements with affiliates
will not participate in tenant in common syndications or transactions. See Investment Objectives, Strategy and Criteria Joint Ventur
determining which of such entities should enter into any particular joint venture

tners may have economic or business interests or goals which are or that may become inconsistent with our business interests or goals. S
ace a conflict in structuring the terms of the relationship between our interests and the interests of the affiliated co-venturer and in mana
t decisions on our behalf, agreements and transactions between our advisor s affiliates and any such affiliated joint venture partners wi
conducted between unrelated parties.

ions to Our Advisor and its Affiliates

hase and sale of properties may result in the receipt of commissions, fees and other cash distributions to our advisor and its affiliates, inc
ory agreement and the subordinated distribution of net sales proceeds payable to our advisor pursuant to its subordinated participation in
ctors, our advisor has considerable discretion with respect to all decisions relating to the terms and timing of all transactions. Therefore
on our behalf, particularly due to the fact that certain fees will generally be payable to our advisor and its affiliates regardless of the qua
h distributions payable to our advisor relating to the sale of our properties are subordinated to the return to the stockholders of their capi

ith our advisor or its affiliates is subject to an inherent conflict of interest. Our board of directors may encounter conflicts of interest in e
ment with an affiliate or in invoking powers, rights or options pursuant to any agreement between us and our advisor or any of its affilia
n the transaction must approve each transaction between us and our advisor or any of its affiliates as being fair and reasonable to us and
ffiliated third parties.

uire investments in which our directors, officers or stockholders, our advisor or any of our or their respective affiliates have direct or ind
our directors or any of their respective affiliates has any interest would be subject to the limitations described below under the caption

strictions and Procedures

rtain potential conflicts of interest, our charter and the advisory agreement contain restrictions and conflict resolution procedures relatin
pective affiliates, (2) certain future offerings and (3) allocation of properties among affiliated entities. Each of the restrictions and proce
apply to any transaction with any entity or real estate program advised, managed or controlled by Grubb & Ellis and its affiliates. Thes

described in this prospectus, we will not accept goods or services from our advisor or its affiliates unless a
ctors, including a majority of the independent directors, not otherwise interested in the transactions, approve such
competitive and commercially reasonable to us and on terms and conditions not less favorable to us than those
filiated third parties.

e or lease any asset (including any property) in which our advisor, any of our directors or any of their respective
rest without a determination by a majority of

ing a majority of the independent directors, not otherwise interested in such transaction, that such transaction is
o us and at a price to us no greater than the cost of the property to our advisor, such director or directors or any
there is substantial justification for any amount that exceeds such cost and such excess amount is determined to
event will we acquire any such asset at an amount in excess of its appraised value. We will not sell or lease assets
f our directors or any of their respective affiliates unless a majority of our directors, including a majority of the
rs, not otherwise interested in the transaction, determine the transaction is fair and reasonable to us, which
e supported by an appraisal obtained from a qualified, independent appraiser selected by a majority of our
rs.

ny loans to our advisor, any of our directors or any of their respective affiliates. In addition, any loans made to us
directors or any of their respective affiliates must be approved by a majority of our directors, including a majority
directors, not otherwise interested in the transaction, as fair, competitive and commercially reasonable, and no less
comparable loans between unaffiliated parties.

affiliates shall be entitled to reimbursement, at cost, for actual expenses incurred by them on our behalf or on
res in which we are a joint venture partner, subject to the limitation on reimbursement of operating expenses to the
eed the greater of 2% of our average invested assets or 25% of our net income, as described in Management The
t.

ment provides that if Triple Net Properties identifies an opportunity to make an investment in one or more office
cilities for which greater than 50% of the gross rentable space is leased to, or reasonably expected to be leased to,
l or healthcare-related tenants, either directly or indirectly through an affiliate or in a joint venture or other
gement, for itself or for any other NNN program, then Triple Net Properties will provide us with the first
ase such investment. Triple Net Properties will provide all necessary information related to such investment to our
enable our board of directors to determine whether to proceed with such investment. Our advisor will present the
oard of directors within three business days of receipt from Triple Net Properties. If our board of directors does
thorize our advisor to proceed with the investment on our behalf within seven days of receipt of such information
en Triple Net Properties may proceed with the investment opportunity for its own account or offer the investment
ther person or entity.

SELECTED FINANCIAL DATA

h Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operation and our consolidated fi
historical results are not necessarily indicative of results for any future period.

	September 30, 2007	Decembe 2006
	$ 303,085,000	$ 3
	$ 123,331,000	$
	$ 134,312,000	$ (1

	For the Nine Months Ended September 30, 2007	Period from April 28, 200 (Date of Incepti through September 30 2006
IS DATA:		
	$ 8,711,000	$
	$ (3,669,000)	$
	$ (3,669,000)	$
nd diluted(1):		
	$ (0.53)	$
	$ (0.53)	$
/ DATA:		
g activities	$ 2,963,000	$
vities	$ (258,510,000)	$
activities	$ 259,857,000	$ 2
	$ 2,543,000	$
1)	$ 0.52	$
	$ 1,583,000	$

ons per share are based upon the weighted-average number of shares of our common stock outstanding.
our current and accumulated earnings and profits for federal income tax purposes are taxable to stockholders as
ributions in excess of these earnings and profits generally are treated as a non-taxable reduction of the
the shares to the extent thereof (a return of capital for tax purposes) and, thereafter, as taxable gain. These
of earnings and profits will have the effect of deferring taxation of the distributions until the sale of the
n stock.

is to provide cash distributions to our stockholders from cash generated by our operations. Funds from
valent to our net income or loss as determined under accounting principles generally accepted in the United
GAAP. Due to certain unique operating characteristics of real estate companies, the National Association of Real
sts, or NAREIT, an industry trade group, has promulgated a measure known as Funds From Operations, or FFO,
e accurately reflects the operating performance of a REIT such as us.

-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of
T, as revised in February 2004. The White Paper defines FFO as net income or loss computed in accordance with
ns or losses from

ncluding asset impairment writedowns, plus depreciation and amortization, and after adjustments for
rships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect

O and intend to disclose FFO in future filings because we consider FFO to be an appropriate supplemental
operating performance as it is based on a net income analysis of property portfolio performance that excludes
s depreciation. The historical accounting convention used for real estate assets requires straight-line depreciation
ovements, which implies that the value of real estate assets diminishes predictably over time. Since real estate
e and fall with market conditions, presentations of operating results for a REIT, using historical accounting for
less informative. The use of FFO is recommended by the REIT industry as a supplemental performance

ation, see Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from
cludes a reconciliation of our GAAP net income available to stockholders to FFO for the period for the nine
ber 30, 2007 and from April 28, 2006 (Date of Inception) through December 31, 2006.

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

alysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and in
, 2006 (Date of Inception), together with our results of operations and cash flows for the period from April 28, 2006 (Date of Inception)
d financial statements and information (and notes thereto) as of September 30, 2007, together with our results of operations for the nine
Date of Inception) through September 30, 2006 and cash flows for the nine months ended September 30, 2007 and for the period from A

corporation on April 20, 2006. We were initially capitalized on April 28, 2006, and therefore we consider that the date of our inception.
nvestment in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, healthcare-related facilities
also invest in real estate related securities. We intend to qualify as a REIT for federal income tax purposes for our taxable year ended I

initial public offering, our offering, in which we are offering a minimum of 200,000 shares of our common stock aggregating at least $2
of our common stock for $10.00 per share and 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan a
ffering. Shares purchased by our executive officers and directors, by NNN Capital Corp., our dealer manager, by Grubb & Ellis Healthc
s the minimum offering. On January 8, 2007, excluding shares purchased by our executive officers and directors, our dealer manager an
ons in this offering for 200,846 shares of our common stock, or $2,004,000, thereby exceeding the minimum offering. As of December
19,995,950 shares of our common stock, or approximately $199,720,000, excluding shares issued pursuant to our distribution reinvestm

ur operations through our operating partnership. We are externally advised by our advisor, pursuant to an advisory agreement between u
. The advisory agreement has a one-year term that expires in October 2008, and is subject to successive one-year renewals upon the mu
to-day operations and selects the properties and securities we acquire, subject to oversight by our board of directors. Our advisor also pr
liated with us in that we and our advisor have common officers, some of whom also own an indirect equity interest in our advisor. Our a
es to us and our future properties.

lty Advisors, which previously served as our sponsor, merged with and into a wholly owned subsidiary of Grubb & Ellis. The transactio
ealty Advisors received shares of Grubb & Ellis in exchange for their NNN Realty Advisors shares and, immediately following the mer
ly 60.1% of Grubb & Ellis. Additionally, six of the nine post-merger directors of Grubb & Ellis were directors of NNN Realty Advisors
oard, Anthony W. Thompson. Scott D. Peters, the Chief Executive Officer, President and current Chairman of the Board of NNN Realt
a director of Grubb & Ellis. As a result of the merger, we consider Grubb & Ellis to be our sponsor.

d purchased 17 properties comprising approximately 1,902,000 square feet of gross leasable area, or GLA.

ed portfolio of real estate and real estate related securities, focusing primarily on investments that produce current income. Our real esta
lities and quality commercial office properties. We may also invest in real estate related securities. However, we do not presently intend
ur real estate related securities investments will generally focus on common and preferred stock of public or private real estate compani
d certain other securities, including collateralized debt obligations and foreign securities. We will seek to maximize long-term stockhold
order to achieve these objectives, we may invest using a number of investment structures which may include direct acquisitions, joint v
and indirect investments in real estate. In order to maintain our exemption from regulation as an investment company under the Investm
te related securities.

ned appropriate by our advisor, the portfolio may also include properties in various stages of development other than those producing cu
and, both with and without entitlements and permits, property to be redeveloped and repositioned, newly constructed properties and pro
relevant operating histories and no current income. Our advisor will make this determination based upon a variety of factors, including
other available properties, the appropriate diversification of the portfolio, and our objectives of realizing both current income and capital

ardless of property type, our advisor will seek to invest in properties with the following attributes:

ek to acquire properties that are suitable for their intended use with a quality of construction that is capable of
rty s investment potential for the long-term, assuming funding of budgeted maintenance, repairs and capital

eek to acquire properties that are located in established or otherwise appropriate markets for comparable
ess and visibility suitable to meet the needs of its occupants.

and Demand. We will focus on local or regional markets which have potential for stable and growing property
the long-term. These determinations will be based in part on an evaluation of local economic, demographic and
ffecting the property. For instance, we will favor markets that indicate a growing population and employment base
bit potential limitations on additions to supply, such as barriers to new construction. Barriers to new construction
able land and stringent zoning restrictions. In addition, we will generally seek to limit our investments in areas that
al for growth.

Needs. We will seek to acquire properties where the future expected capital needs can be reasonably projected in
allow us to meet our objectives of growth in cash flow and preservation of capital and stability.

l seek to acquire properties where the current and projected cash flow, including the potential for appreciation in
us to meet our overall investment objectives. We will evaluate cash flow as well as expected growth and the
ation.

0% of the offering proceeds available for investment in unimproved or non-income producing properties or in other investments relatin
uired for the purpose of producing rental or other operating income; or (2) with no development or construction in process or planned in
r non-income producing property for purposes of this limitation.

raphic area where we may acquire properties. We are not specifically limited in the number or size of properties we may acquire or on t
estment. The number and mix of properties we acquire will depend upon real estate and market conditions and other circumstances exis
ments and the amount of proceeds we raise in this and potential future offerings.

Southpointe, LLC, NNN Crawfordsville, LLC, NNN Gallery Medical, LLC, NNN Lenox Medical, LLC and NNN Lenox Medical Lan
ent appraiser was engaged to value the properties and the transactions were approved and determined by a majority of our board of direc
o us, and at prices no greater than the cost of the investments to our affiliate or the properties appraised values. For more information
ncing,

ler Parke I Indianapolis, Indiana

d all of the membership interests of NNN Southpointe, LLC from an affiliate, for a total purchase price of $14,800,000, plus closing co
Parke and Epler Parke I, located in Indianapolis, Indiana. We primarily financed the purchase price through the assumption of an existi
ximately $5,115,000 of the proceeds from a $7,500,000 unsecured loan from NNN Realty Advisors. The balance was provided by funds
urchase price, was paid to our advisor and its affiliate.

ark and Athens Surgery Center Crawfordsville, Indiana

d all of the membership interests of NNN Crawfordsville, LLC from an affiliate, for a total purchase price of $6,900,000, plus closing c
ille Medical Office Park and Athens Surgery Center, located in Crawfordsville, Indiana. We primarily financed the purchase price throu
ty with LaSalle and approximately $2,385,000 of the proceeds from a $7,500,000 unsecured loan from NNN Realty Advisors. The bala
207,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

g St. Paul, Minnesota

all of the membership interests of NNN Gallery Medical, LLC from an affiliate, for a purchase price of $8,800,000, plus closing costs. N
sional Building, located in St. Paul, Minnesota. We primarily financed the purchase price through the assumption of an existing mortga
red loan from NNN Realty Advisors. The balance of the purchase price was provided by funds raised through this offering. An acquisit
d its affiliate.

Memphis, Tennessee

all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC from an affiliate, for a purchase pri
sehold interest in Lenox Office Park, Building G, and NNN Lenox Medical Land, LLC holds a fee simple interest in two vacant parcels
collectively refer to as the Lenox property. We primarily financed the purchase price of the property and land parcels through the assum

alance of the purchase price was provided by funds raised through this offering. An acquisition fee of $555,000, or 3.0% of the purchase

itions

ding Naples, Florida

Commons V Medical Office Building, located in Naples, Florida, or the Commons V property, from an unaffiliated third party, for a pu price using funds raised through this offering. An acquisition fee of $423,000, or 3.0% of the purchase price, was paid to our advisor an roximately 2.0% of the purchase price, was paid to Grubb & Ellis. On May 14, 2007, we entered into a loan, secured by the Commons V amount of $10,000,000. The proceeds from this loan were used to purchase the Thunderbird Medical Plaza as described below.

hakerag Medical Center Fayetteville and Peachtree City, Georgia

orktown Medical Center and Shakerag Medical Center, located in Fayetteville, Georgia and Peachtree City, Georgia, respectively, which ce of $21,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price through ipal amount of $13,530,000 and by funds raised through this offering. An acquisition fee of $645,000, or 3.0% of the purchase price, w

endale, Arizona

Thunderbird Medical Plaza, located in Glendale, Arizona, for a total purchase price of $25,000,000, plus closing costs. We acquired the g a combination of $9,651,000 in net proceeds from the $10,000,000 loan from Wachovia secured by the Commons V property (describ 750,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. On June 8, 2007, we entered into a loan, secured by the n the principal amount of $14,000,000. The proceeds from this loan were used to purchase Triumph Hospital Northwest and Triumph H

Triumph Hospital Southwest Houston and Sugar Land, Texas

iumph Hospital Northwest, located in Houston, Texas, and Triumph Hospital Southwest, located in Sugar Land, Texas, which we collec ce of $36,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a cured by the Thunderbird property (described above), $20,975,000 from funds raised through this offering and the balance of $4,000,00 1,095,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Lawrenceville, Georgia

e Gwinnett Professional Center, located in Lawrenceville, Georgia, or the Gwinnett property, for a purchase price of $9,300,000, plus c nanced the purchase price using a combination of debt financing consisting of a $6,000,000 loan assumed with a current principal balan raised through this offering. An acquisition fee of $279,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

umbus, Ohio

d 1 Market Exchange, 4 Market Exchange and a vacant parcel of land, located in Columbus, Ohio, which we collectively refer to as the g costs. We acquired the property from unaffiliated third parties. We financed the purchase price using funds raised through this offerin ur advisor and its affiliate. On September 28, 2007, we entered into a loan, secured by the 1 and 4 Market property, with Wachovia, evi

Kokomo, Indiana

d the Kokomo Medical Office Park, located in Kokomo, Indiana, or the Kokomo property, for a total purchase price of $13,350,000, plu We financed the purchase price using a combination of funds raised through this offering and the balance of $1,300,000 from an unsecu 0% of the purchase price, was paid to our advisor and its affiliate.

ng Beach, California

red St. Mary Physicians Center, located in Long Beach, California, or the St. Mary property, for a purchase price of $13,800,000, plus c nanced the purchase price using a combination of $8,280,000 from a loan secured by the St. Mary property and the balance of $6,100,0 414,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

y Forge, Pennsylvania

ired 2750 Monroe Boulevard, located in Valley Forge, Pennsylvania, or the 2750 Monroe property, for a total purchase price of $26,70 rd party. We financed the purchase price of the property with approximately $27,870,000 in borrowings under our secured revolving lin se price, was paid to our advisor and its affiliate. In addition, a real estate commission of $339,000, or 1.3% of the sales price, was also

lio Jacksonville, Winter Park and Sunrise, Florida

ired the East Florida Senior Care Portfolio, located in Jacksonville, Winter Park and Sunrise, Florida, or the EFSC property, for a total from an unaffiliated third party. We financed the purchase price using a combination of $24,918,000 in net proceeds from a $26,000,00 FSC property, $11,000,000 in borrowings under a secured revolving line of credit with LaSalle and the balance with funds raised throug ase price, was paid to our advisor and its affiliate.

0, 2007

Roswell, Georgia

ired Northmeadow Medical Center, located in Roswell, Georgia, for a purchase price of $11,850,000, plus closing costs. We acquired t with $12,400,000 in borrowings under our secured revolving line of credit with LaSalle. An acquisition fee of $356,000, or 3.0% of the

Tucson, Arizona

ired of Tucson Medical Office Portfolio, located in Tucson, Arizona. for a purchase price of $21,050,000, plus closing costs, from an u
orrowings using our secured revolving line of credit with LaSalle. We paid our advisor and its affiliate an acquisition fee of $634,000, o

Lima, Ohio

ed the Lima Medical Office Portfolio, located in Lima, Ohio, for a purchase price of $25,250,000, plus closing costs, from an unaffiliat
of credit with LaSalle. We paid our advisor and its affiliate an acquisition fee of $758,000, or 3.0% of the purchase price, in connection

n, Ohio

rd of directors approved the acquisition of Park Place Office Park located in Dayton, Ohio, or the Park Place property. We anticipate pu
lus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advis
se price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is s
e will be able to complete the acquisition of the Park Place property.

laza Highlands Ranch, Colorado

rd of directors approved the acquisition of Highlands Ranch Healthcare Plaza, or the Highlands Ranch property. We anticipate purchasi
lus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advis
se price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is s
e will be able to complete the acquisition of the Highlands Ranch property.

hesterfield, Missouri

d of directors approved the acquisition of an 80.0% interest in certain real property and improvements located in Chesterfield, Missouri
Duke Realty Corporation, or Duke, the current owner of the Chesterfield property. The Chesterfield property is 100.0% leased to St. Jo
on Hospital. In the proposed transaction, Duke will contribute the Chesterfield property, valued at approximately $36,500,000, to the jo
ch we expect to fund through a combination of debt and equity financing. In addition, the joint venture is expected to obtain debt financ
will receive an 80.0% interest in the joint venture, and Duke will receive a 20.0% interest in the joint venture as well as a distribution of
cur in December of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be a

unting policies are those that require significant judgments and estimates such as those related to revenue recognition, allowance for unc

nt of real estate, properties held for sale, purchase price allocation, and qualification as a REIT. These estimates are made and evaluated
arious other assumptions believed to be reasonable under the circumstances.

ements in accordance with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, rev
Actual results could differ from those estimates, perhaps in material adverse ways, and those estimates could be different under differen

eceivables and Allowance for Uncollectible Accounts

Financial Accounting Standards, or SFAS, No. 13, *Accounting for Leases*, as amended and interpreted, we will recognize base rental in
s (including rent holidays). Differences between rental income recognized and amounts contractually due under the lease agreements w
ement revenue, which is comprised of additional amounts recoverable from tenants for common area maintenance expenses and certain
od in which the related expenses are incurred.

deferred rent receivables will be carried net of the allowances for uncollectible tenant receivables and unbilled deferred rent. An allowa
rtain tenants to meet their contractual obligations under their lease agreements. We also will maintain an allowance for deferred rent rec
quacy of this allowance by continually evaluating individual tenant receivables considering the tenant s financial condition, security de
conditions.

nd Depreciation of Assets

will include the cost of land and completed buildings and related improvements. Expenditures that increase the service life of properties
pense as incurred. The cost of building and improvements will be depreciated on a straight-line basis over the estimated useful lives of t
d the shorter of the lease term or useful life, ranging from one to 10 years for tenant improvements. Furniture, fixtures and equipment w
ed or disposed of, the related costs and accumulated depreciation will be removed from the accounts and any gain or loss reflected in op

he lower of historical cost less accumulated depreciation or fair value. We will assess the impairment of a real estate asset when events
erable. Indicators we consider important and that we believe could trigger an impairment review include the following:

industry or economic trends;

erformance relative to historical or projected future operating results; and

in the manner in which the asset is used.

ount of a property exceeds the sum of the undiscounted cash flows (excluding interest) that would be expected to result from the use and
oss to the extent the carrying amount exceeds the estimated fair value of the property. The estimation of expected future net cash flows
t upon future and current market conditions and events that affect the ultimate

ire us to make assumptions related to future rental rates, tenant allowances, operating expenditures, property taxes, capital improvemen
re sale of the property.

es held for sale in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets,* or SFAS No. 144,
isposal of long-lived assets and requires that, in a period in which a component of an entity either has been disposed of or is classified a
port the results of operations of the component as discontinued operations.

4, at such time as a property is held for sale, such property will be carried at the lower of (1) its carrying amount or (2) fair value less co
We will classify operating properties as property held for sale in the period in which all of the following criteria are met:

g the authority to approve the action, commits to a plan to sell the asset;

e for immediate sale in its present condition subject only to terms that are usual and customary for sales of such

o locate a buyer and other actions required to complete the plan to sell the asset has been initiated;

is probable and the transfer of the asset is expected to qualify for recognition as a completed sale within one year;

tively marketed for sale at a price that is reasonable in relation to its current fair value; and

quired to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that
ithdrawn.

1, *Business Combinations*, we, with assistance from independent valuation specialists, will allocate the purchase price of acquired prop
air values. The allocation to tangible assets (building and land) will be based upon our determination of the value of the property as if it
ndependent appraisers. Factors considered by us will include an estimate of carrying costs during the expected lease-up periods conside
lly, the purchase price of the applicable property will be allocated to the above or below market value of in-place leases and the value o

or below market component of the acquired in-place leases will be determined based upon the present value (using a discount rate whic
between (1) the contractual amounts to be paid pursuant to the lease over its remaining term and (2) management s estimate of the am
the lease. The amounts allocated to above market leases will be included in the intangible assets and below market lease values will be i
and will be amortized to rental income over the weighted average remaining term of the acquired leases with each property.

ble assets acquired will be further allocated to in-place lease costs and the value of tenant relationships based on management s evalua
ationship with that respective tenant. Characteristics considered by management in allocating these values will include the nature and e
ors.

to change based on continuing valuation analysis, or other evidence, until the allocations are finalized or the stipulated time of one year

mber 31, 2007, we intend to elect to be taxed as a REIT under Section 856 through 860 of the Internal Revenue Code and, upon the elec
ended December 31, 2007. Because of our intention to elect REIT status in 2007, we will not benefit from the loss incurred in the year e
nizational and operational requirements, including a requirement to currently distribute at least 90.0% of our REIT taxable income to st
on taxable income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will then be subject to fe
ith that year and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the ye
e to grant us relief under certain statutory provisions. Such an event could have a material adverse effect on our net income and net cash
l be organized and will operate in such a manner as to qualify for treatment as a REIT for federal income tax purposes.

Results of Operations

erated by our properties depends principally on our ability to maintain the occupancy rates of currently leased space, to lease currently
ons at the existing rental rates. Negative trends in one or more of these factors could adversely affect our rental income in future period

onsolidated properties were 91.5% leased. 1.8% of the leased GLA expires during the remainder of 2007. Our leasing strategy for 2007
mainder of the year. If we are unable to negotiate such renewals, we will try to identify new tenants or collaborate with existing tenants
e anticipate, but cannot assure, that all of the tenants will renew for another term.

, as amended, or the Sarbanes-Oxley Act, and related laws, regulations and standards relating to corporate governance and disclosure re
liance with corporate governance, reporting and disclosure practices which are now required of us. These costs may have a material imp
tions to our stockholders. Furthermore, we expect that these costs will increase in the future due to our continuing implementation of co
ts may affect our ability to distribute funds to our stockholders.

regulations create new legal bases for potential administrative enforcement, civil and criminal proceedings against us in case of non-co
gainst us. We expect that our efforts to comply with these laws and regulations will continue to involve significant, and potentially incr
administrative remedies against us.

30, 2007 Compared to the Period from April 28, 2006 (Date of Inception) through September 30, 2006

mber 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, we had a net loss of $3,669,000 , due to revenue of $8,711,000 and $0, respectively, offset by rental expenses of $3,065,000 and $0, respectively, general and administr nortization of $5,252,000 and $0, respectively, interest expense of $2,302,000 and $0, respectively, and interest income of $196,000 and

mber 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, revenue was comprised of $8,7 ated to two full quarters of rental income at the Southpointe property, the Crawfordsville property, the Gallery property and the Lenox p e Commons V property, the Peachtree property, the Thunderbird property and the Triumph Hospital Portfolio. In addition to the increas ne 1 and 4 Market property for 47 days, the Kokomo property for 32 days, the St. Mary property for 26 days, the 2750 Monroe property

mber 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, rental expense was $3,065,000 uarters at the Southpointe property, the Crawfordsville property, the Gallery property and the Lenox property. Also, the increase was re tree property, the Thunderbird property and the Triumph Hospital Portfolio. In addition to the increase, rental expense was comprised o e Kokomo property for 32 days, the St. Mary property for 26 days, the 2750 Monroe property for 21 days and the EFSC property for th

mber 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, general and administrative expe strative expenses consisted primarily of third-party professional legal and accounting fees related to our SEC filing requirements, asset s insurance.

mber 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, depreciation and amortization e $2,312,000 and $0, respectively, and amortization of identified intangible assets of $2,937,000 and $0, respectively. The increase from s.

mber 30, 2007 and for the period from April 28 (Date of Inception) through September 30, 2006, interest expense was related to interes

164,000 and $0, respectively, interest expense on the unsecured note payables to NNN Realty Advisors of $84,000, and $0, respectively payables of $54,000 and $0, respectively, that are being amortized to interest expense over the terms of the related mortgage note paya

006 (Date of Inception) through December 31, 2006

d not raised the minimum offering nor had we acquired any real estate properties or real estate related investments. We are not aware of ns affecting real estate generally, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or in those listed in Risk Factors.

ceeds above our minimum offering, we will not have enough proceeds to invest in a diversified real estate portfolio. Our real estate portf increased exposure to local and regional economic downturns and the poor performance of one or more of our properties and, therefor s are fixed regardless of the size of our real estate portfolio. Therefore, depending on the amount of offering proceeds we raise, we wou educe our profitability and, in turn, the amount of net income available for distribution to our stockholders.

06 (Date of Inception) through December 31, 2006, we had a net loss of approximately $242,000, or $149.03 per share due to general ar s of $68,000, directors fees of $55,000, restricted stock compensation of $51,000 and professional and legal fees of $68,000. We expe full year of operations as well as increased activity as we make real estate investments. Our results of operations are not indicative of th

related expenses are initially being paid by our advisor, our dealer manager and their affiliates on our behalf. These organizational, offe missions and the marketing support fee) to be paid by us in connection with this offering. As of December 31, 2006, our advisor or its a ability to the extent selling commissions, the marketing support fee and due diligence expense reimbursement and other organizational ring. We have no obligation to reimburse our advisor, our dealer manager or their affiliates for any organizational, offering and related e s are not recorded in our accompanying consolidated financial statements because we had not raised the minimum offering as of Decem kholders equity as such amounts are paid from the gross proceeds of this offering. See Note 4, Related Party Transactions Offering S discussion of expenses during our offering stage.

es

roceeds to be received from our offering to conduct our proposed activities. The capital required to purchase real estate and real estate r ess that we may incur.

will be for acquisitions of real estate and real estate related securities, to pay operating expenses and interest on our outstanding indebte l require resources to make certain payments to our advisor and our dealer manager, which during our offering include payments to our ering expenses and to our dealer manager and its affiliates for selling commissions, non-accountable marketing support fees and due dili

ther than acquisitions of real estate and real estate related securities will be met from operations, future borrowings, and the net proceed of our common stock and our investments in properties and real estate related securities, which could result in a delay in the benefits to We believe that these cash resources will be sufficient to satisfy our cash requirements for the foreseeable future, and we do not anticipa s.

will require up to $5,331,000 for the next 12 months for capital expenditures. We have reserves with lenders for such capital expenditure onal properties in the future, we may require funds for capital expenditures. To the extent funds from operations are not sufficient to fun

dditional investments and engages in negotiations with real estate sellers, developers, brokers, investment managers, lenders and others real estate related securities, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments w lly invest the proceeds in properties and real estate related securities. The number of properties we may acquire and other investments e resulting amount of net proceeds available for investment.

advisor prepares a capital plan that contemplates the estimated capital needs of that investment. In addition to operating expenses, capi nts or other major capital expenditures. The capital plan also sets forth the anticipated sources of the necessary capital, which may inclu perating cash generated by the investment, additional equity investments from us or joint venture partners or, when necessary, capital re eds of our offering, proceeds from sales of other investments, operating cash generated by other investments or other cash on hand. In so rticular investment. The capital plan for each investment will be adjusted through ongoing, regular reviews of our portfolio or as necess

ties for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2 to operations from the properties. We anticipate cash flows from operating activities to continue to increase as we purchase more prop

vities for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, s ended September 30, 2007, such cash flows related primarily to the acquisition of our 14 properties in the amount of $253,574,000. W as we purchase more properties.

ties for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2 s ended September 30, 2007, such cash flows related primarily to funds raised from investors in the amount of $157,281,000, borrowing 6,210,000 and net borrowings under our secured line of credit with LaSalle of $35,700,000 partially offset by principal repayments of $ tions of $1,638,000. Additional cash outflows related to debt financing costs of $1,668,000 in relation to the acquisitions. In 2006, such to our advisor and $200,000 invested in our operating partnership from our advisor.

o our stockholders will be determined by our board of directors and are dependent on a number of factors, including funds available for
quirements and annual distribution requirements needed to maintain our status as a REIT under Sections 856 through 860 of the Internal

ution on February 15, 2007 for the period ended January 31, 2007.

of directors approved a 7.25% per annum distribution to be paid to stockholders beginning with our February 2007 monthly distributio

ur taxable income, such distributions will result in a return of capital to our stockholders.

mber 30, 2007, we paid distributions of $1,638,000 from cash flow from operations of $2,963,000 for the period. However, as of Septe
ating expenses, on-site personnel and engineering payroll and asset and property management fees, which will be paid from cash flow f

e no obligations to defer or forgive amounts due to them. As of September 30, 2007, no amounts due to our advisor or its affiliates have
ve amounts due to them and as a result if our cash flow from operations is less than the distributions to be paid, we would be required to
or borrowed funds. As a result, the amount of proceeds available for investment and operations would be reduced, or we may incur addi

mber 30, 2007, our funds from operations, or FFO, was $1,583,000. We paid distributions of $1,638,000, of which $1,583,000 was paid
sure regarding FFO below.

2006.

rowings, both secured and unsecured, will not exceed 60.0% of all of our properties combined fair market values, as determined at the
hese purposes, the fair market value of each asset will be equal to the purchase price paid for the asset or, if the asset was appraised sub
value reported in the most recent independent appraisal of the asset. Our policies do not limit the amount we may borrow with respect t

rrowing in excess of 300.0% of the value of our net assets, unless approved by our independent directors and the justification for such e
y report. In accordance with our charter, a majority of our directors, including a majority of our independent directors, approved our lev
oard of directors determined that the excess leverage was justified because it enabled us to purchase the properties during the initial stag
ing a diversified portfolio of properties to generate current income for investors and preserve investor capital. As of December 14, 2007
pendent directors authority, exceed our charter s leverage guidelines during the early stages of our operations. We will take action to r
lculation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts an

23,433,000 ($123,331,000, net of discount) and $0 as of September 30, 2007 and December 31, 2006, respectively. As of September 30
e interest rates ranging from 5.52% to 6.52% per annum and the weighted-average effective interest rate of 6.01% per annum. We are re
ial covenants, such as debt service coverage ratios and rent coverage ratios, and reporting requirements. As of September 30, 2007, we

d of the following as of September 30, 2007 and December 31, 2006:

	Interest Rate		Maturity Date	Mortg Paya Septe
ler Parke I	6.11	%	9/1/2016	$
ark and Athens Surgery Center	6.12	%	10/1/2016	
g	5.76	%	3/1/2017	
	5.88	%	2/1/2017	
lding	5.54	%	6/11/2017	
nakerag Medical Center	5.52	%	5/11/2017	
	5.67	%	6/11/2017	
	5.88	%	1/1/2014	
	5.80	%	9/4/2009	
	Variable*		9/30/2010	
o	Variable**		10/1/2010	
				$

an bears interest at per annum rates equal to: (a) 30-day LIBOR plus 1.35%; or (b) the Prime Rate, as announced
cial from time to time. As of September 30, 2007, the rate was 6.47%.

an bears interest at per annum rates equal to: (a) a rate equal to the greater of: (i) the prime rate, as established
KeyBank, or (ii) 1.0% in excess of the federal funds effective rate, as defined in the loan agreement; or (b) the
te, as defined in the loan agreement. As of September 30, 2007, the rate was 6.52%.

liate

9, 2007, we entered into unsecured loans with NNN Realty Advisors, evidenced by unsecured promissory notes in the principal amount
r maturity dates of July 22, 2007 and September 9, 2007, respectively. The $7,500,000 and $1,000,000 unsecured notes bore interest at
ly interest-only payments for the terms of the unsecured notes. The unsecured

t rates in an event of default equal to 8.86% and 8.84% per annum, respectively. On March 28, 2007, we repaid all outstanding principa

an unsecured loan with NNN Realty Advisors, evidenced by an unsecured promissory note in the principal amount of $4,000,000. The
0,000 unsecured note bore interest at a fixed rate of 6.82% per annum and required monthly interest-only payments for the term of the u
ent of default equal to 8.82% per annum. On June 28, 2007, we repaid all outstanding principal and accrued interest on the unsecured n

ber 5, 2007, we entered into unsecured loans with NNN Realty Advisors, evidenced by unsecured promissory notes in the principal amo
s provided for maturity dates of March 1, 2008 and March 5, 2008, respectively. The $1,300,000 and $6,100,000 unsecured notes bore i
uired monthly interest-only payments for the terms of the unsecured notes. The unsecured notes provided for default interest rates in an
tember 4, 2007 and September 11, 2007, we repaid all outstanding principal and accrued interest on both the $1,300,000 and $6,100,000

party loans, the terms of the loans and the unsecured notes were approved by our board of directors, including a majority of our indepe
our board of directors.

red into a loan agreement, or the loan agreement, with LaSalle Bank N.A. to obtain a secured revolving credit facility in the initial aggre
lving line of credit with LaSalle. The proceeds of loans made under the loan agreement may be used to finance the purchase of properti
be used for any other lawful purpose. In addition to loans, our operating partnership may obtain up to $10,000,000 of the credit availabl
of the loan agreement is three years, which may be extended by one 12-month period subject to satisfaction of certain conditions, includ
f loans then outstanding.

able under the loan agreement is a function of certain loan to cost, loan to value and debt service coverage ratios contained in the loan a
ased to $120,000,000 subject to the terms of the loan agreement. Also, additional financial institutions may become lenders under the lo

ed into a modification of loan agreement, or the modification, to increase the aggregate maximum principal amount of the secured revol
finition of applicable margin under the loan agreement. On December 12, 2007, KeyBank joined the group of lenders under the loan agr

an agreement bear interest at per annum rates equal to (a) LIBOR plus a margin of 1.50%, (b) the greater of LaSalle s prime rate or the
ued interest under the loan agreement is payable monthly and at maturity. In addition to interest, we are required to pay a fee on the unu
m rate equal to 0.20%, payable quarterly in arrears, beginning with the quarter ending December 31, 2007.

he loan agreement are guaranteed by us and by our subsidiaries that own properties that serve as collateral for the loan agreement.

ious affirmative and negative covenants that are customary for facilities and transactions of this type, including limitations on the incurr
ateral for the loan agreement, limitations on the nature of our business, and limitations on distributions by us and our subsidiaries that ov
ment also imposes the following financial covenants on us and our operating partnership, as applicable: (a) a minimum ratio of operating
xed charges, (c) a maximum ratio of liabilities to asset value, (d) a maximum distribution covenant and (e) a minimum net worth covena
agreement includes events of default that are customary for facilities and transactions of this type.

ecember 31, 2006, borrowings under the secured revolving line of credit with LaSalle totaled $35,700,000 and $0, respectively. Borrow
te of 7.08% per annum.

federal income tax purposes, we are required to make distributions to our stockholders of at least 90.0% of REIT taxable income. In the
, without limitation, the timing of such distributions or the timing of the collections of receivables, we may seek to obtain capital to pay
. We may also pay distributions from cash from capital transactions including, without limitation, the sale of one or more of our propert

ies

related expenses are being paid by our advisor and their affiliates on our behalf. These organizational, offering and related expenses inc
support fee which generally represent 7.0% and 2.5% of our gross offering proceeds, respectively) to be paid by us in connection with o
commissions, the marketing support fee and due diligence expense reimbursement and other organizational and offering expenses do no
07 and December 31, 2006, our advisor or its affiliates have incurred expenses of $990,000 and $1,728,000, respectively, in excess of 1
not recorded in our accompanying condensed consolidated financial statements as of September 30, 2007 and December 31, 2006. To t
become our liability.

eds is the payment of interest on outstanding indebtedness. As of September 30, 2007, we had fixed and variable mortgage loan payable
d by our properties, in the principal amount of $159,133,000 ($159,031,000, net of discount). As of September 30, 2007, the weighted-a

ormation with respect to the maturities and scheduled principal repayments of our secured mortgage loan payables and the secured revo
oes not reflect any available extension options.

	Payments Due by Period			
	Less Than 1 Year (2007)	1-3 Years (2008-2009)	3-5 Years (2010-2012)	M (A
te debt	$	$	$ 40,500,000	$
debt	14,000	8,738,000	2,561,000	
			35,700,000	
debt (based on rate in effect as of September 30,				
	446,000	5,194,000	1,458,000	
bt	1,202,000	9,538,000	12,748,000	
	632,000	5,057,000	1,897,000	
	$ 2,294,000	$ 28,527,000	$ 94,864,000	$

nts

d no off-balance sheet transactions, nor do we currently have any such arrangements or obligations.

isk as income from future long-term leases is expected to be the primary source of our cash flows from operations. We expect that there
s from the impact of inflation. These provisions include rent steps, reimbursement billings for operating expense pass-through charges,
lowever, due to the anticipated long-term nature of the leases, among other factors, the leases may not re-set frequently enough to cover

de cash distributions to our stockholders from cash generated by our operations. FFO is not equivalent to our net income or loss as deter
state companies, the National Association of Real Estate Investment Trusts, or NAREIT, an industry trade group, has promulgated a me
performance of a REIT such as us.

easure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as revise
uted in accordance with GAAP, excluding gains or losses from sales of property but including asset impairment writedowns, plus depre
artnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO.

d to disclose FFO in future filings because we consider FFO to be an appropriate supplemental measure of a REIT s operating perform
hat excludes non-cash items such as depreciation. The historical accounting convention used for real estate assets requires straight-line d
eal estate assets diminishes predictably over time. Since real estate values historically

ons, presentations of operating results for a REIT, using historical accounting for depreciation, could be less informative. The use of FFO
ure.

s intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REIT
ay not be meaningful. Furthermore, FFO is not necessarily indicative of cash flow available to fund cash needs and should not be consi
ur FFO reporting complies with NAREIT s policy described above.

of FFO for the three months ended September 30, 2007 and 2006, for the nine months ended September 30, 2007 and for the period fro

	Nine Months Ended September 30, 2007	
	$ (3,669,000)	$
consolidated properties	5,252,000	
	$ 1,583,000	$
es outstanding basic and diluted	6,939,820	

received and accepted subscriptions in our offering for 19,995,950 shares of our common stock, or $199,720,000, excluding shares issu

, 2007

Roswell, Georgia

ired Northmeadow Medical Center, located in Roswell, Georgia, for a purchase price of $11,850,000, plus closing costs. We acquired t
with $12,400,000 in borrowings under our secured revolving line of credit with LaSalle. An acquisition fee of $356,000, or 3.0% of the

Tucson, Arizona

ired of Tucson Medical Office Portfolio, located in Tucson, Arizona. for a purchase price of $21,050,000, plus closing costs, from an u
orrowings using our secured revolving line of credit with LaSalle. We paid our advisor and its affiliate an acquisition fee of $634,000, o

Lima, Ohio

ed the Lima Medical Office Portfolio, located in Lima, Ohio, for a purchase price of $25,250,000, plus closing costs, from an unaffiliat
of credit with LaSalle. We paid our advisor and its affiliate an acquisition fee of $758,000, or 3.0% of the purchase price, in connection

rty Acquisitions

n, Ohio

rd of directors approved the acquisition of Park Place Office Park located in Dayton, Ohio, or the Park Place property. The Park Place p on 8.51 acres of land. Park Place I, built in 1987, is a three-story building; Park Place II, built in 1988, is a three-story building; and Par ntain approximately 133,000 feet of gross leasable area and are currently 87.7% occupied. The principal businesses occupying the buildi ty for a total purchase price of $16,750,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase throu ition fee of $503,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the nditions and there can be no assurance that we will be able to complete the acquisition of the Park Place property.

aza Highlands Ranch, Colorado

rd of directors approved the acquisition of Highlands Ranch Healthcare Plaza, or the Highlands Ranch property. The Highlands Ranch p land in Highlands Ranch, Colorado. Built in 1985, the Highlands Ranch property contains a combined net rental area of approximately ng the buildings are healthcare providers. We anticipate purchasing the Highlands Ranch property for a total purchase price of $14,500 the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of $435,000, or 3.0% of the purch ll occur in the fourth quarter of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that w

esterfield, Missouri

d of directors approved the acquisition of an 80.0% interest in certain real property and improvements located in Chesterfield, Missouri Duke Realty Corporation, or Duke, the current owner of the Chesterfield property. The Chesterfield property is 100.0% leased to St. Jo on Hospital. In the proposed transaction, Duke will contribute the Chesterfield property, valued at approximately $36,500,000, to the jo ch we expect to fund through a combination of debt and equity financing. In addition, the joint venture is expected to obtain debt financ will receive an 80.0% interest in the joint venture, and Duke will receive a 20.0% interest in the joint venture as well as a distribution of cur in December of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be ab

ed an interest rate swap agreement with Wachovia in connection with the $14,500,000 secured loan on the 1 and 4 Market Exchange pro nal promissory note, the Market Exchange loan bears interest, at our option, at a per annum rate equal to either: (a) 30-day LIBOR plus e to time. As a result of the interest rate swap agreement, the Market Exchange loan bears interest at an effective fixed rate of 5.97% per

t-only payments due on the first day of each calendar month commencing on November 1, 2007.

ed an interest rate swap agreement with KeyBank in connection with the $30,500,000 secured loan on the EFSC property, or the EFSC l
bears interest, at our option, at a per annum rate equal to either: (a) a rate equal to the greater of: (1) the prime rate, as established from t
ive rate, as defined in the loan agreement; or (b) the Adjusted LIBOR Rate, as defined in the loan agreement. As a result of the interest
of 6.01% per annum from November 1, 2007 through October 1, 2010; and provides for monthly principal and interest payments due on
007.

e requirements of the EFSC loan and received the $4,500,000 loan holdback held in escrow from KeyBank pursuant to the loan agreeme

d into a secured loan, or the Kokomo loan, with Wachovia Financial. The secured loan is evidenced by a loan agreement, or the Kokom
00, or the Kokomo note. The cash proceeds, net of closing costs, of approximately $8,249,000, were used to reimburse funds that we or
uired on August 30, 2007. The Kokomo note is secured by a Mortgage, Assignment, Security Agreement and Fixture Filing, on the Kok
nonthly interest-only payments due on the first business day of each calendar month. At our option, the Kokomo loan bears interest at pe
e, as announced by Wachovia Financial from time to time. If any monthly installment that is due is not received by Wachovia Financial
qual to 4.0% of such monthly installment.

d into an interest rate swap agreement with Wachovia in connection with the $8,300,000 Kokomo loan, with Wachovia Financial. Pursu
Kokomo loan bears interest, at our option, at a per annum rate equal to either: (a) 30-day LIBOR plus 1.40%; or (b) the Prime Rate, as
t rate swap agreement, the Kokomo loan bears interest at a fixed rate of 5.86% per annum from December 5, 2007 through November 3
e first day of each calendar month commencing on January 2, 2008.

ed into a modification of loan agreement, or the modification, to increase the aggregate maximum principal amount of the secured revol
finition of applicable margin under the loan agreement. On December 12, 2007, KeyBank joined the group of lenders under the loan agr
anding on the secured revolving line of credit.

onouncements

unting Standards Board, or the FASB, issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN No. 48. This in
uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical me
(step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position
etermines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN No. 48 specifically prohibits the
s, and it has expanded disclosure requirements. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, in which the
t to the beginning balance of retained earnings in the year of adoption. The

beginning of the first quarter of 2007 did not have a material impact on our consolidated financial statements.

sued SFAS No. 157, *Fair Value Measurement*, or SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuri lue measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. We will adopt SF ve not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

ased Staff Accounting Bulletin, or SAB, No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Current Year* nsideration of the effects of prior year errors when quantifying misstatements in current year financial statements. The SEC staff conclu ance sheet approach and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, l. SAB No. 108 states that if correcting an error in the current year materially affects the current year s income statement, the prior peri al years ending after November 15, 2006. The adoption of SAB No. 108 in the fourth quarter of 2006 did not have a material impact on

ed SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159. SFAS No. 159 permits entit ms at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate vo ilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of the fi l as of the beginning of the fiscal year beginning on or before November 15, 2007, provided the provisions of SFAS No. 157 are applied lo. 159 and have not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

isclosures About Market Risk

d not commenced real estate operations and therefore had limited exposure to financial market risks. During the nine months ended Sep loan payables and a secured line of credit secured by our 14 properties.

ise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affec the primary market risk to which we will be exposed is interest rate risk.

s of interest rate changes primarily as a result of borrowings used to maintain liquidity and fund expansion and refinancing of our real e ectives are to limit the impact of interest rate changes on earnings, prepayment penalties and cash flows and to lower overall borrowing objectives, we may borrow at fixed rates or variable rates. We may also enter into derivative financial instruments such as interest rate s ncial instrument. We will not enter into derivative or interest rate transactions for speculative purposes.

rates, the value of our properties is subject to fluctuations based on changes in local and regional economic conditions and changes in th debt if necessary.

d using a variety of techniques. The table below presents, as of September 30, 2007, the principal amounts and weighted-average interes
and sensitivity to interest rate changes.

	Expected Maturity Date				
	2007	**2008**	**2009**	**2010**	**Thereafter**
ents	$ 14,000	$ 150,000	$ 8,588,000	$ 545,000	$ 73,636,000
n maturing debt	5.88%	5.74%	5.80%	5.68%	5.76
yments	$	$	$	$ 76,200,000	$
n maturing debt (based on rates in effect				6.77%	

ebt consisted of fixed and variable mortgage loan payables in the principal amount of $123,433,000 ($123,331,000, net of discount), at
7, we had $35,700,000 outstanding on our line of credit at a weighted-average interest rate of 7.08%.

st rate on the line of credit and our variable rate mortgage loan payables constitutes a market risk. As of September 30, 2007, for examp
rest expense by $381,000, or 7.38%.

PRIOR PERFORMANCE SUMMARY

Prior Performance Summary, or Summary, represents the historical experience of real estate and notes programs managed by NNN Re current sponsor, Grubb & Ellis, Triple Net Properties, an indirect wholly owned subsidiary of Grubb & Ellis or collectively, NNN Realt should not assume that they will experience returns, if any, comparable to those experienced by investors in these prior notes and real e

er 31, 2006, NNN Realty Advisors Group served as an advisor, sponsor or manager to 165 real estate investment programs formed for t , primarily consisting of retail, office, industrial and medical office buildings, healthcare-related facilities and apartment properties. The with the SEC, or (2) private programs that have no public reporting requirements. From inception through December 31, 2006, there w NNN Realty Advisors Group also served as sponsor and manager of four private notes programs.

ograms, other than Western Real Estate Investment Trust, began with the formation of a limited liability company, or LLC, to acquire th purchase membership units thus acquire an indirect interest in the property through their equity interest in the LLC. Simultaneously wi common interests, or TIC interests, directly in the property. A TIC interest is not an interest in any entity, but rather a direct real proper ompany. Typically, the TICs are involved in tax-deferred exchanges structured to comply with the requirements of Section 1031 of the its does not meet the requirements of Section 1031, although the LLC s interest in the underlying real property interest will also be a T

bears the same name as the respective LLC formed to acquire the property and may include both the sale of interests in the LLC and the e program and may acquire either an entire or a partial interest in a property. When a private program owns 100% of a property and all eferred to by NNN Realty Advisors Group as a Simple Ownership Structure. Conversely, if the program only owns a partial interest programs which are advised or managed by NNN Realty Advisors Group, it is referred to by NNN Realty Advisors Group as a Compl

r corporations, G REIT, Inc. and T REIT, Inc., which have qualified as REITs, and Grubb & Ellis Apartment REIT, Inc. and Grubb & E d liability companies, NNN 2002 Value Fund, LLC and NNN 2003 Value Fund, LLC. Each of the public programs may acquire wholly m purchases a partial interest in a property that is also partially owned by a private program, the public program may invest either direc rest) or outside of the private program by purchasing an interest in the property directly from the seller. However, Grubb & Ellis Apartm rticipate in tenant-in-common syndications or transactions.

Ownership Structure, the LLC may or may not retain an interest in the property after the program is closed, depending on whether the p LLC retains an ownership interest in the program, it does so as one of the TICs and generally sells its ownership interest to a number of

intains the day-to-day accounting for the LLC as well as the books and records for the property. In addition, NNN Realty Advisors Gro

and is responsible for the timely filing of the LLC s income tax return as well as providing year-end tax basis income and expense info

wns an entire property, as in a Simple Ownership Structure, and the entire operation of the property is attributable to the program. In ot ated ownership within the program, as in a Complex Ownership Structure, further allocations and disclosure are required to clarify the a arious ownership interests.

sents the data in Prior Performance Table III for each program on either a GAAP basis or an income tax basis depending on the re ng requirements, the Table III presentation of Revenues, Expenses and Net Income for the public programs has been prepared and prese ciples generally accepted in the Unites States of America, or GAAP, which incorporates accrual basis accounting. NNN Realty Advisor (which can in turn be presented on either a cash basis or accrual basis), as the only applicable reporting requirement is for the year-end programs (which are generally formed using LLCs) are prepared and presented by NNN Realty Advisors Group in accordance with the f not all, of the investors in these private programs are individuals required to report to the Internal Revenue Service using the cash meth ort on this basis when more than 50% of their investors are taxpayers that report using the cash method of accounting for income tax pu ex Ownership Structure, the ownership presentation in the tables is made in accordance with the cash method of accounting for income s meaningful to the typical individual investor that invests in an LLC.

allow NNN Realty Advisors Group to record and report results for its private programs on an income tax basis, investors should unders were reported on a GAAP basis. Some of the major differences between GAAP accounting and income tax accounting (and, where ap t impact the accounting for investments in real estate are described in the following paragraphs:

nce between the cash methods of accounting and accrual methods (both GAAP and the accrual method of me tax purposes) is that the cash method of accounting generally reports income when received and expenses when al method generally requires income to be recorded when earned and expenses recognized when incurred.

when reporting lease revenue, the minimum annual rental revenue be recognized on a straight-line basis over the ease, whereas the cash method of accounting for income tax purposes requires recognition of income when cash ly received from tenants, and the accrual method of accounting for income tax purposes requires recognition of come is earned pursuant to the lease contract.

when an asset is considered held for sale, depreciation ceases to be recognized on that asset, whereas for income iation continues until the asset either is sold or is no longer in service.

when a building is purchased, certain intangible assets and liabilities (such as above-and below-market leases, and in-place lease costs) are allocated separately from the building and are amortized over significantly shorter iation recognized on the building. These intangible assets and liabilities are not recognized for income tax t allocated separately from the building for purposes of tax depreciation.

an asset is considered impaired when the carrying amount of the asset is greater than the sum of the future lows expected to be generated by the asset, and an

st then be recognized to decrease the value of the asset to its fair value. For income tax purposes, losses are
ized until the asset has been sold to an unrelated party or otherwise disposed of in an arm s length transaction.

100% of the property and the entire fund is raised from TICs and LLC members investing directly in the private program, 100% of the

m directly invests in and owns a partial interest in the property (as an example, 75%) and the remaining interest of the property (25%) i
lts relating to the private program ownership in the property (75%) are presented for the relevant years. The allocation is based on the p

m acquires a 100% interest in the property but is jointly owned by a public entity investing directly in the private program, 100% of the
n a cash income tax basis. The affiliated ownership portion of the equity is eliminated in aggregation of all private programs reporting
presents the unaffiliated equity for informational purposes only.

, NNN 2005 Notes Program, LLC, NNN 2006 Notes Program LLC, and NNN Collateralized Senior Notes, LLC, or the Notes Programs
the purpose of making secured and unsecured loans to affiliates of NNN Realty Advisors Group for the sole purpose of acquiring and h
units and made loans to the LLC. Triple Net Properties is the sole member and manager of each of the notes programs LLC and cause
ponsoring real estate investments by making secured and unsecured loans. Triple Net Properties, as the sole member and manager of th
units.

ummary to our Reorganization refer to the acquisition by NNN Realty Advisors in the fourth quarter of 2006 of
ership interests of Triple Net Properties, NNN Capital Corp. and Realty. As a result of the Reorganization, NNN
ame our sponsor until December 7, 2007, at which time Grubb & Ellis became our sponsor as a result of the
ealty Advisors.

ummary to unaffiliated members and to unaffiliated TICs refer to investors that hold membership units in a
IC interest in a program property, as applicable, but that are not otherwise affiliated with NNN Realty Advisors

ummary to Mr. Thompson refer to Anthony W. Thompson, who serves as the Chairman of the Board of Grubb &
oximately 14% of Grubb & Ellis.

ummary to Mr. Rogers refer to Louis J. Rogers, who served as a director and owns approximately 3% of Grubb &
he former president of Triple Net Properties from September 2004 until April 2007.

ummary to loans from affiliates of NNN Realty Advisors Group refer to loans from Cunningham Lending Group,
0% owned by Mr. Thompson, NNN 2004 Notes Program, LLC or NNN 2005 Notes Program, LLC. Loans made
unsecured loans which were not negotiated at arms length with interest rates ranging from 8.0% to 12.0%.

ummary to shareholders of Triple Net Properties refer to individuals or entities that owned a membership interest in
s of less than 7.0% prior to the Reorganization.

ummary table headings to GLA of a property indicate the gross leasable area of the property, which is expressed
ty even where the relevant program owns less than a 100% interest in the property.

NN Realty Advisors Group-sponsored programs acquired 122 properties, for which the property type, location and method of financing

	No. of Properties
	97
	22
	1
	1
	1
	122
	4
	1
	20
	6
	11
	8
	1
	1
	1
	2
	3
	2
	4
	2
	8
	3
	2
	3
	2
	3
	31
	1
	2
	1
	122

142

No. of Properties
0
7
115
122

rmed as a Virginia corporation in December 2001, reincorporated as a Maryland corporation in September 2004 and is qualified as a RE
n office, industrial and service properties anchored by government-oriented tenants such as federal, state and local government offices, g
perties has served as the advisor of G REIT since January 2002. The initial public offering of G REIT s common stock commenced on
ffering commenced on January 23, 2004 and terminated on April 30, 2004. As of December 31, 2006, G REIT had raised gross offering
,865,000 shares of its common stock to 13,867 investors. As of December 31, 2006, G REIT had purchased interests in 27 real estate pr
s aggregate share of purchase price, including G REIT s aggregate share of debt financing at acquisition). As of December 31, 2006, t
in California, seven (26.0%) were in Texas and one each (3.7%) was in Arizona, Colorado, Delaware, Florida, Illinois, Maryland, Miss
ch are described below, are all commercial office buildings, except for one multi-tenant industrial complex. None of the property intere
ocus of our company. On February 27, 2006, G REIT stockholders approved a plan of liquidation.

IT owned interests in the following properties:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	(
100.0%	office	11/27/02	$ 13,580,000	$ 10,160,000	
30.0%	office	01/09/03	$ 40,832,000	$ 28,763,000	
97.68%	office	07/31/03	$ 11,385,000	$	
100.0%	office	08/11/03	$ 24,205,000	$ 15,600,000	
100.0%	office	10/10/03	$ 31,900,000	$	
100.0%	office/ retail	10/28/03	$ 8,240,000	$ 4,024,000	
100.0%	office	12/05/03	$ 113,648,000	$ 77,000,000	
100.0%	office	03/31/04	$ 45,900,000	$ 28,458,000	
100.0%	office	04/08/04	$ 12,675,000	$	
100.0%	office	05/26/04	$ 29,900,000	$	
78.5%	office	07/23/04	$ 26,298,000	$ 18,840,000	
77.6%	office	08/06/04	$ 28,712,000	$ 23,862,000	
100.0%	office	08/06/04	$ 14,000,000	$	
100.0%	office	09/12/05	$ 10,176,000	$ 6,700,000	
100.0%	industrial	10/21/05	$ 7,588,000	$ 5,000,000	

es, NNN 2002 Value Fund, LLC and T REIT, Inc., own 12.3% and 10.3% of the property, respectively.
7.4% of the property.

s 2.32% of the property.

1.5% of the property.

2.4% of the property.

IT had sold its interests in the following properties:

	Date of Purchase	Date of Sale	
	06/14/04	08/10/05	
	03/18/03	12/20/05	
	06/14/04	07/18/06	
	04/20/04	09/14/06	
	01/20/04	09/29/06	
	04/05/04	10/06/06	
	12/30/03	10/17/06	
	09/13/02	11/14/06	
ilies Campus	04/25/03	11/15/06	
	02/13/04	11/22/06	
	01/31/03	12/15/06	
	05/02/03	12/29/06	

1, 2002 and 2005, G REIT had a return of capital from cash distributions of $170,000 and $13,865,000, respectively. The source of cash
T s securities. The source of cash to fund the distributions in 2005 was excess historical cash flows from operations.

med as a Virginia corporation in December 1998 and is qualified as a REIT for federal income tax purposes. T REIT was formed to acc
in tax free states. Triple Net Properties has served as the advisor of T REIT since February 2000. The initial public offering of T REIT
the offering was terminated, T REIT had issued 4,720,000 shares of common stock and raised $46,395,000 in aggregate gross proceeds
d interests in 20 real estate properties amounting to an investment by T REIT of $125,786,000 (T REIT s aggregate share of purchase
of December 31, 2006, eighteen of these properties had been sold. Of the 20 properties purchased by T REIT, four (20%) were in Neva
were in North Dakota and one (5%) was in Illinois. The properties, which are described below, are all commercial office buildings. No
ity assets, the primary focus of our company. On July 27, 2005, T REIT shareholders approved a plan of liquidation.

T owned interests in the following properties:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortg Debt at Purcha
10.3%	office	01/09/03	$ 14,019,000	$ 9,87
3.26%	office	12/22/03	$ 1,125,000	$ 76

, NNN 2002 Value Fund, LLC, owns 12.3% of the property. One affiliated public entity, G REIT, Inc.,
y. Unaffiliated entities own 47.4% of the property.

6.74% of the property.

T had sold its interests in the following properties:

	Date of Purchase	Date of Sale
	09/26/00	11/13/01
	11/22/00	08/12/02
	11/17/00	09/23/02
nter	10/26/00	01/11/03
	12/06/00	08/11/03
ng Center	05/11/01	09/25/03
	01/29/03	03/18/04
	02/27/04	09/09/04
	09/25/02	12/27/04
	09/28/01	04/19/05
	03/15/02	07/28/05
	06/14/04	11/10/05
	03/25/02	12/28/05
	09/04/01	01/23/06
	04/02/04	01/24/06
	08/22/02	01/31/06
	01/20/04	06/15/06
	04/17/02	07/21/06

1, 2001, 2002, 2003 and 2004 and the period from January 1, 2005 through June 30, 2005, T REIT had returns of capital from cash distr tively. $130,000 of the source of cash to fund distributions in 2001 was from excess historical cash flows from operations, with the rem of cash to fund distributions in 2002 was the collection of two notes receivable, one from WREIT and one from NNN County Center D of properties. The source of cash to fund distributions in 2003 was profit recognized on the sale of properties. The source of cash to fun om unaffiliated parties and profit recognized on the sale of properties.

2003 Value Fund, is a Delaware limited liability company formed on June 19, 2003 to purchase, own, operate and subsequently sell all 0 Units were sold to 826 investors in a private placement offering which began on July 11, 2003 and ended on October 14, 2004 and rai as the manager of 2003 Value Fund since June 2003.

1934, as amended, or the Exchange Act requires that, within 120 days following the end of the fiscal year in which an entity exceeds 50 y file a registration statement pursuant to the requirements of the Exchange Act. As of December 31, 2004, 2003 Value Fund had more t on to file a registration statement with the SEC no later than May 2, 2005. The required Form 10 registration statement for 2002 Value e Act, the Form 10 went effective by lapse of time on July 1, 2005.

Value Fund had purchased interests in 16 real estate properties, amounting to an investment by 2003 Value Fund of $209,622,000 (200 d s aggregate share of debt financing at acquisition). Of the 16 properties, six (39%) were in Texas, four (25%) were in California and rgia. The properties, which are described below, are all commercial

t for one land parcel. None of the property interests acquired by 2003 Value Fund were apartment community assets, the primary focus

Value Fund owned interests in the following properties:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
41.1%	office	08/01/03	$ 10,111,000	$ 6,144,000
100.0%	office	12/30/03	$ 8,178,000	$ 4,500,000
8.5%	office	05/07/04	$ 5,211,000	$ 3,103,000
100.0%	office	01/26/05	$ 8,000,000	$ 5,500,000
100.0%	office	09/30/05	$ 22,862,000	$ 15,915,000
100.0%	land	10/14/05	$ 729,000	$
96.9%	office	04/24/06	$ 14,677,000	$
14.8%	office	07/03/06	$ 10,730,000	$ 8,110,000
100.0%	office	11/15/06	$ 11,052,000	$

8.9% of the property.

1.5% of the property.

s 3.1% of the property.

5.2% of the property.

Value Fund had sold its interests in the following properties:

Date of Purchase	Date of Sale
11/29/04	02/24/05
10/29/04	04/13/05
03/31/04	08/26/05
06/14/04	11/10/05
10/27/04	12/19/05
04/02/04	01/24/06
12/27/05	10/31/06

, 2006, 2003 Value Fund had returns of capital from cash distributions of $9,179,000, which includes distributions of $3,182,000 to min
Fund had returns of capital from cash distributions of $4,657,000, which includes distributions of $1,164,000 to minority interest holde
capital transactions are first treated as a return of capital. $280,000 of the source of cash to fund distributions in 2005 was from excess h
l on the sale of properties. The source of cash to fund distributions in 2006 was the profit recognized on the sale of properties.

2002 Value Fund, is a Virginia limited liability company formed on May 15, 2002 to purchase, own, operate and subsequently sell all c
estors in a private placement offering which began on May 15, 2002 and ended on July 14, 2003 and raised $29,799,000 of gross offerin
nd since May 2002.

within 120 days following the end of the fiscal year in which an entity exceeds 500 security holders and has more than $10,000,000 in a
he Exchange Act. As of December 31, 2003, 2002 Value Fund had more than 500 investors and assets of more than $10,000,000 and ha
han April 29, 2004. The required Form 10 registration statement for 2002 Value Fund was not filed until December 30, 2004. Pursuant
of time on February 28, 2005. Subsequent to that date, 2002 Value Fund has filed all reports required to be filed by Sections 13 or 15(d
ended December 31, 2004 was not timely filed.

Value Fund had purchased interests in three real estate properties amounting to an investment by 2002 Value Fund of $57,141,000 (200
d s aggregate share of debt financing at acquisition). Of the three properties, one (33%) was in Nevada, one (33%) was in Florida and o
mercial office building properties. None of the property interests acquired by 2002 Value Fund were apartment community assets, the p

Value Fund owned an interest in the following property:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mor Debt at Purc
12.3%	office	01/09/03	$ 16,741,000	$ 11,7

es, G REIT, Inc. and T REIT, Inc. own 30.0% and 10.3% of the property, respectively. Unaffiliated entities
.

Value Fund had sold its interests in the following properties:

Date of Purchase	Date of Sale
09/20/02	03/15/05
06/03/03	09/30/05

1, 2003 and 2004 and the period from January 1, 2005 through August 31, 2005, 2002 Value Fund had returns of capital from cash distr
ant to 2002 Value Fund s Operating Agreement, cash proceeds from capital transactions are first treated as a return of capital. The sour
02 Value Fund s securities. The source of cash to fund distributions in 2004 was prior years proceeds from the sale of 2002 Value Fu
rce of cash to fund the distributions in 2005 was profit recognized on the sale of properties.

Inc.

Inc., or Apartment REIT, was formed as a Maryland corporation in December 2005 and intends to elect to qualify as a REIT for federal
verse portfolio of apartment communities with strong and stable cash flow and growth potential in select U.S. metropolitan areas. Apart
dvisors served as the sponsor of Apartment REIT from the Reorganization in the fourth quarter of 2006 to its merger with Grubb & Elli
IT s common stock commenced on July 19, 2006. As of December 31, 2006, Apartment REIT had issued 1,658,553 shares of common
issued under the distribution reinvestment plan. As of December 31, 2006, Apartment REIT had 704 investors and had purchased inter

147

to an investment by Apartment REIT of $64,664,000 (Apartment REIT s aggregate share of purchase price, including Apartment REIT
2006, none of these properties had been sold. Of the two properties purchased by Apartment REIT, both (100%) are in Texas. The pro
escribed below, are all apartment community assets. None of the property interests acquired by Apartment REIT are in office buildings,
primary focus of our company.

ment REIT owned interests in the following properties:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
100.0%	apartment	10/31/06	$ 31,673,000	$ 26,860,000
100.0%	apartment	12/28/06	$ 32,991,000	$ 31,718,000

, Inc.

Inc., or Healthcare REIT, was formed as a Maryland corporation in April 2006 and intends to elect to qualify as a REIT for federal inco
otential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical off
ties that produce current income. Healthcare REIT may also invest in real estate related securities. NNN Realty Advisors served as the
rter of 2006 to its merger with Grubb & Ellis in the fourth quarter of 2007. The initial public offering of Healthcare REIT s common st
REIT had not raised the minimum offering, only receiving subscriptions of 200,899 shares of common stock, or $1,802,000, including s
its advisor and its affiliates. On January 8, 2007, Healthcare REIT raised the minimum offering and the funds held in escrow were rele

December 31, 2006, NNN Realty Advisors Group has advised 159 private real estate investment programs and four private notes progr
and the properties acquired and sold through December 31, 2006 are described below. Please see Tables III, IV and V under Prior Per
ng results of the prior funds sponsored by NNN Realty Advisors Group, information regarding the results of the completed programs a
rograms.

vate programs, including three private notes programs, have gone full term. Further information regarding the results of the sales and o

or Conditions

ms detailed below and as noted in Prior Performance Table III, in some circumstances, NNN Realty Advisors Group-sponsored progra
epresented returns of capital because the distributions were in excess of cash generated from operations, sales and refinancings. Cash d
mance Table III occur for a variety of reasons, most of which are the result of either (a) the loss of a major tenant and/or a reduction in
eased or (b) the program held multiple properties or buildings, some of the properties or buildings were sold and distributions were ma
ed by the operations of the remaining properties. Operating cash flow available after distributions may be affected by timing of rent col
s after distributions for a given period. In addition, excess operating cash flow after distributions may be retained by the program as res
eductions in cash flow resulting from the anticipated or unanticipated loss of a tenant.

entre, LLC lost a major tenant in its property and leasing rates were reduced. For that year, Market Centre, LLC showed a cash deficien
ber 31, 2002, the program reduced its distributions from 8% to 0%. Thus, in

ciency because there were no distributions to investors. Another example is NNN 1397 Galleria Drive LLC, which in August 2003, lost tors in February 2004. For the year ended December 31, 2003, NNN 1397 Galleria Drive shows a cash deficiency and a distribution to i n flows was distributions of the prior years excess cash flow.

ciencies were the result of sales of properties for programs either owning multiple properties or multiple buildings constituting a single 00 Value Fund, LLC and Western Real Estate Investment Trust, Inc. own either multiple properties or a multi-building property. When may be a cash deficiency shown because proceeds are distributed in excess of cash generated by operations.

NNN Highbrook, LLC, equity raised is ear-marked to pay for certain future expenses during the operating period of the program. This o m investors equity to pay for designated repairs when cash from operations is insufficient to pay for them. Deficit cash flow after distr her circumstances, such as NNN 300 Four Falls, LLC, it is anticipated that all equity will not be raised by the time a property is acquired he of closing. The estimated fees and interest on the mezzanine financing are factored into the equity raise. As expenses related to the m distributions, resulting in deficit cash flow and return of capital. In both of these scenarios, deficit cash flow after distributions and retu erves.

t exceed the cash flow generated from operations of the programs, the distributions are made either from cash reserves held by the prog f properties, distributions of prior years excess cash flows or, loans from NNN Realty Advisors Group or its affiliates. In cases where t ases, the reductions or termination in distributions have been noted below.

fering period began June 1, 1998 and ended December 16, 1998. The offering raised $1,619,500, or 100% of the offering amount. The I of eight unaffiliated members, three members who were shareholders of Triple Net Properties at the time of the investment and Triple N investing in the program. The program owned an 87% interest in the property. Mr. Thompson purchased a 13% interest in the property

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purch
87.0%	shopping center	05/01/98	$ 4,002,000	$ 3,00

1, 1999 and 2000, the program had deficit cash flow after distributions of $74,000 and $12,000, respectively, which were covered by ex 02, the program experienced deficit cash flow after distributions of $20,000 which was covered by the previous year s excess cash flow rogram to fund operating shortfalls due to the timing of rent collections, which was repaid in full in 2001. In 2002, an affiliate of Triple ments. In February 2003, the property was sold for a loss of $166,000. Triple Net Properties received no fees from the sale of the proper usly made to the program.

Trust, Inc.: Western Real Estate Investment Trust, Inc., or WREIT, was formed in July 1998 as a private real estate investment trust and EIT closed its best efforts private placement of its common stock in which it raised $14,051,000 from 345 investors. A total of nine affi

stment and entities controlled by Mr. Thompson, purchased 1.65% of the total offering. WREIT was formed to acquire office and indus
States. Triple Net Properties manages the properties owned by WREIT. The 31.5% of the Brookings Mall that is not owned by the progr

T owned interests in the following properties:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt a Purchase
68.5%	shopping center	05/01/00	$ 2,843,000	$ 659,0

T had sold the following properties:

	Date of Purchase	Date of Sale	Owner Inter
	07/07/98	01/31/06	
nter	11/03/98	02/13/04	
	10/16/98	12/20/02	
	12/24/98	09/05/02	
	03/31/99	04/14/00	
	07/29/99	08/29/00	

flow after distributions of $344,000. The deficit cash flow was funded by prior years excess cash flow after distributions and cash pro
66,000 gain and WREIT paid $4,740,000 in special distributions representing return of capital of $3,100,000 following the sales. In 200
e Net Properties, and a $404,000 loan from a private entity managed by Triple Net Properties. In 2002, WREIT sold two additional prop
d the $480,000 loan from T REIT and $259,000 of the loan from a private entity managed by Triple Net Properties. WREIT also receiv
002, WREIT sold two properties and paid Realty a disposition fee of $300,000. In 2003, WREIT sold TIC interests to two entities advis
s and paid special distributions of $2,000,000 following the sale. In 2003, WREIT received a loan from Triple Net Properties in the am
private entity managed by Triple Net Properties. In 2004, WREIT had deficit cash flow after distributions of $97,000. The deficit cash
proceeds from the sale of a property. In 2004, WREIT repaid in full Triple Net Properties loans of $29,000 from prior years. In 2004,
ion fee of $104,000. In 2006, WREIT sold Kress Energy Center. Realty received a disposition fee of $21,000.

C: The offering period began August 21, 1998 and ended July 15, 1999. The offering raised $5,550,000, or 100% of the offering amoun
embership of 59 unaffiliated members, four members who were shareholders of Triple Net Properties at the time of the investment and T
Cs and a company controlled by one of Triple Net s shareholders investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/01/98	$ 16,030,000	$ 12,000,000

, 2000, the program had distributions in excess of operating cash flows of $89,000, which was covered by excess cash flows after distrib

old for a loss of $1,532,000. Realty received a disposition fee of $175,000 after the sale.

: The offering period began December 15, 1998 and ended August 3, 1999. The offering raised $1,625,000, or 100% of the offering an
mbers. The remaining 92.25% is owned by seven unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	shopping center	03/08/99	$ 4,422,000	$ 3,316

1, 1999 and 2000, the program experienced a cash flow deficit after distributions and return of capital of $16,000 and $26,000, respectiv
ered by the prior year s cash flow excess after distributions. For the years ended 2003 and 2004, the program had a cash flow deficit af

aned $6,000 to the program to cover distributions, which was repaid in 2000. In 2001 and 2002, an affiliate of Triple Net Properties loa
s were repaid in full.

s sold for a gain of $462,000. Realty received a disposition fee of $82,000 and Triple Net Properties received deferred management fee

ing period began February 22, 1999 and ended March 7, 2000. The offering raised $8,000,000, or 100% of the offering amount. The pro
rious TIC interests investing in each of the properties. The LLC retained a 32.75% interest in Palm Court, a 32.24% interest in Belmont
ip of 91 unaffiliated members, three members who were shareholders of Triple Net Properties at the time of the investment and Triple N
d by 11 unaffiliated TICs, Mr. Thompson and an entity owned by Triple Net Properties investing in the program. The remaining 67.76%
n the program. The remaining 52.75% interest in Village Fashion Center was owned by seven unaffiliated TICs investing in the progra

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	shopping center	06/11/99	$ 3,550,000	$ 2,840
100.0%	shopping center	06/18/99	$ 8,800,000	$ 6,600
100.0%	shopping center	08/03/99	$ 8,988,000	$ 8,500

Center was sold resulting in a gain of $1,344,000. Realty received a disposition fee of $345,000 and Triple Net Properties received defe
eeds, an affiliate of Triple Net Properties received repayment of a $400,000 loan made to the property in 2001 for capital improvement

ng Center was sold resulting in a gain of $1,805,000. Realty received a disposition fee of $17,000 and Triple Net Properties received de
ple Net Properties received $356,000 and an affiliate of Triple Net Properties received $303,000 from sale proceeds as repayment for lo
to a legal settlement in 2001 which allowed Triple Net Properties to expand non-retail leasing/ownership of its parcels from 5% to 25%
ment with adjoining owners.

was sold resulting in a gain of $208,000. Realty received a disposition fee of $130,000 from sale proceeds.

1, 2000 and 2001, the program had deficit cash flow after distributions of $690,000 and $142,000, respectively. The sources of distribut tributions and return of capital of $475,000 and $202,000, respectively. Cash flow deficits were caused primarily by the timing differen ement of these charges from the tenants at all three properties. In 2002, the program had deficit cash flow after distributions of $37,000 , 2003, the program had an overall positive cash flow after distributions, but return of capital relating to the Belmont property of $91,00 om operating cash flows due to post sale expenses with no offsetting operating income as all the properties had been sold. Excess cash f

aned $239,000 to the program to cover the cost of a legal settlement relating to the Palm Court property. In 2001, Triple Net Properties d 2003, all loans from Triple Net Properties were repaid from the sale proceeds of Village Fashion Center and Palm Court. In 2001, aff r leasing and capital costs incurred at Palm Court and Village Fashion Center. In 2001, $365,000 was repaid from the sale of Village Fa ourt leasing costs. In 2003, all loans from affiliates were paid in full from the sale proceeds of Palm Court.

Center, LLC: The offering period began May 10, 1999 and ended March 29, 2000. The offering raised $7,200,000, or 100% of the offe nership interest in the property. The remaining 69.75% of the property was owned by nine unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
ng Center	100.0%	shopping center	07/01/99	$ 23,800,000	$ 21,339,000

ns to investors during 2000 from 8% to 5% due to reduced available operating cash flow. The property experienced reduced operating c luded the relocation of certain tenants within the shopping center and a higher than projected interest rate on the variable rate mortgage 4,000,000 loan at a lower, fixed interest rate with a 10-year term. From refinance proceeds, Triple Net Properties and affiliates received finance in place and redevelopment largely complete, cash flow improved and distributions were subsequently increased to 8% retroacti price of $44,410,000. From sale proceeds, Realty received a disposition fee of $444,000 and Realty and Triple Net Properties received c sold for a gain of $1,797,000.

, 2000, the program had a cash deficiency after distributions of $645,000 and return of capital of $513,000. The cash deficiency was cau an tied to LIBOR. For the year ended December 31, 2003, the program had a cash deficiency after distributions of $363,000, which wa

perties loaned $508,000 and $747,000, respectively, to cover tenant repositioning costs and tenant improvements related to the redevelo 113,000 to cover additional tenant improvement costs. Triple Net Properties loans from prior years were repaid in full from refinance es loaned $75,000 and $12,000, respectively, for capital improvements and Triple Net Properties loaned $5,000 to the program for the iate were paid in full in 2004.

e offering period began August 10, 1999 and ended February 12, 2001. The offering raised $2,500,000, or 100% of the offering amount.
st in the property. The remaining 80% is owned by 12 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	shopping center	11/03/99	$ 7,075,000	$ 5,3

cash flow after distributions of $65,000. Prior years excess cash flow after distributions covered the deficit. In 2004, the program had
$51,000. During 2004, Triple Net Properties terminated distributions to investors in order to conserve cash flow for operations and futur

aned $13,000 and an affiliate of Triple Net Properties loaned $15,000 to cover a portion of leasing costs of $90,000. In 2002, affiliates c
f $23,000 and capital expenditure and leasing costs of $118,000. In 2003, Triple Net Properties loaned $60,000 and an affiliate of Triple
00 and capital and leasing costs of $111,000. In 2003, an affiliate of Triple Net Properties forgave its unsecured loans to the program tot
d in cash generated from operations in the Prior Performance Tables, resulting in the deficit cash flow for the year. In 2004 and 2005, af
to cover distributions and $15,000 of capital expenditures. In 2004 and 2005, Triple Net Properties and affiliates forgave unsecured loa
of indebtedness was treated as income but was excluded from cash generated from operations. In January 2005, distributions to investo

LLC: The offering began August 27, 1999 and ended June 5, 2000. The offering raised $7,378,778, or 92.2% of the offering amount fr
of Triple Net Properties at the time of the investment. The program owns 100% of the White Lakes property and 94.5% of the Bank O
ram by Mr. Thompson as a TIC.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GL (Sq
94.5%	office	11/22/99	$ 8,250,000	$ 7,645,000	12
100.0%	shopping center	03/15/00	$ 14,688,000	$ 12,200,000	43

Shopping Center was sold for $2,600,000. The sale generated net cash proceeds of $399,000 after payment of selling costs and a partial
reserves for subsequent capital expenditures. Realty received a $25,000 disposition fee from the sale.

e Building was refinanced. The refinance generated net proceeds to the fund of $462,000 which were distributed to investors during the
mprovements for both projects. In 2002, Triple Net Properties and affiliates of Triple Net Properties loaned $23,000 and $414,000, resp
Net Properties loaned an additional $457,000 to the program and affiliates of Triple Net Properties loaned $103,000 to partially repay
In August 2003, Triple Net Properties reduced the distribution rate from 8% to 5%.

e Lakes Shopping Center were sold for $1,250,000 and $225,000. The net proceeds after selling costs were used to reduce mortgage deb

nt less than the previously existing loan. In order to extend the loan on the Bank One Building, the program was required to pay additio
nd the financing and continuing leasing requirements for both properties, Triple Net Properties loaned $507,000 to the program and an a

5,000 of loans from Triple Net Properties relating to White Lakes Shopping Center. Triple Net Properties and affiliates forgave indebted
0, respectively. A parcel of the White Lakes property was sold for $950,000 and the net proceeds were used to reduce principal mortgag
,000,000. Triple Net Properties did not receive a financing fee and the transaction produced net proceeds of $203,000. In April 2006, di
nced $335,000 to White Lakes Shopping Center to fund operations.

duced operating cash flow primarily as a consequence of reduced leasing rates resulting from the depressed local commercial leasing ma

The offering began September 15, 1999 and ended May 31, 2000. The offering raised $6,300,000, or 100% of the offering amount. The
d the remaining 91.75% is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	shopping center	12/15/99	$ 15,850,000	$ 12,035,0

cash flow after distributions of $56,000 and return of capital of $31,000. In June 2001, distributions to investors were reduced from 8%
flow after distributions of $78,000 resulting in return of capital of $59,000. In 2004, deficit cash flow after distributions of $1,000 was

aned $34,000 to cover capital improvements of $90,000. In 2004, Triple Net Properties loaned $149,000 and an affiliate of Triple Net P
management fees paid to a third party management company. In 2005, an affiliate of Triple Net Properties advanced $166,000 to cover

perties and affiliates forgave $83,000 and $331,000, respectively, of the program s indebtedness. In April 2004, Triple Net Properties
s and future capital and leasing requirements.

r a loss of $3,011,000. Realty did not receive a disposition fee from the sale.

ffering period began February 21, 2000 and ended June 20, 2000. The offering raised $3,698,750, or 100% of the offering amount. The
e property. The remaining 80.75% was owned by 15 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	retail, office and industrial	06/16/00	$ 11,600,000	$ 8,425,000

r funded $329,750 less than the amount planned for in the offering memorandum. The program received a loan from Triple Net Properti

ced with a new loan of $9,750,000 and $289,067 of the loan from Triple Net Properties was repaid. Also in 2001, the 26,449 square foo
d net cash proceeds of $1,207,000 that were used to pay down the new loan on the property.

t Properties loaned $25,000, which was used to repay a part of Triple Net Properties loan.

of the property was sold resulting in an overall gain of $2,314,000 from the two sales. From the proceeds of the 2005 sale, Realty receiv
agement fees and incentive fees of $962,000 and $362,000 respectively, and the loans from Triple Net Properties and affiliates were rep
01 sale.

LLC: The offering period began April 26, 2000 and ended February 7, 2001. The offering raised $3,278,250, or 99.3% of the offering
ership interest in the property. The remaining 68.25% is owned by 16 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgag at Purc
100.0%	shopping center	08/09/00	$ 9,550,000	$ 7,1

cash flow after distributions of $44,000. The deficit cash flow was funded from prior years excess cash flow after distributions.

ough 2004, the program received loans from Triple Net Properties and its affiliates to fund capital improvements and leasing costs. In 20
for capital improvements. In 2002, the program received a $61,000 loan from an affiliate of Triple Net Properties for capital improveme
loaned an additional $28,000 for leasing costs. In 2003, the program received loans totaling $69,000 from affiliates of Triple Net Proper
nts. In 2004, the program received $271,000 in loans from Triple Net Properties and an affiliate to help fund $440,000 in capital and ten

t Properties advanced $28,000 to the program to cover distributions. In October 2005, distributions to investors were suspended to conse
d affiliates forgave $223,000 of the program s indebtedness. No distributions were made to investors in 2006.

ing began June 9, 2000 and ended February 4, 2001. The offering raised $2,681,352, or 95.8% of the offering amount. The LLC retaine
3% was owned by 11 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	shopping center	07/14/00	$ 8,200,000	$ 6,500

1, 2000 and 2001, the program had deficit cash flow after distributions and return of capital of $36,000 and $36,000, respectively. In 20
2002. In 2002, the property was refinanced resulting in net proceeds of $477,000, which was held in reserve for future leasing and cap
of $1,409,000. Triple Net Properties and Realty received no fees from the sale of the property.

he offering began July 15, 2000 and ended February 27, 2001. The offering raised $4,816,000, or 100% of the offering amount. The LL
ith a membership of 123 unaffiliated members and two members who were shareholders of Triple Net Properties at the time of the inve
Thompson, acquired a 19% interest in the property, investing outside of the program.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
81.0%	7 office buildings	12/27/00	$ 12,960,000	$ 9,955,000

ngs in the Bowling Green Financial Park were sold resulting in a cumulative gain of $1,120,000. As a result of the sales, Realty receive
tive fee of $250,000 from the program.

LLC: The offering period began July 25, 2000 and ended February 15, 2001. The offering raised $2,670,000, or 100% of the offering
the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pur
100.0%	office	11/30/00	$ 7,225,000	$ 5,

uced its distribution to investors from 8.50% to 4.25% as a result of the loss of a major tenant. In 2003, the program had deficit cash flo
ears excess cash flow after distributions. In 2003 and 2004, weak local market conditions and tenant downsizing resulted in reduced oc
00 resulting in return of capital of $66,000. The deficit cash flow was funded from prior years excess cash flow after distributions and
Net Properties forgave $40,000 of this loan in 2004. In 2002, 2003 and 2004, Triple Net Properties loaned $3,000, $1,000 and $55,000
riple Net Properties forgave all of these loans and terminated distributions.

old to Triple Net Properties for a loss of $326,000. In connection with the sale, Triple Net Properties and Realty did not receive any fees
to the program.

The offering period began August 29, 2000 and ended August 14, 2001. The offering raised $5,000,000, or 100% of the offering amou
ugh its unsecured notes offering. The program was formed for the purpose of making unsecured loans to one or more borrowers, likely
holding real estate. An investor in this program was making a loan to the LLC. Triple Net Properties was the sole member and manage
pport its efforts in sponsoring real estate investments by making unsecured loans to affiliated entities. Triple Net Properties, as the sole
nterest on the note units.

repaid $2,000,000, $1,500,000 and $1,500,000 of note unit principal, respectively. In 2005 all remaining accrued interest was paid to t

offering period began September 1, 2000 and ended November 17, 2000. The offering raised $1,330,000, or 100% of the offering amou
program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgag at Purch
100.0%	office certified historic building	11/01/00	$ 3,400,000	$ 2,0

ge debt and $1,000,000 in Note Units assumed at close.

LC offered and sold $1,000,000 of 11% participating note units to supplement capital funds for capital improvements and to provide wo
it generated from sale of the property or a prepayment fee. Investors in the program assumed these notes and $1,070,000 in mortgage d

cash flow after distributions of $47,000, representing return of capital of $14,000. The deficit cash flow was funded from working capit
te of Triple Net Properties and the $1,000,000 in Note Units was repaid. The program also received a $91,000 loan from Triple Net Pro
, the program had deficit cash flow after distributions of $175,000 representing return of capital of $98,000. The deficit cash flow was f
02, the program received loans of $112,000 from affiliates of Triple Net Properties and a $35,000 loan from Triple Net Properties to su
distributions were reduced from 8% to 0% due to unfavorable market conditions in the Wichita, Kansas central business district. In 200
ting return of capital of the same amount. In 2003, the program received an $8,000 loan from an affiliate of Triple Net Properties. Also
rest owed by the program. In 2004, the program received a $6,000 loan from Triple Net Properties. No distributions were made from A

ced with $1,000,000 in mortgage debt. There were no proceeds generated from the refinance and Triple Net Properties did not receive a
nd affiliates forgave $695,000 of secured and unsecured indebtedness. Triple Net Properties made an unsecured advance of $784,000 t
conjunction with the re-financing.

The offering period began September 15, 2000 and ended March 13, 2001. The offering raised $2,300,000, or 38.3% of the $6,000,00
hrough its secured notes offering. The program was formed for the purpose of making secured loans to one or more borrowers, likely to
lding real estate. An investor in this program was making a loan to the LLC. Triple Net Properties is the sole member and manager of th
rts in sponsoring real estate investments by making secured loans to affiliated entities. Triple Net Properties, as the sole member and ma
ote units.

anding note unit principal and accrued interest to the note unit holders, and the program was completed.

ter, LLC: The offering period began November 8, 2000 and ended May 21, 2001. The offering raised $12,000,000, or 100% of the offe

sponsored by Triple Net Properties retained a 17.5% ownership interest in the property. The remaining 82.5% is owned by 16 unaffiliate

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	03/12/01	$ 31,000,000	$ 22,250,000

$202,000 loan from Triple Net Properties and a $95,000 loan from TICs for capital improvements. In 2004, TICs loaned the property ar repaid to Triple Net Properties. In 2005, the program repaid loans of $8,000 to Triple Net Properties.

r a gain of $7,364,000. From the proceeds of the sale, Triple Net Properties received a disposition fee of $1,825,000, an incentive fee of le Net Properties and the TICs were repaid after the sale.

he offering period began November 15, 2000 and ended January 31, 2001. The offering raised $3,500,000, or 100% of the offering amo st in the property. The remaining 98.0% is owned by 15 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	Office	01/31/01	$ 11,100,000	$ 8,350,000

flow deficiency due to the timing of property tax reimbursements. The deficiency was covered by existing reserves which were replenis collected. In 2004, the program had deficit cash flow after distributions of $47,000 covered by the prior years excess cash flow after di

cash flow after distributions of $105,000 which was covered by prior years cumulative excess cash flow after distributions. An affiliat covered by lender reserves. In April 2005, distributions were suspended due to increased vacancy and a lower rental rate on new leasin

he offering began March 12, 2001 and ended June 30, 2002. The offering raised $10,992,321, or 99.9% of the offering amount, from 26 Net Properties at the time of the investment. The program acquired 100% of two properties, 1840 Aerojet Way and Western Plaza. The . The remaining 60% was owned by a private program, NNN Pacific Corporate Park I, LLC as a TIC interest.

2001 Value Fund, LLC owned interests in the following property:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
100.0%	shopping center	07/31/01	$ 5,000,000	$ 4,250,000

2001 Value Fund, LLC had sold the following properties:

					Date of

	Purchase	Date of Sale
	09/27/01	09/27/05
	03/25/02	12/28/05

1, 2001 and 2002, the program had deficit cash flow after distributions and return of capital of $18,000 and $130,000, respectively. For
er distributions of $287,000 which was covered by excess cash flow from the previous year of $165,000 resulting in a return of capital

aned $675,000 to the program. The loan was used for a required $1,000,000 pay down of third party mortgage debt for Western Plaza. I
affiliate of Triple Net Properties loaned $30,000 to the program and $80,000 to Pacific Corporate Park ($32,000 of which is allocable t
roceeds for Western Plaza along with capital and tenant improvements at Western Plaza.

rest in Pacific Corporate Park was sold for a gain of $1,135,000. From the proceeds of the sale, Realty received a disposition fee of $13
000 from the program. In 2005, the program sold 1840 Aerojet for a gain of $489,000. Realty did not receive a disposition fee from the
ase commissions totaling $43,000. Proceeds from the sale were used to pay down $1,000,0000 of the mortgage on Western Plaza and to
ogram. In 2006, Triple Net Properties advanced $150,000 to the program that was in turn invested in Western Plaza.

enter, LLC: The offering period began March 30, 2001 and ended December 3, 2001. The offering raised $2,400,000, or 100% of the o
in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	shopping center	08/01/01	$ 6,350,000	$ 4,128,000

t the property but agreed to pay rent through the end of its lease term. As a result, the lender required new loan terms including a lower
space combined with weak local market conditions and the accelerated principal repayment has had a continuing adverse impact on the
ded the initial loan proceeds shortfall and accelerated principal repayment during Triple Net Properties leasing and refinancing initiati
made $36,000 and $278,000 loans to the program, respectively. In 2002, an affiliate of Triple Net Properties loaned $126,000 to the pro
s loan. In 2004, an affiliate of Triple Net Properties loaned $155,000 to the program.

cash flow after distributions of $82,000 representing return of capital of $65,000. The deficit cash flow and return of capital was funded
had deficit cash flow after distributions of $57,000 resulting return of capital of the same amount. The deficit cash flow and return of ca
, the program had deficit cash flow after distributions and return of capital of $71,000. In 2004, the program s distribution rate was redu

efinanced with two loans totaling $3,375,000 generating net proceeds of $35,000. Triple Net Properties did not receive a financing fee f
spended in order to conserve cash flow. During 2005, an affiliate of Triple Net Properties advanced $93,000 to the program. As of Dec
f the program totaling $276,000.

t Properties was repaid $40,000 and no distributions were made to investors.

LLC: The offering period began May 1, 2001 and ended November 21, 2001. The offering raised $3,000,000, or 100% of the offering
the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	shopping center	10/16/01	$ 7,263,000	$ 4,890,000

cash flow after distributions of $50,000 representing return of capital of $22,000. The deficit cash flow was funded from prior years ex
of Triple Net Properties.

2004, the program received loans from Triple Net Properties and affiliates to fund return of capital as well as lender reserves and leasing
eturn of capital distribution of $22,000. In 2003, the program received a loan of $98,000 from Triple Net Properties for leasing reserves
and 2005, the program received advances of $40,000 and $2,000, respectively from an affiliate of Triple Net Properties to fund tenant
ecreased from 8.0% to 5.0%.

e offering period began May 30, 2001 and ended September 26, 2001. The offering raised $3,850,000, or 100% of the offering amount.
ting in the program. T REIT owned the remaining 40% of the property, which was purchased directly from the seller outside of the prog

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Sh Mortg at P
60.0%	office/industrial	09/04/01	$ 4,378,000	$

$49,000 loan from an affiliate of Triple Net Properties to provide the program with sufficient funds to meet the reserves required by the
000 loan was replaced with a $4,600,000 loan. After refinancing of the property, there was a special distribution of $1,092,000 to TICs i
from an affiliate of Triple Net Properties and received a loan of $19,000 from Triple Net Properties to assist with year-end reimbursem
ple Net Properties.

r a gain of $2,568,000. The program s pro rata share of the gain was $1,541,000. From the sale proceeds, Triple Net Properties receive

The offering period began June 8, 2001 and ended September 25, 2001. The offering raised $4,197,500, or 99.9% of the offering amou
est in the property. The remaining 98.75% is owned by 10 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GI (Sq
100.0%	office	07/30/01	$ 12,550,000	$ 9,375,000	11

it cash flow after distributions of $266,000 which was covered by the prior years excess cash flow after distributions.

: The offering period began July 26, 2001 and ended August 31, 2001. The offering raised $2,000,000, or 100% of the offering amount the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office/industrial	08/31/01	$ 5,067,000	$ 3,625,000

$32,000 loan from Triple Net Properties to cover unanticipated lender holdbacks of $200,000 at acquisition. In 2002, the program receiv ent capital funds due to the timing of certain repairs. In 2003, the program received a $31,000 loan from Triple Net Properties for the sa 1,000. The deficit cash flow was funded from prior years excess cash flow after distributions. In 2004, the program received a $7,000 et Properties.

r a gain of $380,000. Prior advances from Triple Net Properties were repaid from proceeds of the sale. Additionally, Triple Net Propert paid to Realty. All loans were repaid from proceeds of the sale.

er, LLC: The offering period began July 31, 2001 and ended November 27, 2001. The offering raised $3,695,375, or 99.9% of the offer interest in the property. The remaining 99% is owned by 13 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	shopping center	11/27/01	$ 9,180,000	$ 6,3

t Properties loaned $66,000 to the program for acquisition related costs.

r a gain of $1,567,000. The loan totaling $66,000 from an affiliate of Triple Net Properties was repaid from proceeds of the sale. Triple mmissions and Realty received a disposition fee of $354,000 from the proceeds of the sale.

The offering period began August 16, 2001 and ended April 2, 2002. The offering raised $3,650,000, or 100% of the offering amount. erest in the property. The remaining 94.875% is owned by 10 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purch
100.0%	office	10/31/01	$ 10,500,000	$ 7,75

ced its distributions to investors from 8% to 0% as a result of the loss of a major tenant. In 2003, the program received a $40,000 loan f $217,000. The deficit cash flow was funded from prior years excess cash flow after distributions and a $37,000 loan from an affiliate 005, and 2006.

d an affiliate loaned $64,000 and $102,000, respectively. The loans were used to cover a 2005 operating cash flow deficit of $33,000 ar Triple Net Properties and affiliates forgave loans to the program in the amount of $104,000 and $139,000, respectively.

aned $548,000 and TIC investors funded a $200,000 cash call to cover a 2006 operating cash flow deficit of $223,000 and fund leasing

The offering period began September 18, 2001 and ended February 6, 2002. The offering raised $3,125,000, or 100% of the offering a
ownership interest in the property. The remaining 99% is owned by 17 unaffiliated TICs, T REIT, an entity controlled by Mr. Thomps

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	distribution/ warehouse/office	09/28/01	$ 5,395,000	$ 3,210,

cash flow after distributions of $45,000. The deficit cash flow was funded from prior years excess cash flow.

t Properties loaned $14,000 and Triple Net Properties loaned $59,000 to the program primarily to fund lender required reserves. In 2004

r a gain of $1,109,000. From the sale proceeds, loans from Triple Net Properties and affiliates totaling $125,000 were repaid, Triple Ne
ived a disposition fee of $158,000.

: The offering period began October 31, 2001 and ended June 15, 2002. The offering raised $8,200,000, or 100% of the offering amou
erest in the property. The remaining 99.085% is owned by 16 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	01/23/02	$ 20,800,000	$ 14,650,000

ster lease guaranteed by an affiliate of Triple Net Properties.

r a gain of $10,268,000. From the sale proceeds, Triple Properties and Realty received deferred management related fees and leasing co
58,000.

, LLC: The offering period began February 11, 2002 and ended June 20, 2002. The offering raised $4,000,000, or 100% of the offering
p interest in the property. The remaining 95% is owned by 19 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase
100.0%	office/flex complex	04/19/02	$ 8,038,000	$ 5,000,00

cash flow after distributions of $33,000. The deficit cash flow resulted from a special distribution of $100,000 in addition to the progra
w after distributions.

C: The offering period began February 12, 2002 and ended March 15, 2002. The offering raised $1,237,803, or 35.4% of the offering ar in the program and 89.125% of the property is owned by T REIT, which purchased its interest as a TIC in the property outside of the pr

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
10.9%	office	03/15/02	$ 2,362,000	$ 1,417,000

cash flow after distributions of $4,000 representing return of capital of $2,000. In 2004, the program had deficit cash flow after distribu

r a gain. The program s share of the gain was $612,000. The program paid Realty a disposition fee of $102,000 and Triple Net Propert

C: The offering began February 18, 2002 and ended May 28, 2002. The offering raised $2,219,808, or 88.8% of the original offering a st in the property. The remaining 48.5% was purchased outside of the program by T REIT as a TIC.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
51.5%	office	04/17/02	$ 4,721,000	$ 3,090,000

efinanced with a $6,900,000 loan which produced net proceeds of $74,000. Triple Net Properties did not receive a financing fee.

r a gain. The program s share of the gain was $1,487,000. From its share of the sale proceeds, the program paid Realty a disposition fe

LLC: The offering began March 11, 2002 and ended June 25, 2002. The offering raised $5,800,000, or 100% of the offering amount. Th y from 45 unaffiliated members and T REIT. The remaining 40% is owned by a private program, NNN 2001 Value Fund, LLC. Each pr

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
60.0%	6-building office park	03/25/02	$ 14,237,000	$ 9,300,000

cash flow after distributions of $55,000 which was funded by prior years excess cash flow after distributions. In 2004, an affiliate of T am s 60% ownership interest in the property) to cover incurred tenant improvements.

were sold resulting in an aggregate gain to the program from all sales of $1,700,000. Realty received a disposition fee from the program ees and leasing commissions from the program of $41,000 as a result of all sales. The loan from an affiliate of Triple Net Properties was

he offering period began March 31, 2002 and ended June 19, 2002. The offering raised $2,750,000, or 100% of the offering amount. Th

est in the property. The remaining 98.25% is owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	shopping center	06/19/02	$ 7,200,000	$ 5

oan of $44,000 from Triple Net Properties to supplement a short-term cash balance deficit. The loan was repaid in 2004.

r a gain of $2,713,000. From the proceeds of the sale, Realty received a disposition fee of $324,000 and Triple Net Properties received

he offering period began April 12, 2002 and ended July 3, 2002. The offering raised $6,550,000, or 100% of the offering amount. The
separate investments by an entity controlled by Mr. Thompson, retained a 7.25% ownership interest in the property. The remaining 92.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	07/03/02	$ 15,360,000	$ 10,250,000

it cash flow after distributions of $445,000 due primarily to payment of two years of property taxes in the current year resulting in an ov
tributions covered the 2005 deficit.

The offering period began May 24, 2002 and ended October 23, 2002. The offering raised $1,950,000, or 100% of the offering amount
in the property. The remaining 98% is owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase
100.0%	office	09/11/02	$ 3,420,000	$ 1,962,0

acated the property. As a result, in February 2004, the program terminated distributions to investors. In 2003, the program had deficit ca
69,000. The deficit cash flow was funded from prior years excess cash flow after distributions, reserves and a $5,000 loan from an aff
er distributions of $18,000 representing return of capital of $13,000. In 2004, the $5,000 loan from an affiliate of Triple Net Properties
y had a deficit cash flow of $38,000. In 2006, no distributions were made to investors and the property had a positive cash flow of $51,
year.

ffering period began June 10, 2002 and ended November 12, 2002. The offering raised $5,000,000, or 100% of the offering amount. Th
erest in the property. The remaining 97.125% was owned by 20 unaffiliated investors and one entity controlled by Mr. Thompson invest
ntity managed by Triple Net Properties.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase

100.0%	shopping center	09/05/02	$	10,080,000	$	6,222,000

, 2003, the program had deficit cash flow after distributions of $58,000 which was funded by the previous year s excess cash flow after
3,000,000. From sale proceeds, Realty received a disposition fee of $260,000. The gain was $1,424,000.

The offering period began June 14, 2002 and ended December 27, 2002. The offering raised $2,850,000, or 100% of the offering amo
est in the property. The remaining 97.37% is owned by 17 unaffiliated TICs investing in the program. The property was acquired from

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	09/25/02	$ 5,200,000	$ 3,092,000

aned $9,000 to the program to cover costs to close the acquisition as all of the offering proceeds had not been raised as of the acquisitio
offering. In 2004, the program had deficit cash flow after distributions of $127,000 representing return of capital of $84,000. In 2005, t
ng return of capital of $1,000. In February 2006, distributions were suspended to reserve cash flow after debt service for anticipated re-

offering period began July 1, 2002 and ended October 23, 2002. The offering raised $5,500,000, or 100% of the offering amount. The
perty. The remaining 99% was owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	C (S
100.0%	shopping center	09/24/02	$ 16,220,000	$ 12,265,000	

istributions of $400,000 was due primarily to payment of two years property taxes for 2004 and 2005 causing a one time increase in exp

offering period began July 18, 2002 and ended October 25, 2002. The offering raised $6,650,000, or 100% of the offering amount. The
operty. The remaining 99% was owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase
100.0%	shopping center	10/08/02	$ 18,500,000	$ 13,500,0

cash flow after distributions of $141,000. Prior years excess cash flow after distributions covered, in part, the 2004 deficit resulting in

r a gain of $2,960,000. Proceeds from the sale were used to pay Realty a disposition fee of $454,000 and Triple Net Properties deferred

The offering period began August 1, 2002 and ended May 23, 2003. The offering raised $1,044,881, or 10.4% of the $10,000,000 offe
gh its unsecured note offering. The program was formed for the purpose of making unsecured loans to one or more borrowers, likely to
lding real estate. An investor in this program was making a loan to the LLC. Triple Net Properties is the sole member and manager of th
fforts in sponsoring real estate investments by making unsecured loans to affiliated

the sole member and manager of the LLC, guaranteed the payment of all principal and interest on the note units.

anding note unit principal and accrued interest to the note unit holders, and the program was completed.

: The offering period began August 30, 2002 and ended October 29, 2002. The offering raised $3,865,800, or 100% of the offering am
n and 25% of the property was owned by T REIT, which purchased its portion of the property outside of the program. The LLC, with o
n. The remaining 98.33% was owned by seven unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
75.0%	Office	09/25/02	$ 8,304,000	$ 5,738,000

cash flow after distributions of $127,000 resulting in return of capital of $46,000. The deficit cash flow was funded in part from prior y
s sold at a price of $15,450,000. Realty was paid a disposition fee of $460,000 from the program s portion of the sale. The program rea

LC: The offering period began August 9, 2002 and ended March 6, 2003. The offering raised $8,140,000, or 100% of the offering amo
f Triple Net Properties retained a 5% ownership interest in the property. The remaining 95% was owned by 15 unaffiliated TICs invest

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mor at
100.0%	retail/office	12/20/02	$ 19,400,000	$

r a gain of $4,033,000. Realty received a disposition fee of $765,000 from the sale proceeds.

e offering period began October 10, 2002 and ended March 21, 2003. The offering raised $2,550,000, or 100% of the offering amount.
t in the trust that owns the property. Eleven unaffiliated investors own the remaining 96.625% of the beneficial interest in the trust that

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
er 100.0%	Shopping center	12/09/02	$ 6,490,000	$ 4,700,000

Properties loaned $107,000 to the program to cover costs to close the acquisition as all of the offering proceeds had not been raised as of
03, $65,000 of these loans were repaid. Also, in 2002, the program had deficit cash flow of $4,000 with no return of capital as no distrib

r a gain of $757,000. From the proceeds of the sale, Realty received a disposition fee of $210,000 and affiliates of Triple Net Properties

e offering began October 15, 2002 and ended July 14, 2003. The offering raised $36,073,120, or 100% of the offering amount. The LL
n with 81 unaffiliated members, T REIT and 2002 Value Fund. The remaining 55.2% of the program (35.6% interest in the property) w

ns 64.5% of the property. The remaining 35.5%, which was purchased outside the program, was owned by one unaffiliated TIC (5.5% o erty).

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share Mortgag at Purc
64.5%	Office	01/09/03	$ 87,790,000	$ 61,8

cash flow after distributions of $263,000 which was covered by prior years excess cash flow after distributions.

fering period began October 25, 2002 and ended March 17, 2003. The offering raised $4,953,000, or 100% of the offering amount. 95.2 5% of the property was purchased outside the program by G REIT as a TIC interest. The LLC, with one unaffiliated member owns a 1.7 investors own the remaining 98.29% of the beneficial interest in the trust that owns 95.25% of the property.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
95.25%	5-building office park	03/18/03	$ 11,621,000	$ 8,001,000

aned $225,000 to the program to cover costs to close the acquisition as all of the offering equity had not been raised as of the acquisition paid. In 2004, Triple Net Properties loaned $44,000 to fund operations. In 2004, the program had deficit cash flow after distributions of

r a gain of $1,725,000. From the sale proceeds, the $44,000 loan from Triple Net Properties was repaid, a disposition fee of $320,000 w ons and management fees totaling $385,000.

The offering period began October 28, 2002 and ended April 23, 2003. The offering raised $7,472,000, or 100% of the offering amount t Properties retained a 13.5% ownership interest in the property. The remaining 86.5% was owned by 10 TICs, nine unaffiliated and an

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	Office	12/31/02	$ 20,436,000	$ 13,922,000

t Properties and Triple Net Properties loaned $257,000 and $87,000, respectively, to cover costs to close the acquisition as all of the offe completion of the offering in 2003, these loans were repaid. In 2003, an affiliate of Triple Net Properties loaned $1,500,000 to take out This loan was repaid in 2003.

was sold for $12,700,000 resulting in a gain of $600,000. At the same time, the remaining building was refinanced with an $8,400,000 Triple Net Properties received management fees totaling $47,000. The refinance resulted in net proceeds of $367,000 and Triple Net Pro

sold for $13,600,000 resulting in a gain of $1,671,000. From the sale, Realty received a disposition fee of $500,000.

The offering began November 8, 2002 and ended November 4, 2003. The offering raised $4,900,000, or 100% of the offering amount
bers. The remaining 89.5% was owned by 17 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	2 office buildings	04/01/03	$ 9,550,000	$

er distributions of $120,000 was due to payment of property taxes for two years, 2004 and 2005 causing a one time increase of expenses
ficit in 2005 and a $41,000 deficit in 2006. In February 2006 distributions to investors were suspended due to the vacation of a major te

e offering period began November 18, 2002 and ended August 13, 2003. The offering raised $7,342,575, or 99.9% of the offering amou
in the trust that owns the property. Twenty-four unaffiliated investors own the remaining 98.25% of the beneficial interest in the trust th

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	05/09/03	$ 12,450,000	$ 6,000,0

lender funded $1,200,000 less than the amount planned for in the offering memorandum, pending lease-up of vacant space. In 2003, th
and a $113,000 loan from Triple Net Properties to supplement capital funds for tenant improvements and lender-required capital improv
. The lender subsequently funded an additional $2,000,000, but required that the majority of this amount be reserved for capital improve
was repaid and Triple Net Properties loaned $21,000 to supplement capital needs at the property.

t Properties loaned $51,000 to the program. $21,000 of the loan was used to repay a loan from Triple Net Properties and the remaining b

ering period began December 20, 2002 and ended March 25, 2003. The offering raised $3,200,000, or 100% of the offering amount. The
operty. The remaining 99% was owned by 12 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	office	03/25/03	$ 6,983,000	$

cash flow after distributions of $30,000 covered by prior years excess cash flow after distributions. In February 2006 the distributions
l space.

The offering period began February 14, 2003 and ended July 29, 2003. The offering raised $20,500,000, or 100% of the offering amoun

erest in the property. The remaining 88.5% was owned by 17 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/16/03	$ 60,500,000	$ 45,375,000

s refinanced with a $49,000,000 loan resulting in net proceeds to the property of $1,918,000. From the refinance proceeds, a special dis financing fee of $223,000.

sulting in a gain of $9,179,000. From the proceeds of the sale, Realty received a disposition fee of $2,635,000 and Triple Net Properties

g period began March 18, 2003 and ended September 18, 2003. The offering raised $23,700,000, or 100% of the offering amount. The property. The remaining 95.25% was owned by 22 unaffiliated TICs, 2002 Value Fund and an entity controlled by Mr. Thompson inves

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	06/11/03	$ 47,000,000	$ 31

LLC sold its 50% TIC interest in the property to an affiliated program, NNN Netpark II, LLC for $33,500,000. In connection with the 0,000 was put on the property at the time of the sale. Under the new ownership structure, net proceeds relating to the remaining TIC and NN Netpark II, LLC program funded their share of property reserves from equity. From the refinance, Triple Net Properties received a eived $58,000 for leasing commissions.

ering period began March 28, 2003 and ended September 3, 2003. The offering raised $4,700,000, or 100% of the offering amount. The st in the property. The remaining 90% is owned by 19 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purch
100.0%	office	06/05/03	$ 9,270,000	$ 5,85

cash flow after distributions of $89,000. The prior year s excess cash flow after distributions covered the deficit in 2004. In December r operations. In March 2005, the distribution rate was reduced from 8% to 5% to conserve cash flow for new leasing. In August 2005, ,000 to the program for tenant improvement costs not covered by lender reserves. In 2006, $56,000 of the loan from an affiliate of Tripl tors.

e offering period began May 1, 2003 and ended August 26, 2003. The offering raised $9,200,000, or 100% of the offering amount. The property. The remaining 90% was owned by 15 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage At Purc

	100.0%	office/retail	07/28/03	$	20,125,000	$ 13,0

r a gain of $4,232,000. From the proceeds, Realty received a disposition fee of $1,080,000 and Triple Net Properties was paid deferred

LC: The offering period began June 13, 2003 and ended September 3, 2003. The offering raised $3,800,000, or 100% of the offering a
p interest in the property. The remaining 95% was owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	08/11/03	$ 7,988,000	$ 5,200,000

aned $15,000 to the program relating to costs associated with the acquisition of the property. The loan was repaid in 2004. In 2006 the p
was covered by prior years excess cash flow after distributions.

C: The offering period began June 13, 2003 and ended October 3, 2003. The offering raised $6,292,125, or 99.9% of the offering amou
erest in the property. The remaining 94.875% was owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	08/15/03	$ 16,150,000	$ 11,310,000

cash flow after distributions of $211,000 representing return of capital of $68,000. The deficit cash flow was funded in part from the pr
sulting in a gain of $2,836,000. From the proceeds of the sale, Realty received a disposition fee of $732,000 and Triple Net Properties r

C: The offering period began June 20, 2003 and ended December 10, 2003. The offering raised $6,800,000, or 100% of the offering am
erest in the property. The remaining 92.375% is owned by 16 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	retail	07/25/03	$ 20,200,000	$ 1

r monthly distributions, a special one time distribution of $625,000 was made to investors resulting in deficit cash flow after distributio
ash flow after distributions.

e offering period began July 11, 2003 and ended December 23, 2003. The offering raised $14,700,000, or 100% of the offering amount
ties and an entity controlled by Mr. Thompson retained a 49.625% ownership interest in the property. The remaining 50.375% is owned
Mr. Thompson investing as TICs in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu

	100.0%	office	08/01/03	$	24,600,000	$ 14

it cash flow after distributions of $409,000. The current year deficit was covered by prior years excess cash flow after distributions. In

d capital cost requirements. In December 2005, the property was refinanced with $16,000,000 of mortgage debt. There were no proceed
cing fee from the transaction. Due to the renewal of a major tenant $2,000,000 of leasing and capital costs were incurred by the propert
from the refinancing, an affiliate of Triple Net Properties advanced $1,445,000 to the property and Triple Net Properties made a cash ca

ade to investors and the property had a deficit cash flow after distributions of $746,000 due primarily to the payment of two years of pro
xcess cash flow after distributions from prior years and cash reserves covered the deficit.

fering period began July 18, 2003 and ended May 20, 2004. The offering raised $7,900,000, or 100% of the offering amount. The LLC,
property. The remaining 94.75% is owned by 22 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	10/08/03	$ 15,000,000	$ 9

istributions of $142,000 was covered by prior years excess cash flow after distributions.

fering period began July 25, 2003 and ended December 8, 2003. The offering raised $7,300,000, or 100% of the offering amount. The L
in the property. The remaining 95% is owned by 19 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	10/29/03	$ 13,900,000	$ 8,740,000

38% of the building did not renew their lease and distributions were suspended until the space is re leased. In 2005, the deficit cash flo
after distributions. The deficit was due to payment of two years property taxes (2004 and 2005) in the current year resulting in excess p

The offering period began August 8, 2003 and ended June 9, 2004. The offering raised $11,000,000, or 100% of the offering amount.
terest in the property. The remaining 88.625% is owned by 22 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/15/03	$ 23,600,000	$ 15,000,000

aned $630,000 to the program at acquisition to fund an unanticipated lender imposed holdback related to tenant estoppel issues. Triple N
deficit operating cash flow after distributions of $7,000, covered by the previous year s excess cash flow after distributions. In 2005, an
or tenant improvements and to repay $46,000 of Triple Net Properties loan.

e of Triple Net Properties was repaid when the lender released the remaining $265,000 holdback for tenant estoppels. The property had

return of capital and the remaining $310,000 deficit was covered by prior years excess cash flow after distributions.

LLC: The offering period began August 15, 2003 and ended June 7, 2004. The offering raised $23,713,346, or 99.6% of the offering a
ship interest in the property. The remaining 93.8% is owned by 24 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	11/10/03	$ 63,650,000	$ 45,000,0

he property. Pursuant to the loan agreement, this event allowed the lender to sweep all operating cash flow for a reserve. Triple Net Pro
the reserve and the lender ended the cash flow sweep. The TICs funded their pro rata share of the reserve either directly or in credit of t
ated to the letter of credit. In 2004, Triple Net Properties was repaid $1,145,000 of the loan.

was refinanced with a loan in the amount of $44,500,000. Triple Net Properties did not receive a financing fee from the transaction. The
epay $832,000 of the loan from Triple Net Properties.

period began September 3, 2003 and ended May 20, 2004. The offering raised $2,925,000, or 100% of the offering amount. The LLC, v
property. The remaining 92.125% is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase
100.0%	office	12/08/03	$ 5,700,000	$ 3,750,00

loan holdback of $300,000, the program received a $100,000 loan from Triple Net Properties. In 2004, the program had deficit cash flo
xcess cash flow after distributions. In 2005, the $100,000 loan from Triple Net Properties was repaid, and the program had deficit cash
006, the program had a deficit cash flow of $83,000 resulting in return of capital of $83,000.

he offering began October 15, 2003 and ended May 27, 2004. The offering raised $15,350,000 or 100% of the offering amount. The LL
ties and T REIT retained a 7% ownership interest in the property. The remaining 93% of the property is owned by 22 unaffiliated TICs

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	office	12/22/03	$ 34,500,000	$ 23,600

it cash flow of $427,000. The deficit was due to the payment of two years property taxes in the current year resulting in excess payment
fter distributions.

LLC: The offering began November 21, 2003 and ended January 30, 2004. The offering raised $5,250,000 or 100% of the offering am

ership interest in the property. The remaining 94.375% of the property is owned by 13 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	01/29/04	$ 10,100,000	$ 6,500,000

rate was reduced from 8% to 4% to reserve excess cash flow after distributions for anticipated leasing requirements.

fering period began December 5, 2003 and ended January 20, 2004. The offering raised $10,070,000, or 100% of the offering amount. T
Cs in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	three office Buildings	01/20/04	$ 22,965,000	$ 15,0

a price of $32,965,000 resulting in a gain of $6,516,000. Realty received a disposition fee of $1,071,000 and Triple Net Properties rece

offering period began December 31, 2003 and ended June 24, 2004. The offering raised $8,000,000, or 100% of the offering amount. Th
st in the property. The remaining 91.5% is owned by 20 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	02/06/04	$ 19,788,000	$ 14

e offering period began January 8, 2004 and ended May 19, 2004. The offering raised $3,230,000, or 100% of the offering amount. The
in the property. The remaining 95% is owned by 11 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	office	03/25/04	$ 7,570,000	$

,000 to the program to cover costs to close the acquisition as all of the offering equity had not been raised as of the date of the acquisitio
paid.

fering period began January 28, 2004 and ended March 31, 2004. The offering raised $29,600,000, or 100% of the offering amount. The
ties and 2003 Value Fund retained a 21.5% ownership interest in the property. The remaining 78.5% of the property was owned by 22 u

Ownership	Purchase	Purchase	Mortgage Debt

Interest	Type of Property	Date	Price	at Purchase
100.0%	office	03/31/04	$ 65,780,000	$ 41,350,000

292,000 to the program to cover costs to close the acquisition as all the offering equity had not been raised as of the date of the acquisitio
paid.

r a gain of $7,760,000. From the sale proceeds, Realty received a disposition fee of $2,550,000 and Triple Net Properties received defe

C: The offering period began January 29, 2004 and ended May 28, 2004. The offering raised $6,500,000, or 100% of the offering amou in the property. The remaining 95% is owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	office	03/19/04	$ 15,580,000	$ 10,500

,000 to the program to cover costs to close the acquisition as all the offering equity had not been raised as of the date of the acquisition paid.

er distributions of $293,000 was covered by the prior year s excess cash flow after distributions. The 2005 deficit cash flow resulted fr ent year causing excess payments of $479,000.

offering period began January 30, 2004 and ended May 7, 2004. The offering raised $32,060,000, or 100% of the offering amount. The 6% ownership interest in the property. The remaining 88.4% is owned by 30 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	05/07/04	$ 61,300,000	$ 36,500,000

on rate was reduced from 8% to 4% as a result of a sluggish leasing market. The 2005 deficit cash flow after distributions of $408,000 v

offering period began March 12, 2004 and ended July 23, 2004. The offering raised $4,450,500, or 100% of the offering amount, from s roperty. The remaining 78.5% is owned by G REIT as a TIC outside of the program.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
21.5%	office complex	07/23/04	$ 7,203,000	$ 5,160,000

it cash flow after distributions of $79,000 which was covered by prior years excess cash flow after distributions.

· The offering period began March 25, 2004 and ended May 19, 2004. The offering raised $8,270,000, or 100% of the offering amount T REIT retained 100% of the property.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase

	100.0%	Office	04/02/04	$ 8,137,000	$	4,000,0

estors were suspended due to tenant vacancy. In September 2005, the property was refinanced by a $10,605,000 loan with a $6,438,000

t proceeds from the refinance and Triple Net Properties was paid a financing fee of $107,000 when the property was sold in 2006.

r $22,250,000, resulting in a gain of $2,637,000. Realty was paid a disposition fee of $668,000 and Triple Net Properties was paid man

, LLC: The offering period began April 5, 2004 and ended July 1, 2004. The offering raised $7,130,000, or 100% of the offering amou

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/11/04	$ 15,200,000	$ 9,300,000

,000 to the program at the close of escrow to cover an unanticipated lender required community development reserve of $82,000. In 200
ere covered by prior years excess cash flow after distributions.

The offering period began April 9, 2004 and ended October 22, 2004. The offering raised $11,000,000, or 100% of the offering amount.
in the property. The remaining 99% is owned by 17 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgag at Purc
100.0%	office complex	06/30/04	$ 27,050,000	$ 20,0

The offering began April 30, 2004 and closed September 29, 2004. The offering raised $8,650,000, or 100% of the offering amount. Th
erest in the property. The remaining 98.875% is owned by 27 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	office	07/12/04	$ 21,850,000	$ 16,000

cit cash flow after distributions of $413,000 which was partially offset by the prior year s excess cash flow after distributions resulting
er distributions and return of capital of $93,000.

offering period began May 7, 2004 and ended January 5, 2005. The offering raised $42,800,000, or 100% of the offering amount. The L
ers were shareholders of Triple Net Properties at the time of the investment, as affiliated members of the LLC, retained a 20.5% interest
nd an entity controlled by Mr. Thompson investing as a TIC in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/14/04	$ 100,940,000	$ 68,500,000

r a gain of $16,198,000. From the proceeds of the sale, Realty received a disposition fee of $2,250,000 and Triple Net Properties receiv

e, LLC: The offering period began June 2, 2004 and ended October 20, 2004. The offering raised $7,010,000, or 100% of the offering a
ership interest in the property. The remaining 93.375% is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	office	07/22/04	$ 16,200,000	$ 10,530

The offering period began June 10, 2004 and ended September 13, 2004. The offering raised $10,800,000, or 100% of the offering amo
est in the property. The remaining 93.75% is owned by 23 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	Office	08/18/04	$ 29,870,000	$ 21,750

cash flow after distributions of $190,000. Excess cash flow after distributions from the prior year covered the current year deficit.

The offering period began June 28, 2004 and ended August 30, 2004. The offering raised $3,624,750, or 100% of the offering amount
t in the property. The remaining 77.6% is owned by G REIT as a TIC outside the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
22.4%	Office	08/06/04	$ 8,288,000	$ 6,888,0

ring period began August 2, 2004 and ended December 9, 2004. The offering raised $32,250,000, or 100% of the offering amount. The
property. The remaining 90.625% is owned by 27 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office complex	09/27/04	$ 73,100,000	$ 46,8

er distributions of $291,000 is primarily due to payment of thirteen months interest expense during the year causing a one time overstate
prior year covered the current year deficit. In 2006, the property was sold for $94,100,000 resulting in a gain of $15,586,000. From the
l Triple Net Properties received deferred management fees of $407,000.

offering period began August 6, 2004 and ended January 20, 2005. The offering raised $8,655,000, or 100% of the offering amount. Th
ties retained a 3.75% ownership interest in the property. The remaining 96.25% is owned by 23 unaffiliated TICs investing in the progra

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	10/29/04	$ 17,000,000	$ 9,9

The offering period began August 10, 2004 and ended October 8, 2004. The offering raised $4,700,000, or 100% of the offering amount

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	10/07/04	$ 17,850,000	$ 14,800,000

er distributions of $77,000 was covered by the prior year s excess cash flow after distributions.

: The offering period began August 16, 2004 and ended May 13, 2005. The offering raised $8,000,000 or 100% of the offering amount holder of Triple Net Properties, retained a 2.25% ownership interest in the property. The remaining 97.75% is owned by 25 unaffiliated

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	11/19/04	$ 18,025,000	$ 11,3

cash flow after distribution of $43,000 which was covered by prior years excess cash flow after distributions.

e offering began August 16, 2004 and ended February 17, 2005. The offering raised $19,600,000 or 100% of the offering amount. The .25% ownership interest in the property. The remaining 96.75% is owned by 25 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office complex	10/28/04	$ 51,500,000	$ 36,250,000

er distributions of $168,000 is due primarily to thirteen months of debt service paid in the current year causing a one time overstatement ns covered the current year deficit.

offering began September 1, 2004 and ended December 20, 2004. The offering raised $4,999,425 or 100% of the offering amount. The property. The remaining 95.3% is owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	11/29/04	$ 12,256,000	$ 8,5

: The offering began September 9, 2004 and ended January 6, 2005. The offering raised $3,500,000 or 100% of the offering amount. T in the property. The remaining 99% is owned by 17 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purcha
100.0%	apartment	11/12/04	$ 11,513,000	$ 8,750

cash flow after distributions and return of capital of $201,000 which represents utilization of investor funded reserves for designated re

ffering began September 22, 2004 and ended May 12, 2005. The offering raised $11,000,000 or 100% of the offering amount. The LL

he property. The remaining 88.5% is owned by 21 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/08/04	$ 27,350,000	$ 18,900,000

cash flow after distributions of $247,000. The deficit was due to payment of two years property taxes in the current year resulting in e
ss cash flow after distributions.

LC: The offering began September 27, 2004 and ended August 31, 2005. The offering had raised $9,849,925 or approximately 100% of
ers retained a 3.75% ownership interest in the property. The remaining 96.25% is owned by 19 unaffiliated TICs investing in the progra

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	office	11/12/04	$ 29,149,000	$ 21,800

he offering began October 7, 2004 and ended on January 7, 2005. The offering had raised $10,150,000, or 100% of the offering amount
olders of Triple Net Properties at the time of the investment, retained an 18.125% ownership interest in the property. The remaining 81.8
the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	11/05/04	$ 29,480,000	$ 21,500,000

er distributions of $35,000 was covered by the prior year s excess cash flow after distributions. In 2006, the deficit cash flow after distr
tributions. The deficit resulted primarily from the payment of 13 months interest causing excess payments of $97,000 during the year.

LLC: The offering began October 15, 2004 and ended on March 1, 2005. The offering raised $6,450,000, or 100% of the offering amou
st in the property. The remaining 96.0% of the property is owned by 23 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
nents 100.0%	apartment	12/30/04	$ 16,000,000	$ 11,500,0

cash flow after distributions and return of capital of $257,000 which represents utilization of investor funded reserves for designated re

C: The offering began November 4, 2004 and ended on May 23, 2005. The offering raised $6,350,000, or 100% of the offering amoun
st in the property. The remaining 94.9% of the property is owned by 28 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
nts	100.0%	apartment	12/30/04	$ 14,338,000	$ 9,300,0

178

cash flow after distributions and return of capital of $261,000 which represents utilization of investor funded reserves for designated rep

he offering began November 10, 2004 and ended on April 1, 2005. The offering raised $11,400,000, or 100% of the offering amount. Th
st in the property. The remaining 92.9% of the property is owned by 19 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	01/06/05	$ 30,910,000	$ 22,0

e paid to investors was reduced from 5.07% to 3.00%.

g began November 30, 2004 and ended on April 11, 2005. The offering raised $21,250,000, or 100% of the offering amount. The LLC
ties retained an 8.8% ownership interest in the property. The remaining 91.2% of the property is owned by 24 unaffiliated TICs and a sh
e program as a TIC.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	01/07/05	$ 49,000,000	$ 32,0

s refinanced with a $32,250,000 loan which resulted in net refinance proceeds of $367,000. Triple Net Properties received a financing fe
ibutions of $11,000 which was covered by the prior year s excess cash flow after distributions

C: The offering began December 13, 2004 and ended June 15, 2006. The offering raised $11,805,559, or 59.0% of the offering amount
areholders of Triple Net Properties at the time of the investment. The program acquired 100% of two properties, raw land in the Woods
undivided interest in Chase Tower. The remaining 52.5% is owned by two affiliated programs, NNN Chase Tower, LLC and NNN 200
.

Opportunity Fund VIII, LLC owned interests in the following property:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
100.0%	office	04/18/06	$ 9,400,000	$ 8,750,000
47.5%	office	07/03/06	$ 34,438,000	$ 26,030,000

Opportunity Fund VIII, LLC had sold the following properties:

	Date of Purchase	Date of Sale

9/30/05 03/27/06

vanced $25,000 to the program to cover distributions.

: The offering began December 15, 2004 and ended on March 29, 2005. The offering raised $6,249,917, or 100% of the offering amou

ship interest in the property. The remaining 92.1% of the property is owned by 18 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
s	100.0%	apartment	01/19/05	$ 18,283,000	$ 13

cash flow after distributions and return of capital of $132,000 which represents utilization of investor funded reserves for designated re

C: The offering began December 17, 2004 and ended on March 1, 2005. The offering raised $8,100,000, or 100% of the offering amoun
st in the property. The remaining 93.5% of the property is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	02/24/05	$ 19,410,000	$ 13,9

cash flow after distributions of $306,000 which was covered by the prior year s excess cash flow after distributions.

LLC: The offering began January 31, 2005 and ended on May 23, 2005. The offering raised $15,949,991, or 100% of the offering amo
st in the property. The remaining 94.5% of the property is owned by 30 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	03/30/05	$ 46,775,000	$ 33,750,000

LLC: The offering began February 4, 2005 and ended on April 12, 2005. The offering raised $3,300,000, or 100% of the offering amo
operty is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	04/12/05	$ 9,470,000	$ 6,875,000

cash flow after distributions of $77,000 due in part to payment of thirteen months interest on the mortgage during the year resulting in e
year s excess cash flow after distributions.

The offering began February 17, 2005 and ended on July 15, 2005. The offering raised $35,000,000, or 100% of the offering amount. T
ties retained a 12.9% ownership interest in the property. The remaining 87.1% of the property is owned by 32 unaffiliated TICs and an e

Ownership	Purchase	Purchase	Mortgage Debt

Interest	Type of Property	Date	Price	at Purchase
100.0%	office	04/29/05	$ 95,000,000	$ 70,000,000

offering began February 18, 2005 and ended on May 17, 2005. The offering raised $15,900,000, or 100% of the offering amount. The L

nership interest in the property. The remaining 85.0% of the property is owned by 25 unaffiliated TICs and a shareholder of Triple Net

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	04/08/05	$ 44,880,000	$ 32,0

C: The offering began March 22, 2005 and ended on September 15, 2005. The offering raised $10,400,000, or 100% of the offering amo
est in the property. The remaining 81.0% of the property is owned by 25 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	office	05/02/05	$ 21,000,000	$ 1

it cash flow after distributions of $50,000. The deficit was caused by hurricane clean up expenses totaling $122,000 and was covered by

The offering began March 22, 2005 and ended on August 31, 2006. The offering raised $8,738,000, or 100% of the offering amount. Th
ders of Triple Net Properties at the time of the investment, retained a 11.5% ownership interest in the property. The remaining 88.5% o

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	office	05/02/05	$ 16,200,000	$

of capital and deficit cash flow after distributions of $191,000. The deficit was due in part to hurricane clean up costs of $60,000.

The offering began March 28, 2005 and ended on October 27, 2005. The offering raised $4,350,000, or 100% of the offering amount.
st in the property. The remaining 90.1% of the property is owned by 18 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
ments	100.0%	apartment	06/08/05	$ 14,317,000	$ 11,040

cash flow after distributions and return of capital of $90,000 which represents utilization of investor funded reserves for designated repa

LC: The offering began May 2, 2005 and ended on August 17, 2005. The offering raised $4,520,000, or 100% of the offering amount.
st in the property. The remaining 95.6% of the property is owned by 20 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase

100.0%	office	06/10/05	$	12,950,000	$	9,500,000

xperienced deficit cash flow after distributions and return of capital of $34,000 and $69,000, respectively. In 2006, the deficit was due i
ess payments of $43,000 during the year.

e offering began May 20, 2005 and ended on October 18, 2005. The offering raised $29,899,970, or 100% of the offering amount. The
property. The remaining 88.3% of the property is owned by 27 unaffiliated TICs and an entity controlled by Mr. Thompson investing in

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	(S
100.0%	office	06/20/05	$ 74,148,000	$ 60,000,000	3

cash flow after distributions of $184,000. Most of this deficit was related to the payment of two years property taxes during the year. Th
ns.

he offering began June 3, 2005 and ended on August 8, 2005. The offering raised $10,650,000, or 100% of the offering amount. The LL
operty. The remaining 94.6% of the property is owned by 25 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	07/29/05	$ 26,375,000	$ 19,0

s, DST: The offering began June 17, 2005 and ended on November 16, 2005. The offering raised $23,585,000, or 99.9% of the offering
of the property is owned by 75 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	apartment	07/29/05	$ 54,540,000	$ 35

cash flow after distributions and return of capital of $374,000 which represents utilization of investor funded reserves for designated re

offering began June 22, 2005 and ended on October 21, 2005. The offering raised $12,000,000, or 100% of the offering amount. The LL
operty. The remaining 94.6% of the property is owned by 32 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	08/19/05	$ 37,500,000	$ 28,0

cash flow after distributions of $348,000 which was covered by the prior year s excess cash flow after distributions. The deficit in 200
s payments of $400,000 during the year.

- The offering began June 24, 2005 and ended on November 7, 2005. The offering raised $15,000,000, or 100% of the offering amount

roperties retained a 1.0% ownership interest in the property. The remaining 99.0% of the property is owned by 34 unaffiliated TICs inv

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	09/12/05	$ 44,393,000	$ 32,2

C: The offering began June 29, 2005 and ended on September 9, 2005. The offering raised $11,850,000, or 100% of the offering amou
st in the property. The remaining 98.5% of the property is owned by 33 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	09/09/05	$ 28,474,000	$ 18,810,000

he offering began July 12, 2005 and ended on November 4, 2005. The offering raised $6,600,000, or 100% of the offering amount. The
st in the property. The remaining 97.4% of the property is owned by 20 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	09/13/05	$ 15,500,000	$ 10,3

ring began July 25, 2005 and ended on June 20, 2006. The offering raised $7,000,000, or 100% of the offering amount. The LLC, with
of the investment, retained a 1.3% ownership interest in the property. The remaining 98.7% of the property is owned by 24 unaffiliated

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	09/27/05	$ 17,814,000	$ 12,100,000

cash flow after distributions and return of capital of $89,000 which represents utilization of investor funded reserves for designated repa

LLC: The offering began July 25, 2005 and ended on October 28, 2005. The offering raised $24,650,000, or 100% of the offering amo
st in the property. The remaining 91.7% of the property is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	8 building office park	09/30/05	$ 45,500,000	$ 33,500,0

vanced $200,000 to the program to fund a lender required interest reserve.

The offering began August 5, 2005 and ended on July 31, 2006. The offering raised $50,800,000, or 100% of the offering amount. The I
ble Net Properties at the time of the investment, retained a 14.3% ownership

aining 85.7% of the property is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purch
100.0%	office	09/28/05	$ 173,680,000	$ 136,0

cash flow after distributions of $87,000. The deficit was covered by the prior year s excess cash flow after distributions.

ing began August 16, 2005 and ended on November 1, 2005. The offering raised $20,000,000, or 100% of the offering amount. The LL program. The remaining 80.0% of the property is owned by 10 unaffiliated TICs investing in the program. An affiliated entity, NNN 20 Netpark II, LLC. NNN Netpark, LLC, an affiliated private program, retained a 50% ownership interest in the property.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
50.0%	office	09/30/05	$ 33,500,000	$ 21

it cash flow after distributions of $5,000 representing return of capital.

III, LLC: The offering began August 22, 2005 and ended on October 18, 2005. The offering raised $13,200,000, or 100% of the offerin e Net Properties at the time of the investment, retained a 2.5% ownership interest in the property. The remaining 97.5% of the property

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	09/30/05	$ 45,290,000	$ 35,000,000

II, LLC: The offering began September 1, 2005 and ended on May 11, 2006. The offering raised $21,500,000, or 100% of the offering ship interest in the property. The remaining 93.7% of the property is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	three office buildings	09/30/05	$ 58,610,000	$ 41,000,000

cash flow after distributions of $457,000 and return of capital of $123,000. Part of the deficit cash flow and all the return of capital were ments of $187,000 during the year.

The offering began September 6, 2005 and ended on October 28, 2005. The offering raised $4,400,000, or 100% of the offering amount. st in the property. The remaining 98.0% of the property is owned by 23 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	apartment	10/28/05	$ 11,330,000	$ 9,100,0

cash flow after distributions and return of capital of $19,000 which represents utilization of investor funded reserves for designated repa

: The offering began September 7, 2005 and ended on November 29, 2005. The offering raised $9,800,000, or 100% of the offering am
iple Net Properties retained a 5.8% ownership interest in the property. The remaining 94.2% of the property is owned by 27 unaffiliated

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mort at P
100.0%	office	10/20/05	$ 22,660,000	$

cash flow after distributions of $551,000 which was covered in the amount of $523,000 by the prior year s excess cash flow after distri

, LLC: The offering began September 13, 2005 and ended on September 14, 2006. The offering raised $28,450,000, or 100% of the of
holder of Triple Net Properties at the time of the investment, retained a 8.1% ownership interest in the property. The remaining 91.9% o

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	four office buildings	10/14/05	$ 82,989,000	$ 60,000,400

fering began September 21, 2005 and ended on April 5, 2006. The offering raised $18,400,000, or 100% of the offering amount. The LL
at the time of the investment, retained a 2.4% ownership interest in the property. The remaining 97.6% of the property is owned by 32 u

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	11/15/05	$ 33,280,000	$ 19

vanced $175,000 to the program which had return of capital of $296,000 and deficit cash flow after distributions of $439,000.

offering began September 29, 2005 and ended on September 26, 2006. The offering raised $41,500,000, or 100% of the offering amoun
f Triple Net Properties at the time of the investment, retained a 2.9% ownership interest in the property. The remaining 97.1% of the pr
perties as TICs, investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq F
100.0%	office	12/14/05	$ 100,525,000	$ 72,000,000	298,0

f capital and deficit cash flow after distributions of $106,000.

The offering began September 30, 2005 and ended on December 15, 2005. The offering raised $8,100,000, or 100% of the offering amo
o were shareholders of Triple Net Properties at the time of the investment

4.4% ownership interest in the property. The remaining 95.6% of the property is owned by 29 unaffiliated TICs investing in the progra

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	11/09/05	$ 20,850,000	$ 15,300,000

offering began October 12, 2005 and ended on March 30, 2006. The offering raised $34,000,000, or 100% of the offering amount. The
ties at the time of the investment, retained a 12.1% ownership interest in the property. The remaining 87.9% of the property is owned by

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	12/09/05	$ 92,280,000	$ 67,5

The offering began October 13, 2005 and ended on November 30, 2005. The offering raised $28,800,000, or 100% of the offering amo
st in the property. The remaining 98.7% of the property is owned by 32 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	11/30/05	$ 79,750,000	$ 58,000,0

cash flow after distributions of $506,000 which were covered by the prior year s excess cash flow after distributions.

ring began October 21, 2005 and ended on January 19, 2006. The offering raised $28,800,000, or 100% of the offering amount. The pro

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	01/19/06	$ 23,391,000	$ 16,925,000

cash flow after distributions and return of capital of $44,000 which represents utilization of investor funded reserves for designated repa

LC: The offering began October 25, 2005 and ended on August 4, 2006. The offering raised $13,200,000, or 100% of the offering amo
e Net Properties at the time of the investment, members retained a 3.0% ownership interest in the property. The remaining 97.0% of the

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	office	11/23/05	$ 32,875,000	$ 24,000

it cash flow after distributions of $37,000 due to payment of 13 months interest on the mortgage during the year resulting in excess cash
ss cash flow after distributions.

offering began November 9, 2005 and ended on October 31, 2006. The offering raised $12,393,000, or 99.9% of the offering amount o
iple Net Properties at the time of the investment, retained a 3.4% ownership

aining 96.6% of the property is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	01/10/06	$ 33,500,000	$ 24,225,0

offering began November 14, 2005 and ended on May 9, 2006. The offering raised $8,840,000, or 100% of the offering amount. The L
y. The remaining 99.4% of the property is owned by 32 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	01/03/06	$ 23,816,000	$ 17,000,000

cash flow after distributions and return of capital of $51,000 which represents utilization of investor funded reserves for designated repa

ering began November 23, 2005 and ended on December 15, 2006. The offering raised $26,500,000, or 100% of the offering amount. T
es at the time of the investment, retained a 4.8% ownership interest in the property. The remaining 95.2% of the property is owned by 3

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	12/27/05	$ 66,500,000	$ 58

The offering began November 29, 2005 and ended on February 1, 2006. The offering raised $5,100,000, or 100% of the offering amou

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	apartment	12/30/05	$ 13,236,000	$ 9,700

cash flow after distributions and return of capital of $98,000 which represents utilization of investor funded reserves for designated repa

The offering began December 16, 2005 and ended on March 30, 2006. The offering raised $47,800,000, or 100% of the offering amoun
f Triple Net Properties at the time of the investment, retained a 11.1% ownership interest in the property. The remaining 88.9% of the p

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	02/21/06	$ 157,384,000	$ 132,000,000

ffering began December 22, 2005 and ended on May 9, 2006. The offering raised $22,450,000, or 100% of the offering amount. The LI

at the time of the investment, retained a 4.8% ownership interest in the property. The remaining 95.2% of the property is owned by 34 u

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	02/09/06	$ 66,600,000	$ 50,000,0

: The offering began January 19, 2006 and ended on May 23, 2006. The offering raised $10,525,000, or 100% of the offering amount.
y. The remaining 98.4% of the property is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	apartment	03/15/06	$ 28,400,000	$ 21,300,0

cash flow after distributions and return of capital of $143,000 which represents utilization of investor funded reserves for designated re

The offering began February 3, 2006 and ended on March 31, 2006. The offering raised $7,000,000, or 100% of the offering amount. T
roperties at the time of the investment, retained a 1.5% ownership interest in the property. The remaining 98.5% of the property is owne

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
ation	100.0%	apartment	03/17/06	$ 19,032,000	$ 13,725,000

cash flow after distributions and return of capital of $63,000 which represents utilization of investor funded reserves for designated repa

LLC: The offering began February 6, 2006 and ended on December 1, 2006. The offering raised $33,150,000, or 100% of the offering
e Net Properties at the time of the investment, retained a 6.4% ownership interest in the property. The remaining 93.6% of the property

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	office	04/28/06	$ 71,195,000	$ 51,180

of capital and deficit cash flow of $661,000.

LC: The offering began March 10, 2006 and ended on May 1, 2006. The offering raised $6,000,000, or 100% of the offering amount. T

Ownership	Purchase	Purchase	Mortgage Debt	GLA

Interest	Type of Property	Date	Price	at Purchase	(Sq F
100.0%	apartment	05/01/06	$ 15,192,000	$ 11,063,000	125,(

of capital and deficit cash flow after distributions of $71,000 and Triple Net Properties advanced $30,000 to the program.

fering began March 22, 2006 and ended on September 18, 2006. The offering raised $8,250,000, or 100% of the offering amount. The L

y. The remaining 98.6% of the property is owned by 29 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	05/18/06	$ 19,799,000	$ 14,830,000

of capital and deficit cash flow after distributions of $238,000.

offering began April 3, 2006 and ended on July 25, 2006. The offering raised $11,050,000, or 100% of the offering amount. The LLC, w
ne of the investment, retained a 12.0% ownership interest in the property. The remaining 88.0% of the property is owned by 17 unaffilia

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
a) 100.0%	office	05/18/06	$ 36,875,000	$ 28,100,000

he offering began May 2, 2006 and ended on October 4, 2006. The offering raised $7,967,000, or 100% of the offering amount. The LL
at the time of the investment, retained a 1.1% ownership interest in the property. The remaining 98.9% of the property is owned by 28 u

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	07/06/06	$ 20,497,000	$ 14,925,000

C: The offering began May 5, 2006 and ended on July 21, 2006. The offering raised $15,400,000, or 100% of the offering amount. The
y. The remaining 92.9% of the property is owned by 32 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/27/06	$ 44,148,000	$ 32,000,000

The offering began May 10, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $30,250,000

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	07/07/06	$ 74,250,000	$ 50,750,000

ffering began May 22, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $5,715,000.

Interest Ownership	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
26.8%	office	07/03/06	$ 19,430,000	$ 14,686,000

The offering began May 25, 2006 and ended on September 14, 2006. The offering raised $20,760,000, or 100% of the offering amoun

roperty. The remaining 90.3% of the property is owned by 26 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/29/06	$ 100,800,000	$ 84,405,000

offering began June 7, 2006 and ended on October 9, 2006. The offering raised $6,650,000, or 100% of the offering amount. The LLC, at the time of the investment, retained a 1.0% ownership interest in the property. The remaining 99.0% of the property is owned by 20 u

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	08/08/06	$ 15,553,000	$ 11,325,000

of capital and deficit cash flow after distributions of $4,000, due primarily to interest on advances paid to Triple Net Properties.

: The offering began June 28, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $3,050,0

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	09/01/06	$ 8,000,000	$ 6,000,000

, LLC: The offering began July 18, 2006 and ended on November 27, 2006. The offering raised $11,450,000, or 100% of the offering a e Net Properties at the time of the investment, retained a 1.0% ownership interest in the property. The remaining 99.0% of the property

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	09/08/06	$ 26,008,000	$ 18,938,000

The offering began July 19, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $17,000,000

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	08/18/06	$ 38,368,000	$ 32,000,000

ffering began July 25, 2006 and ended on December 21, 2006. The offering raised $5,900,000, or 100% of the offering amount. The LL y. The remaining 93.2% of the property is owned by 29 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	three office buildings	11/15/06	$ 13,390,000	$ 10,090,0

s, LLC: The offering began August 1, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $5

The offering began August 21, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $41,250,0

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	10/25/06	$ 92,756,000	$ 65,000,000

The offering began August 22, 2006 and ended on November 28, 2006. The offering raised $7,000,000, or 100% of the offering amou roperty. The remaining 96.9% of the property is owned by 29 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	10/27/06	$ 17,450,000	$ 13,350,000

he offering began August 28, 2006 and ended on December 7, 2006. The offering raised $4,650,000, or 100% of the offering amount. T es at the time of the investment, retained a 1.4% ownership interest in the property. The remaining 98.6% of the property is owned by 1

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase
100.0%	office	10/13/06	$ 12,020,000	$ 8,600,0

The offering began September 1, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $5,650

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	10/12/06	$ 14,420,000	$ 10,500,000

ing began September 8, 2006 and ended on November 29, 2006. The offering raised $8,350,000, or 100% of the offering amount. The I y. The remaining 88.4% of the property is owned by 23 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	11/29/06	$ 20,800,000	$ 15,125,000

LC: The offering began September 19, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $

Ownership		Purchase	Purchase	Mortgage Debt

Interest	Type of Property	Date	Price	at Purchase
100.0%	apartment	11/17/06	$ 11,845,000	$ 8,625,000

ering began September 25, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $5,540,000.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/08/06	$ 10,970,000	$ 8,200,000

The offering began October 3, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $5,400,

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	retail	11/30/06	$ 15,400,000	$ 11,250,000

offering began October 31, 2006 and ended on December 15, 2006. The offering raised $8,800,000, or 100% of the offering amount. T
y. The remaining 97.3% of the property is owned by 24 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/15/06	$ 22,500,000	$ 16,425,000

C: The offering began November 2, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $1

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	12/28/06	$ 31,415,000	$ 22,875,000

ing began November 15, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $7,950,000.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/29/06	$ 13,800,000	$ 9,400,000

offering began December 5, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $13,575,00

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/28/06	$ 27,525,000	$ 18,250,000

riple Net Properties

Net Properties, the manager of our advisor, learned that the SEC is conducting an investigation referred to as *In the matter of Triple Ne*
perties relating to disclosure in public and private securities offerings sponsored by Triple Net Properties and its affiliates prior to 2005,
ion from NNN Capital Corp., the dealer manager for the Triple Net securities offerings and the dealer manager for this offering. The SE
Net securities offerings and the disclosures included in the related offering documents from each of Triple Net Properties and NNN Cap
r administrative remedies. Triple Net Properties has informed us that it has cooperated, and will continue to cooperate, fully with the SE
ess. Based on settlement negotiations with the SEC, management of Triple Net Properties has informed us that it believes that the conclu

erations, financial condition or ability to conduct its business. For more information on the risks related to the SEC investigation, see F
ple Net Properties could adversely impact our advisors ability to perform its duties to us.

FEDERAL INCOME TAX CONSIDERATIONS

he material United States federal income tax considerations associated with an investment in our common stock. The statements made in
ternal Revenue Code and Treasury Regulations promulgated thereunder, as currently applicable, currently published administrative pos
er prospectively or retroactively. We cannot assure you that any changes will

essed in our counsel s opinions described herein. This summary does not address all possible tax considerations that may be material to with our stockholders that hold our stock as capital assets within the meaning of section 1221 of the Internal Revenue Code. Moreov you, as a prospective stockholder, in light of your personal circumstances, nor does it deal with particular types of stockholders that are ce companies, holders whose shares are acquired through the exercise of stock options or otherwise as compensation, holders whose sha to sell their shares under the share repurchase plan, tax-exempt organizations except as provided below, financial institutions or broker- of the United States. The Internal Revenue Code provisions governing the federal income tax treatment of REITs and their stockholders ty by the express language of applicable Internal Revenue Code provisions, Treasury Regulations promulgated thereunder and administ

ockholder, to consult your own tax advisor regarding the specific tax consequences to you of a purchase of shares, ownership and se Federal, state, local, foreign and other tax consequences of such purchase, ownership, sale and election and of potential changes in a

s a REIT commencing with the year ending December 31, 2007. Alston & Bird LLP has delivered an opinion to us that, commencing w nformity with the requirements for qualification as a REIT under the Internal Revenue Code, and our proposed method of operation will a REIT under the Internal Revenue Code.

opinion of counsel is not binding upon the IRS or any court. The opinion of Alston & Bird LLP described above will be based on vario ade by us as to factual matters, including representations regarding the intended nature of our properties and the future conduct of our b EIT depends upon our ability to meet on a continuing basis, through actual annual operating results, the qualification tests set forth in th w our compliance with those tests on a continuing basis. Accordingly, our actual results of operation for any particular taxable year ma ences of our failure to meet these qualification requirements, see Failure to Qualify as a REIT.

lthcare REIT

IT, we generally will not be subject to federal corporate income taxes on that portion of our ordinary income or capital gain that we dis al Revenue Code, generally allow a REIT to deduct distributions paid to its stockholders. This substantially eliminates the federal dou evel) that usually results from an investment in the stock of a corporation. Even if we qualify for taxation as a REIT, however, we will b

regular corporate rates on our undistributed REIT taxable income, including undistributed net capital gains.

stances, we may be subject to alternative minimum tax.

me from the sale or other disposition of foreclosure property (which is described below) that is held primarily for the ordinary course of business or other non-qualifying income from foreclosure property, we will be subject to rporate rate on that income.

me from prohibited transactions (which are described below), the income will be subject to a 100% tax.

either of the 75% or 95% gross income tests (which are discussed below) but have nonetheless maintained our EIT because certain conditions have been met, we will be subject to a 100% tax on an amount equal to the greater hich we fail the 75% or 95% test multiplied by a fraction calculated to reflect our profitability.

he REIT asset tests and continue to qualify as a REIT because we meet other requirements, we will have to pay a ter of $50,000 or the highest corporate income tax rate multiplied by the net income generated by the ts during the time we failed to satisfy the asset tests; if we fail to satisfy other REIT requirements (other than the set tests), and continue to qualify as a REIT because we meet other requirements, we will have to pay $50,000 for

te during each year at least the sum of (i) 85% of our REIT ordinary income for the year, (ii) 95% of our REIT me for such year and (iii) any undistributed taxable income from prior periods, we will be subject to a 4% excise the required distribution over the amounts actually distributed.

ain and pay tax on our net long-term capital gain. In that case, a United States stockholder would be taxed on its of our undistributed long-term capital gain and would receive a credit or refund for its proportionate share of the

set from a C corporation (i.e., a corporation generally subject to corporate-level tax) in a transaction in which our determined by reference to the basis of the asset (or any other property) in the hands of the C corporation and we ize gain on the disposition of the asset during the 10 year period beginning on the date on which we acquired the of the gain may be subject to tax at the highest regular corporate rate, unless the C corporation made an election to were sold for its fair market value at the time of our acquisition. We refer to this tax as the Built-in Gains Tax.

ubsidiaries will be subject to federal and state income tax on their taxable incomes. Several provisions regarding tween a REIT and its taxable REIT subsidiaries ensure that a taxable REIT subsidiary will be subject to an federal income taxation. For example, the Internal Revenue Code limits the ability of our taxable REIT subsidiary yments in excess of a certain amount made to us. In addition, we must pay a 100% tax on some payments that we certain expenses deducted by, the taxable REIT subsidiary if the economic arrangements between us, our tenants T subsidiary are not comparable to similar arrangements among unrelated parties. In the event that we have taxable the future, it is possible that those subsidiaries may make interest and other payments to us and to third parties in vities related to our properties. We cannot assure you that our taxable REIT subsidiaries will not be limited in their erest payments made to us. In addition, we cannot assure you that the IRS might not seek to impose the 100% tax ed by taxable REIT subsidiaries for tenants of ours, or on a portion of the payments received by us from, or y, our taxable REIT subsidiaries.

generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers ld primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surr o that no asset we own, directly or through any subsidiary entities other than taxable REIT subsidiaries, will be held for sale to custome ly with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. However, no assurance can be g

y entities other than taxable REIT subsidiaries, will not be treated as property held for sale to customers or that we can comply with thos

roperty and any personal property incident to such real property (1) that is acquired by a REIT as the result of the REIT having bid in th
n of the property by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or on a m
an or lease of which was acquired by the REIT at a time when default was not imminent or anticipated and (3) for which such REIT ma
erally are subject to tax at the maximum corporate rate on any net income from foreclosure property, including any gain from the dispos
qualifying income for purposes of the 75% gross income test, which is described below. Any gain from the sale of property for which a
ax on gains from prohibited transactions described above, even if the property would otherwise constitute property held primarily for sa
not anticipate that we will receive any income from foreclosure property that is not qualifying income for purposes of the 75% gross in
eve will give rise to such income, we intend to make an election to treat the related property as foreclosure property.

n as a REIT

IT, we must meet and continue to meet the requirements discussed below relating to our organization, sources of income, nature of asse

es a REIT as a corporation, trust or association:

more trustees or directors;

hich is evidenced by transferable shares or by transferable certificates of beneficial interest;

domestic corporation but for sections 856 through 859 of the Internal Revenue Code;

stitution nor an insurance company subject to certain provisions of the Internal Revenue Code;

hich is held by 100 or more persons;

f the outstanding stock of which is owned, directly or indirectly, by or for five or fewer individuals (as defined in the Internal Revenue

e a REIT (or has made such election for a previous taxable year which has not been revoked or terminated) and satisfies all relevant filin
be met to elect and maintain REIT status;

as its taxable year; and

ts, described below, regarding the nature of its income and assets and the amount of its distributions.

ides that conditions (1) through (4), inclusive, must be met during the entire taxable year, that condition (5) must be met during at least
axable year of less than 12 months, and that condition (6) must be met during the last half of each taxable year. For purposes of the sixth
n Section 401(a) of the Internal Revenue Code, and not the pension or profit-sharing

ockholders. We will be treated as having met condition (6) above for a taxable year if we complied with certain Treasury Regulations fo (or after the exercise of reasonable diligence would not have known) that our stock was sufficiently closely held during such year to ca ly to a REIT until the second calendar year in which the REIT qualifies as such.

tain restrictions regarding ownership and transfer of shares of our stock that are intended to assist us in continuing to satisfy the share ow apital Stock Restriction on Ownership of Shares.

described herein, any corporation that is a qualified REIT subsidiary of ours will not be treated as a corporation separate from us, and a fied REIT subsidiaries will be treated as our assets, liabilities and items of income, deduction and credit. A qualified REIT subsidiary is nder Operational Requirements Asset Tests), all of the capital stock of which is owned by a REIT.

rtner in an entity treated as a partnership for federal income tax purposes, the REIT is treated as owning its proportionate share of the as me of the partnership for purposes of the requirements described herein. In addition, the character of the assets and gross income of the p es of the REIT requirements, including the asset and income tests described below. As a result, our proportionate share of the assets, lia nership, joint venture, limited liability company or other entity treated as a partnership for federal tax purposes in which we or our opera d items of income.

oss Income Tests

a REIT, we must satisfy annually two gross income requirements.

gross income, excluding gross income from prohibited transactions, for each taxable year must be derived directly vestments relating to real property or mortgages on real property (including rents from real property and interest n mortgage loans secured by real property) and from other specified sources, including qualified temporary as described below. This is the 75% Gross Income Test.

gross income, excluding gross income from prohibited transactions, for each taxable year must be derived from estments described above in the 75% Gross Income Test and generally from dividends and interest and gains from on of stock or securities or from any combination of the foregoing. This is the 95% Gross Income Test.

alify as rents from real property for purposes of satisfying the gross income requirements for a REIT only if several conditions are m

received from a tenant must not be based in whole or in part on the income or profits of any person; however, an accrued generally will not be excluded from the term rents from real property solely by reason of being based on a percentages of gross receipts or sales;

e nor an owner of 10% or more of our stock may directly or constructively own 10% or more of a tenant or a ant (in which case only rent attributable to the subtenant is disqualified);

personal property leased in connection with a lease of real property cannot be greater than 15% of the total rent ease, as determined based on the average of the fair market values as of the beginning and end of the taxable

ot operate or manage the property or furnish or render services to tenants, other than (i) through an independent adequately compensated and from whom we do not derive any income or (ii) through a taxable REIT subsidiary. ay provide services with respect to its properties, and the income derived therefrom will qualify as rents from real vices are usually or customarily rendered in connection with the rental of space only and are not otherwise d to the occupant. Even if the services provided by us with respect to a property are impermissible tenant services, therefrom will qualify as rents from real property if such income does not exceed 1% of all amounts received or t to that property. For this purpose, such services may not be valued at less than 150% of our direct cost of es, and any gross income deemed to have been derived by us from the performance of noncustomary services le minimis exception will constitute nonqualifying gross income under the 75% and 95% gross income tests. In e REIT subsidiaries may perform some impermissible tenant services without causing us to receive impermissible me under the REIT income tests. However, several provisions regarding the arrangements between a REIT and its diaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For l Revenue Code limits the ability of our taxable REIT subsidiary to deduct interest payments in excess of a certain In addition, we must pay a 100% tax on some payments that we receive from, or on certain expenses deducted by, bsidiary if the economic arrangements between us, our tenants and the taxable REIT subsidiary are not comparable ents among unrelated parties. In the event that we have taxable REIT subsidiaries in the future, it is possible that ay make interest and other payments to us and to third parties in connection with activities related to our ot assure you that our taxable REIT subsidiaries will not be limited in their ability to deduct interest payments ion, we cannot assure you that the IRS might not seek to impose the 100% tax on services performed by taxable or tenants of ours, or on a portion of the payments received by us from, or expenses deducted by, our taxable REIT

Gross Income Tests

ts in real properties, we may invest the net offering proceeds in liquid assets such as government securities or certificates of deposit. Fo debt instrument purchased with the proceeds received by a REIT in exchange for stock in the REIT (other than amounts received pursu nvestment income if such income is received or accrued during the one-year period beginning on the date the REIT receives such new c er than one year, we may invest those amounts in less liquid investments in order to satisfy the 75% Gross Income and the 95% Gross I remainder of our income to qualify under the 75% Gross Income and 95% Gross Income Tests as rents from real property and qualifyi this regard, we anticipate that most of our leases will be for fixed rentals with annual consumer price index or similar adjustments a s of any person. In addition, we do not expect to receive rent from a person of whose stock we (or an owner of 10% or more of our stock t attributable to personal property is not expected to exceed 15% of the total rent to be received under any lease. Finally, we anticipate operties will be performed by our property manager and such services are expected to be those usually or customarily rendered in conne property. However, we can give no assurance that the actual sources of our gross income will allow us to satisfy the 75% Gross Income

tisfy one or both of the 75% Gross Income and the 95% Gross Income Tests for any taxable year, we may still qualify as a REIT for tha
l Revenue Code. These relief provisions generally will be available if:

these tests was due to reasonable cause and not due to willful neglect; and

ification of the failure, we properly disclose such failures to the IRS.

te whether, in all circumstances, we would be entitled to the benefit of these relief provisions. In addition, as discussed above in Taxat
x would be imposed with respect to non-qualifying net income.

set Tests

r taxable year, we also must satisfy several tests, or the Asset Tests, relating to the nature and diversification of our assets.

f the value of our total assets must be represented by real estate assets, cash, cash items (including receivables) and
es. The term real estate assets includes real property, mortgages on real property, shares of stock in other qualified
ibutable to the temporary investment of new capital as described above and a proportionate share of any real estate
artnership in which we are a partner or of any qualified REIT subsidiary of ours.

n 25% of the value of our total assets may be represented by securities other than those described above in the

ments included in the 25% asset class, the value of any one issuer s securities that we own may not exceed 5% of
l assets. Additionally, we may not own more than 10% of the voting power of any one issuer s outstanding
ore, we may not own more than 10% of the total value of any one issuer s outstanding debt and equity securities.
tation will not apply, however, to (1) straight debt securities (discussed below); (2) loans to an individual or an
ntal agreements calling for deferred rents or increasing rents that are subject to section 467 of the Internal Revenue
th a related person ; (4) obligations to pay qualifying rents from real property; (5) securities issued by a state or any
of a state, the District of Columbia, a foreign government, any political subdivision of the foreign government, or
of Puerto Rico, but only if the determinations of any payment received or accrued under the security does not
in part on the profits of any entity; (6) securities issued by another qualifying REIT; and (7) other arrangements
y Regulations (which have not yet been issued or proposed). Additionally, any debt instrument issued by a
be treated as a security if at least 75% of the partnership s gross income (excluding gross income from prohibited
ved from sources meeting the requirements of the 75% Gross Income Test. Any debt instrument issued by a
not be treated as a security to the extent of our interest as a partner in the partnership. Straight debt is generally
is payable on demand or at a date certain where the interest rate and the interest payment dates are not contingent
wer s discretion or similar factors and there is no convertibility, directly or indirectly, into stock of the debtor.
will not fail to be straight debt if it is subject to certain customary or de minimis contingencies. A security issued
partnership will qualify as straight debt only if we or any of our taxable REIT subsidiaries hold no more than 1%
on-qualifying securities of such issuer. Mortgage debt secured by real estate assets constitutes a real estate asset
ute a security for purposes of the foregoing tests. For purposes of this Asset Test and the second Asset Test,
lude the equity or debt securities of a qualified REIT subsidiary of ours or an equity interest in any entity treated as
eral tax purposes. Also, in looking through any partnership to determine our allocable share of any securities
rship for applying solely the 10% value test, our share of the assets of the partnership will correspond not only to
ner in the partnership, but also to our

st in certain debt securities issued by the partnership. The third Asset Test does not apply in respect of a taxable

n 20% of the value of our total assets may consist of the securities of one or more taxable REIT subsidiaries.
xceptions, a taxable REIT subsidiary is any corporation, other than a REIT, in which we directly or indirectly own
ect to which a joint election has been made by us and the corporation to treat the corporation as a taxable REIT
nd also includes any corporation, other than a REIT or a qualified REIT subsidiary, in which a taxable REIT
wns, directly or indirectly, more than 35 percent of the voting power or value.

e met at the close of any quarter in which we acquire securities or other property. Upon full investment of the net offering proceeds, we
e expect to satisfy the Asset Tests.

close of any quarter, we will not lose our REIT status for a failure to satisfy the Asset Tests at the end of a later quarter if such failure o
e Asset Tests results from an acquisition of securities or other property during a quarter, we can cure the failure by disposing of a suffici
arter. We intend to maintain adequate records of the value of our assets to ensure compliance with the Asset Tests and to take other actio
e any noncompliance.

x months to dispose of sufficient assets or otherwise to cure a failure to satisfy the third Asset Test, provided the failure is due to the ow
1% of our assets at the end of the relevant quarter or (2) $10,000,000. For violations of any of the REIT asset tests due to reasonable cau
after the 30 day cure period by taking certain steps, including the disposition of sufficient assets within the six month period described a
000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets during the period of time that t
S that describes the non-qualifying assets.

nual Distribution Requirement

', the Internal Revenue Code requires us to make distributions (other than capital gain distributions) to our stockholders in an amount at
ted without regard to the dividends paid deduction and our net capital gain), and (2) 90% of the net income, if any, from foreclosure pro
(b) the sum of certain items of non-cash income.

taxable year to which they relate. Distributions paid in the subsequent year, however, will be treated as if paid in the prior year for purp
atisfy one of the following two sets of criteria:

ibutions in October, November or December, the distributions are payable to stockholders of record on a specified
, and we actually pay the distributions during January of the subsequent year; or

ibutions before we timely file our federal income tax return for such year, we pay the distributions in the 12-month
close of the prior year and not later than the first regular distribution payment after the declaration, and we elect
ne tax return for the prior year to have a specified amount of the subsequent distribution treated as if paid in the

distribution requirements, we will be subject to tax thereon to the extent that we do not distribute all of our net capital gain or REIT tax
of 85% of our ordinary income for that year, 95% of our capital gain net income for that year, and any undistributed taxable income fro

quired distribution over the amounts actually distributed. Distributions that are declared in October, November or December to stockho in the following January are treated as distributed in the previous December for purposes of the excise tax.

recognition period, we dispose of any asset subject to the built-in gain rules described above, we must distribute at least 90% of the bui

utions sufficient to maintain our REIT status and avoid income and excise taxes; however, it is possible that we may experience timing le expenses, and (2) the inclusion of that income and deduction of those expenses for purposes of computing our taxable income. It is al the sale of depreciated property by our operating partnership that exceeds our allocable share of cash attributable to that sale. In those c tribution requirement or to avoid income or excise taxation on undistributed income. We may find it necessary in those circumstances to in order to meet our distribution requirements. If we fail to satisfy the distribution requirement for any taxable year by reason of a later ons in a later year and include such distributions in our deductions for distributions paid for the earlier year. In that event, we may be e would be required in those circumstances to pay interest to the IRS based upon the amount of any deduction taken for deficiency distr

ct to retain, rather than distribute, our net long-term capital gains. The effect of such an election would be as follows:

ed to pay the federal income tax on these gains;

olders, while required to include their proportionate share of the undistributed long-term capital gains in income, dit or refund for their share of the tax paid by the REIT; and

kholder s shares would be increased by the amount of our undistributed long-term capital gains (minus its of the amount of capital gains tax we pay) included in the stockholder s long-term capital gains.

r more requirements for REIT qualification, other than an asset or income test violation of a type for which relief is otherwise available was due to reasonable cause and not willful neglect, and if we were to pay a penalty of $50,000 for each such failure. It is not possible t f this relief provision.

r any reason in a taxable year and applicable relief provisions do not apply, we will be subject to tax (including any applicable alternati not be able to deduct distributions paid to our stockholders in any year in which we fail to qualify as a REIT. We also will be disqualifie was lost unless we are entitled to relief under specific statutory provisions.

holders

stockholder means a holder of our common stock that for federal income tax purposes is:

of the United States;

er entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of of any political subdivision thereof;

e of which is subject to U.S. federal income taxation regardless of its source; or

t is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the all substantial decisions of the trust.

he tax treatment of a partner will depend on the status of the partner and the activities of the partnership. Partners in partnerships holdin

e qualify for taxation as a REIT, amounts distributed to, and gains realized by, taxable U.S. stockholders with respect to our common st eral income tax treatment of dividends reinvested in additional shares of our common stock pursuant to our distribution reinvestment pl

ef Reconciliation Act of 2003, as extended by the Tax Increase Prevention and Reconciliation Act of 2005, certain qualified dividend i 03 through 2010 is subject to tax at the same tax rates as long-term capital gain (generally, under the new legislation, a maximum rate of generally are not eligible for these reduced tax rates and, therefore, will continue to be subject to tax at ordinary income rates, subject to from a REIT may be treated as qualified dividend income eligible for the reduced tax rates to the extent that the REIT itself has rece IT subsidiaries) in which the REIT has invested. Under the second exception, distributions paid by a REIT in a taxable year may be trea e excess of the REIT s REIT taxable income for the preceding taxable year over the corporate-level federal income tax payable by t ome that was subject to the Built-in Gains Tax in the preceding taxable year over the tax payable by the REIT on such income for such our taxable U.S. stockholders out of current or accumulated earnings and profits (and not designated as capital gain distributions) will b n-corporate stockholders, to the limited extent that we are treated as receiving qualified dividend income. In addition, as long as we eceived deduction for any distributions received from us.

ribution in excess of our current and accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital he amount of each distribution in excess of a U.S. stockholder s tax basis in its shares will be taxable as gain realized from the sale of it r of any year payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and receive ay the distribution during January of the following calendar year. U.S. stockholders may not include any of our losses on their own fede

icient earnings and profits to treat as a dividend any distribution by us up to the amount required to be distributed in order to avoid impo
bution will be treated as an ordinary or capital gain dividend, as the case may be, regardless of our earnings and profits. As a result, st
herwise result in a tax-free return of capital.

s that we properly designate as capital gain distributions normally will be treated as long-term capital gains, to the extent they do not ex
e period for which the U.S. stockholder has held his or her stock. A corporate U.S. stockholder, however, may be required to treat up to
ents for Qualification as a REIT Operational Requirements Annual Distribution Requirement for the treatment by U.S. stockhold

ment Interest Limitations

ou realize from a disposition of our common stock will not be treated as passive activity income, and stockholders may not be able to ut
rns. Our distributions (to the extent they do not constitute a return of capital) will generally be treated as investment income for purpose
ain from a disposition of shares and capital gain distributions generally will be included in investment income for purposes of the inves
which case those capital gains will be taxed as ordinary income.

mmon Shares

zed upon a taxable disposition of our common stock by a U.S. stockholder who is not a dealer in securities will be treated as long-term c
d as short-term capital gain or loss if the shares have been held for 12 months or less. If, however, a U.S. stockholder has included in inc
alized upon a taxable disposition of shares held for six months or less, to the extent of the capital gains distributions included in income

for cash will be treated as a distribution that is taxable as a dividend to the extent of our current or accumulated earnings and profits at th
less the redemption (a) results in a complete termination of the stockholder s interest in us under section 302(b)(3) of the Internal Re
nder section 302(b)(2) of the Internal Revenue Code, or (c) is not essentially equivalent to a dividend with respect to the stockholder
f the Internal Revenue Code a redemption is considered substantially disproportionate if the percentage of the voting stock of the cor
eighty percent of the percentage of the voting stock of the corporation owned by such stockholder immediately before the redemption. I
sidered to be owned by a stockholder by reason of certain constructive ownership rules set forth in section 318 of the Internal Revenue C
A distribution to a stockholder will be not essentially equivalent to a dividend if it results in a meaningful reduction in the stockho
ch results in a reduction in the proportionate interest in a corporation (taking into account section 318 constructive ownership rules) of a
1% should satisfy this requirement) and who exercises no control over the corporation s affairs should be treated as being not essentia

s a dividend, the redemption of common stock for cash will result in taxable gain or loss equal to the difference between the amount of
n or loss would be capital gain or loss if the common stock were held as a capital asset and would be long-term capital gain or loss if th

nents and Backup Withholding for U.S. Stockholders

ers and to the IRS the amount of distributions made or deemed made during each calendar year and the amount of tax withheld, if any. U
lding on payments made with respect to, or cash proceeds of a sale or exchange of, our common stock. Backup withholding will apply

xpayer identification number (which, for an individual, would be his or her social security number);

ct taxpayer identification number;

S that the stockholder has failed properly to report payments of interest or dividends; or

stances, fails to certify, under penalties of perjury, that it has furnished a correct taxpayer identification number
tified by the IRS that the stockholder is subject to backup withholding for failure to report interest and dividend
n notified by the IRS that the stockholder is no longer subject to backup withholding for failure to report those

ly with respect to payments made to some stockholders, such as corporations and tax-exempt organizations. Backup withholding is not
to a payment to a U.S. stockholder will be allowed as a credit against the U.S. stockholder s United States federal income tax liability
d information is furnished to the IRS. U.S. stockholders should consult their own tax advisors regarding their qualification for exemptio

ckholders

empt employee pension trust or other domestic tax-exempt stockholder generally will not constitute unrelated business taxable income
tock or has used the shares in a trade or business.

olders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group leg
), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code, respectively, income from an investment such as ours will constitute UBTI u
ses specified in the Internal Revenue Code. These tax-exempt stockholders should consult their own tax advisors concerning these set

an 10% (by value) of the shares of pension-held REITs may be required to treat a certain percentage of such a REIT s distributions
ch for federal income tax purposes but for the application of a look-through exception to the five or fewer requirement applicable to
ed trusts. A REIT is predominantly held if either at least one qualified trust holds more than 25% by value of the REIT interests or quali
s in the aggregate more than 50% of the REIT interests. The percentage of any REIT distribution treated as UBTI is equal to the ratio of
trust and therefore subject to tax on UBTI) to (b) the total gross income (less certain associated expenses) of the REIT. In the event tha

as having received UBTI as a result of the REIT distribution. For these purposes, a qualified trust is any trust described in Section 401(the Internal Revenue Code.

al written statements from the record holders of designated percentages of our common stock disclosing the actual owners of the shares required information concerning actual ownership of the shares is required to include specified information relating to his or her shares ternal Revenue District in which we are required to file our federal income tax return, permanent records showing the information we h hose persons failing or refusing to comply with our demand.

es we may form may be subject to state and local tax in states and localities in which we or they do business or own property. Our tax tr ing subsidiaries, joint ventures or other arrangements we or our operating partnership may form or enter into and the tax treatment of th federal income tax treatment described above. Consequently, prospective stockholders should consult their own tax advisors regarding .

Our Operating Partnership

rizes certain federal income tax considerations applicable to our investment in our operating partnership. The discussion does not cover

our income a distributive share of our operating partnership s income and to deduct our distributive share of our operating partnership purposes as a partnership, rather than as a corporation or an association taxable as a corporation. Under applicable Treasury Regulations with at least two members may elect to be classified either as an association taxable as a corporation or as a partnership. If the entity fails l income tax purposes. Our operating partnership intends to be classified as a partnership for federal income tax purposes and will not e e-Box-Regulations.

ership will not elect to be treated as an association for federal income tax purposes, it may be taxed as a corporation if it is deemed to be p whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivale a publicly traded partnership will not be treated as a corporation for federal income tax purposes if at least 90% of the partnership s gro on 7704(d) of the Internal Revenue Code. Qualifying income generally includes any income that is qualifying income for purposes of th being treated as a publicly traded partnership as the Passive-Type Income Exemption. See Requirements for Qualification as a REIT

ations, or the PTP Regulations, limited safe harbors from the definition of a publicly traded partnership are provided. Pursuant to one o hip will not be treated as readily tradable on a secondary market or the

1) all interests in the partnership were issued in a transaction (or transactions) that were not required to be registered under the Securitie
at any time during the partnership s taxable year. In determining the number of partners in a partnership, a person owning an interest in
rporation) that owns an interest in the partnership is treated as a partner in such partnership only if (a) substantially all of the value of the
ntity s direct or indirect interest in the partnership and (b) a principal purpose of the use of the flow-through entity is to permit the part
tly qualifies for the Private Placement Exclusion. Even if our operating partnership were considered a publicly traded partnership under
our operating partnership should not be treated as a corporation because it should be eligible for the 90% Passive-Type Income Exceptio

ot intend to request, a ruling from the IRS that our operating partnership will be classified as a partnership for federal income tax purpos
poration, rather than a partnership, for federal income tax purposes, we would not be able to qualify as a REIT. See Requirements fo
ests and Requirements for Qualification as a REIT Operational Requirements Asset Tests. In addition, any change in our opera
ch case we might incur a tax liability without any related cash distribution. Further, items of income and deduction of our operating part
e treated as stockholders for tax purposes. Our operating partnership would be required to pay income tax at corporate tax rates on its n
would not be deductible in computing our operating partnership s taxable income.

ing Partnership and Its Partners

ct to Tax. A partnership is not a taxable entity for federal income tax purposes. As a partner in our operating partnership, we will be rec
come, gains, losses, deductions, and credits for any taxable year of our operating partnership ending within or with our taxable year, wi
m our operating partnership.

gh a partnership agreement generally determines the allocation of income and losses among partners, such allocations will be disregarde
y do not have substantial economic effect. If an allocation is not recognized for federal income tax purposes, the item subject to the a
nership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the
ns of taxable income and loss are intended to comply with the requirements of section 704(b) of the Internal Revenue Code and the Tre

Contributed Properties. Pursuant to section 704(c) of the Internal Revenue Code, income, gain, loss, and deduction attributable to appr
change for an interest in the partnership must be allocated for federal income tax purposes in a manner such that the contributor is charg
the property at the time of the contribution. The amount of unrealized gain or unrealized loss is generally equal to the difference betwe
on and the adjusted tax basis of such property at the time of contribution. Under applicable Treasury Regulations, partnerships are requi
f the Internal Revenue Code and several reasonable allocation methods are described therein.

, depreciation or amortization deductions of our operating partnership generally will be allocated among the partners in accordance with

ating partnership is required under section 704(c) of the Internal Revenue Code to use a different method for allocating depreciation dec
ss on the sale of a property that has been contributed to our operating partnership will be specially allocated to the contributing partner t
for federal income tax purposes. It is possible that we may (1) be allocated lower amounts of depreciation deductions for tax purposes w
such property were to have a tax basis equal to its fair market value at the time of contribution, and (2) be allocated taxable gain in the e
allocated to us as a result of such sale. These allocations may cause us to recognize taxable income in excess of cash proceeds received
distribution requirements, although we do not anticipate that this event will occur. The foregoing principles also will affect the calculati
stributions that are taxable as a dividend. The allocations described in this paragraph may result in a higher portion of our distributions
properties for cash.

he adjusted tax basis of our partnership interest in our operating partnership generally will be equal to (1) the amount of cash and the bas
ncreased by (A) our allocable share of our operating partnership s income and (B) our allocable share of indebtedness of our operating
of our operating partnership s loss and (B) the amount of cash distributed to us, including constructive cash distributions resulting from
cation of our distributive share of our operating partnership s loss would reduce the adjusted tax basis of our partnership interest in our
ferred until such time as the recognition of the loss would not reduce our adjusted tax basis below zero. If a distribution from our operat
lities would reduce our adjusted tax basis below zero, that distribution, including a constructive distribution, will constitute taxable inco
r constructive distribution would normally be characterized as capital gain, and if our partnership interest in our operating partnership h
ently one year), the distribution would constitute long-term capital gain.

ip s Property. Generally, any gain realized by our operating partnership on the sale of property held for more than one year will be lon
ciation or cost recovery recapture. Our share of any gain realized by our operating partnership on the sale of any property held by our op
o customers in the ordinary course of our operating partnership s trade or business will be treated as income from a prohibited transacti
e or hold or allow our operating partnership to acquire or hold any property that represents inventory or other property held primarily fo
s trade or business.

EMPLOYEE BENEFIT PLAN AND IRA CONSIDERATIONS

ome non-tax considerations associated with an investment in our shares by a Benefit Plan (as defined below). This summary is based on amended, referred to as ERISA, and the Internal Revenue Code, through the date of this prospectus, and relevant regulations, rulings an sure you that there will not be adverse court decisions or legislative, regulatory or administrative changes that would significantly modi transactions entered into prior to the date of their enactment.

ot include a discussion of any laws, regulations or statutes that may apply to investors not covered by ERISA, including, for example, st nnection with the investment of assets of governmental plans, which may have prohibitions that operate similarly to the prohibited trans

e pension benefit plans subject to ERISA (such as profit sharing, section 401(k) and pension plans), other retirement plans and accounts ERISA (such as IRAs), and health and welfare plans subject to ERISA as Benefit Plans. Each fiduciary or other person responsible for ur shares must, taking into account the facts and circumstances of such Benefit Plan, consider, among other matters:

ent is consistent with the applicable provisions of ERISA and the Internal Revenue Code;

acts and circumstances pertaining to the Benefit Plan in question, the fiduciary s responsibility to the plan has been

ent will produce UBTI to the Benefit Plan (see Federal Income Tax Considerations Treatment of Tax-Exempt

fair market value the assets of the Benefit Plan annually; and

f the entity in which the investment is made will be treated as plan assets of the Benefit Plan investor.

ich are subject to ERISA, a plan fiduciary s responsibilities include the following duties:

nterest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as e expenses of plan administration;

prudently;

stments of the plan unless it is clearly prudent not to do so;

iquidity for the plan;

ocument and other instruments governing the plan insofar as such documents and instruments are consistent with

an investment would constitute or give rise to a prohibited transaction under ERISA.

ts of a Benefit Plan subject to ERISA be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, the plan.

on 4975 of the Internal Revenue Code prohibit specified transactions involving the assets of a Benefit Plan. In general, these are transac
fied person with respect to that Benefit Plan. These transactions are prohibited regardless of how beneficial they may be for the Benef
and the lending of money or the extension of credit, between a Benefit Plan and a party in interest or disqualified person. The transfer to
any assets of a Benefit Plan is also prohibited. A fiduciary of a Benefit Plan also is prohibited from engaging in self-dealing, acting for
on for its own account from a party dealing with the plan in a transaction involving plan assets. Furthermore, Section 408 of the Interna
h other property except in a common trust fund or common investment fund.

investment in our shares by Benefit Plans creates or gives rise to the potential for either prohibited transactions or commingling of asse
n our shares by Benefit Plans will cause our assets to be treated as assets of the investing Benefit Plans. Although neither ERISA nor th
nd a U.S. Department of Labor Regulation, referred to collectively as the Plan Asset Rules, provides guidelines as to the circumstanc
a Benefit Plan when the plan invests in that entity. Under the Plan Asset Rules, if a Benefit Plan acquires an equity interest in an entity
tment company registered under the Investment Company Act, the Benefit Plan s assets would include both the equity interest and an u
ption from the Plan Asset Rules applies.

-offered security as a security that is:

; and

lass of securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, or (2) sold in
effective registration statement under the Securities Act of 1933, provided the securities are registered under the
Act of 1934 within 120 days (or such later time as may be allowed by the SEC) after the end of the fiscal year of
ich the offering occurred.

at a security is widely held only if it is part of a class of securities that is owned by 100 or more investors independent of the issuer a
of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer s control. Altho
be widely held, our common stock will not be widely held until we sell shares to 100 or more independent investors.

nsferable depends upon the particular facts and circumstances. For example, our shares are subject to certain restrictions on transferabi
atment as a REIT. The Plan Asset Rules provide, however, that where the minimum investment in a public offering of securities is $10,
n a termination or reclassification of the entity for state or federal tax purposes will not ordinarily affect a determination that such secur
han $10,000; thus, the restrictions imposed upon shares in order to maintain our status as a REIT should not cause the shares to be deem

being sold in connection with an effective registration statement under the Securities Act of 1933. We expect to be exempt from registra
Investment Objectives, Strategy and Criteria Investment Company Act Considerations.

haracterized as plan assets of Benefit Plan investors that own shares of our common stock, one exception in the Plan Asset Rules pro
n entity in which the Benefit Plan invests if equity participation in the entity by benefit plan investors is not significant. Equity pa
or more of the value of any class of equity interests in the entity is held by such benefit plan investors. The terms benefit plan investor
plans described in Section 4975(c)(i) of the Internal Revenue Code, and (iii) certain entities or funds whose underlying assets are consi
s described in clause (i) and (ii).

with discretionary authority or control with respect to the assets of the entity, and equity interests held by a person who provides invest
iate of any such person (other than a benefit plan investor), are disregarded for purposes of determining whether equity participation by
of ownership test applies at the time of an acquisition by any person of the equity interests. In addition, an advisory opinion of the Dep
by an investor constitutes the acquisition of an equity interest by the remaining investors (through an increase in their percentage owner
cessitates the testing of whether the 25% limitation has been exceeded at the time of a redemption of interests in the entity.

plan investors from owning, directly or indirectly, in the aggregate, 25% or more of our common stock prior to the date that either our c
for another exemption in the Plan Asset Rules other than the 25% limitation. In addition, the charter also provides that we have the pow
ets under the Plan Asset Rules, including the right to redeem shares and to refuse to give effect to a transfer of shares. While we do no
ance that such power will not be exercised. Based on the foregoing, we believe that our assets should not be deemed to be plan assets

ssets were treated by the Department of Labor as the assets of investing Benefit Plans, our management would be treated as fiduciaries
might constitute an inappropriate delegation of fiduciary responsibility to our advisor and expose the fiduciary of the Benefit Plan to co-
ciary duties mandated under ERISA. Further, if our assets are deemed to be plan assets, an investment by an IRA in our shares might
other property.

ets are deemed to be the assets of each benefit plan investor, the prohibited transaction restrictions of ERISA and the Internal Revenue C
ctions would, for example, require that we avoid transactions with entities that are affiliated with us or our advisor and its or any other f
to the benefit plan investors unless such transactions otherwise were exempt, statutorily or administratively, from the prohibitions of E

o occur, the Internal Revenue Code imposes an excise tax equal to 15% of the amount involved and authorizes the IRS to impose an add
a timely manner. These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, c
who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities, or a non-fiduciary participa

ofits they realized as a result of the transaction or breach, and make whole the Benefit Plan for any losses incurred as a result of the tran
he IRS, ERISA provides that the Secretary of the Department of Labor may impose civil penalties, which largely parallel the foregoing
a prohibited transactions. With respect to an IRA that invests in our shares, the occurrence of a prohibited transaction involving the indi
A to lose its tax-exempt status under Section 408(e)(2) of the Internal Revenue Code, and such individual would be taxable on the deeme

sets are characterized as plan assets under the Plan Asset Rules, a prohibited transaction could occur if we, our advisor, any selected
(21) of ERISA) with respect to any Benefit Plan purchasing our common stock. Accordingly, unless an administrative or statutory exem
respect to which any of the above persons is a fiduciary. A person is a fiduciary with respect to a Benefit Plan under Section 3(21) of E
with respect to plan assets or provides investment advice for a direct or indirect fee with respect to plan assets or has any authorit
hall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares and that p
mutual agreement or understanding (written or otherwise) (1) that the advice will serve as the primary basis for investment decisions, a
particular needs.

g an investment in shares of our common stock that is, or is acting on behalf of, a Benefit Plan is strongly urged to consult its own lega
SA, the Internal Revenue Code and any applicable similar laws.

DESCRIPTION OF CAPITAL STOCK

of the State of Maryland. The rights of our stockholders are governed by Maryland law as well as our charter and bylaws. The following
ns concerning our stock and you should refer to the Maryland General Corporation Law and our charter and bylaws for a full descriptio
rmation contained in our charter and bylaws. Copies of our charter and bylaws are filed as exhibits to the registration statement of whic
and every other exhibit to our registration statement. Please see Where You Can Find Additional Information below.

rity to issue a total of 1,200,000,000 shares of capital stock. Of the total shares authorized, 1,000,000,000 shares are designated as com
nated as preferred stock with a par value of $0.01 per share. In addition, our board of directors may amend our charter, without stockho
ck or the number of shares of stock of any class or series that we have authority to issue.

2,667 shares of our common stock were issued and outstanding, and no shares of our preferred stock were issued and outstanding.

e entitled to one vote per share on all matters voted on by stockholders, including election of our directors. Our charter does not provide of a majority of the outstanding shares of common stock can elect our entire board of directors. Subject to any preferential rights of any rding the restriction on the transfer of common stock, the holders of common stock are entitled to such distributions as may be authoriz of legally available funds and, upon liquidation, are entitled to receive all assets available for distribution to our stockholders. Upon issu ssued in the offering will be fully paid and non-assessable. Holders of common stock will not have preemptive rights, which means tha issue. Our shares of common stock will have equal distribution, liquidation and other rights.

sion permitting our board of directors, without any action by our stockholders, to classify or reclassify any unissued common stock into version or other rights, preferences, restrictions, limitations as to distributions and qualifications or terms or conditions of redemption o

ficates for our shares. Shares will be held in uncertificated form, which will eliminate the physical handling and safekeeping responsi d to return a duly executed stock certificate to effect a transfer. Trust Company of America will act as our transfer agent and registrar th ur transfer agent and registrar and will process all subscription agreements and stock transfers. Transfers can be effected simply by mail no charge upon request.

of directors to designate and issue one or more classes or series of preferred stock without stockholder approval, and to establish the rel ons as to distributions and qualifications or terms or conditions of redemption of each class or series of preferred shares so issued. Becau ts of each class or series of preferred stock, it may afford the holders of any series or class of preferred stock preferences, powers and ri ting rights per share of any series or class of preferred stock sold in a private offering may not exceed voting rights which bear the same aid to us for each privately-held preferred share bears to the book value of each outstanding publicly held share. In addition, a majority advisor or one of its affiliates. If we ever created and issued preferred stock with a distribution preference over common stock, payme d reduce the amount of funds available for the payment of distributions on the common stock. Further, holders of preferred stock are no ate, dissolve or wind up before any payment is made to the common stockholders, likely reducing the amount common stockholders wo rtain circumstances, the issuance of preferred stock may render more difficult or tend to discourage a merger, offer or proxy contest, the noval of incumbent management. Our board of directors has no present plans to issue any preferred stock, but may do so at any time in

equirements

olders will be held each year, at least 30 days after delivery of our annual report. Special meetings of stockholders may be called only u ectors or our president or upon the written request of stockholders

s. The presence of a majority of the outstanding shares either in person or by proxy shall constitute a quorum. Generally, the affirmative
der action authorized by our charter, except that a majority of the votes represented in person or by proxy at a meeting at which a quoru

rporation Law and our charter, stockholders are entitled to vote at a duly held meeting at which a quorum is present on (1) amendments
n, (4) a merger, consolidation or sale or other disposition of all or substantially all of our assets, and (5) election or removal of our direc
d in our charter, the vote of stockholders holding a majority of our outstanding shares is required to approve any such action, and no suc
ote of our stockholders. Stockholders are not entitled to exercise any of the rights of an objecting stockholder provided for in Title 3, Su
s determines that such rights shall apply. Stockholders do have the power, without the concurrence of the directors, to remove a director
the shares entitled to vote on such matter.

ve a copy of our stockholder list upon request. The list provided by us will include each stockholder s name, address and telephone nu
sent within 10 days of our receipt of the request. A stockholder requesting a list will be required to pay reasonable costs of postage and c
nt to us that the list will not be used to pursue commercial interests.

kholders have rights under Rule 14a-7 under the Securities Exchange Act of 1934, which provides that, upon the request of a stockhold
istribute specific materials to stockholders in the context of the solicitation of proxies by a stockholder for voting on matters presented t
opy of the list of stockholders so that the requesting stockholder may make the distribution of such materials.

hares

IT, not more than 50% of our outstanding shares may be owned by any five or fewer individuals during the last half of any taxable year
ddition, the outstanding shares must be owned by 100 or more persons during at least 335 days of a 12-month taxable year or during a p
e year in which we qualify as a REIT. We may prohibit certain acquisitions and transfers of shares so as to ensure our continued qualifi
e you that this prohibition will be effective.

on ownership that prohibits any individual or entity from directly acquiring beneficial ownership of more than 9.8% of the value of our
preferred stock we may issue) or more than 9.8% of the value or number of shares, whichever is more restrictive, of our then outstandin

ck which, if effective, would result in our stock being owned by fewer than 100 persons will be null and void. Any attempted transfer o
its discussed above or in our being closely held under Section 856(h) of the Internal Revenue Code or otherwise failing to qualify as
rest whole share) to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries, and the prop
r will be deemed to be effective as of the close of business on the business day prior to the date of the transfer. We will designate a trust
r more charitable organizations as a beneficiary of the share trust. Shares-in-trust will remain issued and outstanding shares and will be
or series. The

ns on the shares-in-trust and will hold such distributions in trust for the benefit of the beneficiary. The trustee will vote all shares-in-trus

npowered to sell the shares-in-trust to a qualified person selected by the trustee and to distribute to the applicable prohibited owner an a
r such shares-in-trust or (2) (A) if the prohibited owner was a transferee for value, the price paid by the prohibited owner for such shares
ee but did not give value for the shares-in-trust, the fair market value of such shares-in-trust, as determined in good faith by our board o
o be paid to the prohibited owner will be distributed to the beneficiary of the trust. In addition, all shares-in-trust will be deemed to have
er of (1) the price per share in the transaction that created such shares-in-trust (or, in the case of devise, gift, or other event other than a
gift, or other event) and (2) the market price on the date we, or our designee, accepts such offer.

in violation of the foregoing restriction or who owns shares that were transferred to any such trust is required to give immediate written
tion as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

ontinue to apply until our board of directors determines it is no longer in our best interest to continue to qualify as a REIT.

discretion, may exempt a person from the limitation on ownership of more than 9.8% of the value of our then outstanding capital stock
more than 9.8% of the in value or number of shares, whichever is more restrictive, of our then outstanding common stock. However, th
ck would result in our being closely held within the meaning of Section 856(h) of the Internal Revenue Code or otherwise would res
exemption, a person also must not own, directly or indirectly, an interest in our tenant (or a tenant of any entity which we own or contr
rest in the tenant. The person seeking an exemption must represent to the satisfaction of the board that it will not violate these two restri
f these restrictions will result in the automatic transfer of the shares of stock causing the violation to the share trust.

wns 5% (or such lower level as required by the Internal Revenue Code and the regulations thereunder) or more of the outstanding share
tting forth the name and address of such record owner, the number of shares actually owned by such stockholder, and such information
r to determine the effect, if any, of such actual or beneficial ownership on our status as a REIT and to ensure compliance with the owne

om you transfer any of your shares must also comply with the suitability standards we have established for all stockholders. See Suita

ributions on a monthly basis. On February 14, 2007, our board of directors approved an increase in our distribution rate from 6.50% per
uary 2007 monthly distribution, which was paid in March 2007. Distributions are paid to stockholders on a monthly basis. Our distributi
ilable cash flows. We cannot guarantee the amount of distributions paid in the future, if any, although we expect to make monthly distri
ith a distribution to our stockholders, our board of directors approves a monthly distribution for a certain dollar amount per share of our

ibution amount for the month using daily record and declaration dates, and your distributions begin to accrue on the date we mail a conf
ceptance of your subscription.

tions sufficient to satisfy the requirements for qualification as a REIT for tax purposes. We intend to distribute sufficient income so that
a REIT, we are required to distribute 90% of our annual taxable income to our stockholders. See Federal Income Tax Considerations
nual Distribution Requirement. Generally, income distributed to stockholders will not be taxable to us under the Internal Revenue Code
x Considerations Requirements for Qualification as a REIT.

at the discretion of our board of directors, in accordance with our earnings, cash flow and general financial condition. Our board s discr
with the REIT requirements. Because we may receive income from interest or rents at various times during our fiscal year, distributions
may be made in anticipation of cash flow which we expect to receive during a later quarter and may be made in advance of actual recei
Due to these timing differences, we may be required to borrow money, use proceeds from the issuance of securities or sell assets in orde
istribute at least 90% of our taxable income, other than net capital gains, in order to qualify as a REIT.

receive, including distributions that are reinvested pursuant to our distribution reinvestment plan, will be taxed as ordinary income to th
nt that we make a distribution in excess of our current and accumulated earnings and profits, the distribution will be treated first as a tax
f each distribution in excess of your tax basis in your shares will be taxable as a gain realized from the sale of your shares. If you receiv
, upon the sale of your shares you may realize a higher taxable gain or a smaller loss because the basis of the shares as reduced will be
vidual investors will be subject to tax at capital gains rates on distributions made by us that we designate as capital gain dividends. H
uggest that you consult with your tax advisor. Please see Federal Income Tax Considerations.

rporation Law, if our board of directors gives general authorization for a distribution and provides for or establishes a method or procedu
ectors may delegate to a committee of directors or one of our officers the power, in accordance with the general authorization, to fix the

buting our own securities in lieu of making cash distributions to stockholders, provided that the securities so distributed to stockholders
ieu of cash distributions may incur transaction expenses in liquidating the securities.

n

reinvestment plan available that allows you to have your distributions otherwise distributable to you invested in additional shares of co

rchase shares under our distribution reinvestment plan for $9.50 per share. Thereafter, shares in the plan will be offered (1) 95% of the
d (2) 95% of the most recent offering price for the first 12 months subsequent to the close of the last public offering of shares prior to th
eriod, participants in the distribution reinvestment plan may acquire shares at 95% of the per share valuation determined by our advisor
te of such listing, participants may acquire shares at a price equal to

and close price per share on the distribution payment date, as reported by the national securities exchange on which the shares are traded
gence expense reimbursements with respect to shares purchased pursuant to our distribution reinvestment plan. A copy of our distributi
rospectus.

distribution reinvestment plan may purchase whole or fractional shares, subject to certain minimum investment requirements and other
hares of our common stock are not available for issuance under our distribution reinvestment plan, we will remit excess dividends of net
tribution reinvestment plan, you must agree that, if at any time you fail to meet the applicable investor suitability standards or cannot ma
urrent prospectus or the subscription agreement relating to such investment, you will promptly notify our advisor in writing of that fact.

of our common stock pursuant to the distribution reinvestment plan will have the same rights and will be treated in the same manner as i
ng.

send each participant a written confirmation showing the amount of the distribution, the number of shares of common stock owned prio
fter the distribution reinvestment.

e distribution reinvestment plan by making the appropriate election on the subscription agreement, or by completing the enrollment for
ion in the plan will begin with the next distribution made after receipt of your election. We may terminate the distribution reinvestment
s. Your participation in the plan will also be terminated to the extent that a reinvestment of your distributions in our shares would cause
ceeded. In addition, you may terminate your participation in the distribution reinvestment plan by providing us with 10 days written no
cipation in the distribution reinvestment plan with respect to such shares unless the transferee makes an election to participate in the pla

istribution reinvestment plan and are subject to federal income taxation, you will incur a tax liability for distributions otherwise distribu
cash but rather to have the distributions withheld and reinvested pursuant to the distribution reinvestment plan. Specifically, you will b
hen applied such distribution to the purchase of additional shares. As a result, you may have a tax liability without receiving cash distri
than our distributions to pay your taxes. You will be taxed on the amount of such distribution as ordinary income to the extent such dist
ave designated all or a portion of the distribution as a capital gain distribution.

ed a share repurchase plan that provides eligible stockholders with limited, interim liquidity by enabling them to sell their shares back to
o amend the provisions of the share repurchase plan without stockholder approval. Our share repurchase plan permits you to sell your sh
gnificant restrictions and conditions described below.

e sold back to us are as follows:

period at $9.00 per share;

ns following the end of the offering period at $9.25 per share;

months at $9.50 per share;

months at $9.75 per share; and

eater of: (a) $10.00 per share; or (b) a price equal to 10 times our funds available for distribution per weighted
nding for the prior calendar year.

our repurchase plan quarterly, at our sole discretion, on a *pro rata* basis. Subject to funds being available, we will limit the number of s
umber of shares outstanding during the prior calendar year. Funding for our repurchase program will come exclusively from proceeds w

m shares held by a stockholder who is a natural person, including shares held by such stockholder through a revocable grantor trust, or a
y, as determined by the board of directors, after receiving written notice from such stockholder. We must receive the written notice wi
-year holding period will not apply to a stockholder that is not a natural person, such as a trust other than a revocable grantor trust, partn

quests upon the death or a qualifying disability of a stockholder (1) we will waive the one-year holding period and (2) the price to be pa
d for the 36-months thereafter, $10.00 per share (or if the shares were sold at a discount, then at the discounted price) and (b) after the 3
r a price equal to 10 times our funds available for distribution per weighted average share outstanding for the prior calendar year. In a
ce will be given to shares to be repurchased in connection with a death or qualifying disability.

discretion, may choose to terminate, amend or suspend our share repurchase plan at any time if it determines that the funds allocated to
sition, maintenance or repair of properties, or for use in making a declared distribution payment. A determination by the board of direct
ffirmative vote of the majority of the board of directors, including a majority of the independent directors.

ds set aside for our share repurchase plan will be sufficient to accommodate all requests made each year. Pending requests will be hono
s. If no funds are available for the plan when repurchase is requested, the stockholder may withdraw the request or ask that we honor th
purchase request upon written notice at any time prior to the date of repurchase.

sell their shares to us. Our share repurchase plan is intended only to provide limited, interim liquidity for stockholders until a liquidity e
rities exchange, our merger with a listed company or the sale of substantially all of our assets. We cannot guarantee that a liquidity even

are repurchase plan will be canceled and will have the status of authorized but unissued shares. Shares we acquire through our share rep
under the Securities Act of 1933 and under appropriate state securities laws or otherwise issued in compliance with such laws.

d our share repurchase plan, we will send a letter to stockholders informing them of the change, and we will disclose the changes in rep
of our share repurchase plan attached as Appendix E.

actions

transaction considered a Roll-up Transaction involving us and the issuance of securities of an entity that would be created or would of all properties shall be obtained from a competent independent appraiser. The properties shall be appraised on a consistent basis, and ation and shall indicate the value of the properties as of a date immediately prior to the announcement of the proposed Roll-up Transacti 2-month period. The terms of the engagement of the independent appraiser shall clearly state that the engagement is for our benefit and aterial assumptions underlying the appraisal, shall be included in a report to stockholders in connection with any proposed Roll-up Tran

nsaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of us and the issuance of securities of anc e successful completion of such transaction. The term Roll-up Transaction does not include:

ng our securities that have been for at least 12 months listed on a national securities exchange; or

ng our conversion to a corporate, trust, or association form if, as a consequence of the transaction, there will be no change in any of the following: stockholder voting rights; the term of our existence; compensation to our advisor; bjectives.

oll-up Transaction, the person sponsoring the Roll-up Transaction must offer to stockholders who vote no on the proposal the choice

Roll-up Entity offered in the proposed Roll-up Transaction; or

tock and preserving their interests therein on the same terms and conditions as existed previously; or

equal to the stockholder s pro rata share of the appraised value of our net assets.

ting in any proposed Roll-up Transaction:

the stockholders having democracy rights in a Roll-up Entity that are less than those provided in our bylaws and in this prospectus, including rights with respect to the election and removal of directors, annual reports, annual s, amendment of our charter, and our dissolution;

ons that would operate to materially impede or frustrate the accumulation of shares by any purchaser of the l-up Entity, except to the minimum extent necessary to preserve the tax status of the Roll-up Entity, or which ty of an investor to exercise the voting rights of its securities of the Roll-up Entity on the basis of the number of nvestor;

rights to access of records of the Roll-up Entity will be less than those provided in the section of this prospectus n of Capital Stock Meetings and Special Voting Requirements ; or

costs of the Roll-up Transaction would be borne by us if the Roll-up Transaction is not approved by the

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

terms of our stock and of certain provisions of Maryland law is only a summary. For a complete description, we refer you to the Maryla
arter and bylaws as exhibits to the registration statement of which this prospectus forms a part.

ombinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for
becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances
uity securities. An interested stockholder is defined as:

eficially owns 10% or more of the voting power of the corporation s shares; or

ate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial
re of the voting power of the then-outstanding voting stock of the corporation.

kholder under the statute if the board of directors approved in advance the transaction by which he otherwise would have become an in
rs may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by

ny business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board
:

itled to be cast by holders of outstanding shares of voting stock of the corporation; and

es entitled to be cast by holders of voting stock of the corporation other than shares held by the interested
om or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the
er.

ements do not apply if the corporation s common stockholders receive a minimum price, as defined under Maryland law, for their shar
by the interested stockholder for its shares.

ptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interest
rs has adopted a resolution providing that any business combination between us and any other person is exempted from this statute, pro
lution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, the statute may discourage oth
mating any offer.

rol shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vot
he acquiror, by officers or by employees who are directors of the corporation are excluded from shares entitled to vote on the matter. Co
s of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except so

oting power in electing directors within one of the following ranges of voting power:

ut less than one-third;

ut less than a majority; or

of all voting power.

ares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisiti

ses to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to
shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking t
e corporation may itself present the question at any stockholders meeting.

at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation m
which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions
voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders
voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shar
r value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror

tute does not apply (1) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or
oration.

xempting from the control share acquisition statute any and all acquisitions of shares of our stock by any person. There can be no assura
uture.

and General Corporation Law permits a Maryland corporation with a class of equity securities registered under the Securities Exchange
y provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or b

quirement for removing a director;

he number of directors be fixed only by vote of the directors;

vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class
n the vacancy occurred; and

ent for the calling of a special meeting of stockholders.

hat vacancies on the board be filled only by the remaining directors and for the remainder of the full term of the directorship in which th
to Subtitle 8, we vest in our board of directors the exclusive power to fix the number of directorships. We have not elected to be subjec

minations and New Business

pect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business
tice of the meeting, (2) by or at the direction of the board of directors or (3) by a stockholder who is entitled to vote at the meeting and
espect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting.
eting may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of the board of directors, or (3) provided tha
eeting by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

n Provisions of Maryland Law and of the Charter and Bylaws

ions and the control share acquisition provisions of Maryland law, the provisions of our charter electing to be subject to Subtitle 8, and
ansaction or a change in control of our company that might involve a premium price for stockholders or otherwise be in their best intere

THE OPERATING PARTNERSHIP AGREEMENT

Holdings, L.P. was formed on April 20, 2006 to acquire, own and operate properties on our behalf. It will allow us to operate as what is
nt Trust, or UPREIT, which is a structure generally utilized to provide for the acquisition of real estate from owners who desire to defe
position of their properties. These owners also may desire to achieve diversity in their investment and other benefits afforded to stockho
alification as a REIT for tax purposes, the REIT s proportionate share of the assets and income of an operating partnership, such as our

accomplished because a property owner may contribute property to our UPREIT in exchange for limited partnership units on a tax-defe
o our stockholders. For example, our operating partnership is structured to make distributions with respect to limited partnership units v
n stock. In addition, a limited partner in our operating partnership may later redeem his or her limited partnership units and, if we conse

r operating partnership contains provisions which would allow under certain circumstances, other entities, including other Triple Net p
r interests in our operating partnership. In the event of such a merger, exchange or conversion, our operating partnership would issue ad
emption rights as other holders of limited partnership interests in our operating partnership. Further, if our operating partnership needs
greement to issue additional limited partnership interests which also may be entitled to such redemption rights. As a result, any such me
artnership interests ultimately could result in the issuance of a substantial number of shares of our common stock, thereby diluting the p

ll of our assets through our operating partnership, and we intend to make future acquisitions of properties using the UPREIT structure.

this prospectus, owned an approximately 1.0% equity percentage interest in our operating partnership. Our advisor is currently the only
rship interest in our operating partnership resulting from a capital contribution of $200,000 (whereby our advisor acquired 20,000 limite
units outstanding at this time. As the sole general partner of our operating partnership, we have the exclusive power to manage and cond

he material provisions of the partnership agreement of our operating partnership. You should refer to the partnership agreement, itself, w
letail.

s additional units to any new or existing partner in exchange for cash capital contributions, the contributor will receive a number of lim
hip calculated based upon the amount of the capital contribution and the value of our operating partnership at the time of such contributi

hares, we will transfer the net proceeds of the offering to our operating partnership as a capital contribution; however, we will be deeme
ceeds received from investors. Our operating partnership will assume the obligation to pay, and will be deemed to have simultaneously p
ur operating partnership requires additional funds at any time in excess of capital contributions made by us and our advisor or from borr
er and lend such funds to our operating partnership on the same terms and conditions as are applicable to our borrowing of such funds,

ng partnership, we can, without the consent of the limited partners, cause our operating partnership to issue additional units representing
red units, which may have rights which are different and/or superior to those of general partnership units that we hold and/or limited pa

se our operating partnership to issue partnership interests for less than fair market value if we conclude in good faith that such issuance

r operating partnership provides that our operating partnership is to be operated in a manner that will enable us to:

ents for being classified as a REIT for tax purposes;

come or excise tax liability; and

ating partnership will not be classified as a publicly traded partnership for purposes of Section 7704 of the Internal
ch classification could result in our operating partnership being taxed as a corporation, rather than as a partnership.
e Tax Considerations Federal Income Tax Aspects of Our Operating Partnership Classification as a Partnership.

and operating costs and expenses incurred by our operating partnership in acquiring and operating real estate, our operating partnership
nistrative and operating costs and expenses and such expenses will be treated as expenses of our operating partnership.

ckholders 100% of all distributions we receive from our operating partnership. The partnership agreement provides that our operating p
rdance with their percentage interests (which will be based on relative capital contributions) at such times and in such amounts as we de
operating partnership may distribute net proceeds from the sale to its partners in accordance with their percentage interests. All distribu
st in our operating partnership will receive annual distributions from our operating partnership in an amount equal to the annual distribu
distributions from our operating partnership equal to the amount necessary to have provided our stockholders, collectively, a return of
to repurchase shares pursuant to our share repurchase plan) plus an annual 8.0% cumulative, non-compounded return on average investe
Healthcare Advisor, and the other 85% of such remaining proceeds may be distributed to the partners in accordance with their relative p
eral partner. Average invested capital is, for a specified period, the aggregate issue price of shares purchased by our stockholders, reduce
of which we intend to distribute to our stockholders) and by any amounts paid by us to repurchase shares pursuant to our share repurcha

national securities exchange, Healthcare Advisor will no longer be entitled to participate in proceeds from sales as described above. Hov
reement as of the date we become listed, Healthcare Advisor will be entitled to receive a distribution from our operating partnership in
ue of our outstanding shares following listing (determined as described below) plus the cumulative distributions made to us by our opera
m of the total amount of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan
ge invested capital through the date of listing. For purposes of the distribution upon a listing, the market value of our outstanding share
hares issued and outstanding at the time of listing for the 30 trading days beginning on the 180th day after the shares are first listed on a
or shares of our common stock, as determined by our board of directors, including a majority of our independent directors. In the event
of shares will be determined based on the market value of our shares as described above. Upon payment of this distribution, all limited
dvisor will be redeemed for cash equal to the value of an equivalent number of our shares of common stock.

no longer be entitled to participate in net sales proceeds as described above following the termination or nonrenewal of our advisory ag
n a termination by us for cause, Healthcare Advisor will be entitled to receive a distribution from our operating partnership in an amou
f all of the assets of our operating partnership as of the date of the termination (determined by appraisal), less any indebtedness secured
perating partnership from our inception through the termination date, exceeds (2) the sum of the total amount of capital raised from stoc
rchase program) plus an annual 8.0% cumulative, non-compounded return on average invested capital through the termination date. Ho
shares have been listed on a national securities exchange prior to the termination of the advisory agreement. Our operating partnership
nterest-bearing promissory note. If the promissory note is issued and not paid within five years of the date of termination, we would be
terest) in exchange for cash or shares of our common stock. Upon payment of this distribution, all units in

Healthcare Advisor will be redeemed by our operating partnership for cash equal to the value of an equivalent number of our shares.

, our operating partnership may issue preferred units that entitle their holders to distributions prior to the payment of distributions for ot
nterest that we hold.

operating partnership provides that net profits will be allocated to the partners in accordance with their percentage interests, subject to
e Internal Revenue Code and corresponding Treasury Regulations. However, to the extent that Healthcare Advisor receives a distributio
upon a termination of the advisory agreement, there will be a corresponding allocation of profits of our operating partnership to Healthc
ccordance with their respective percentage interests in our operating partnership.

ating partnership, after payment of debts and obligations, and after any amounts payable to preferred units, any remaining assets of our
ounts in accordance with their respective positive capital account balances.

rtnership agreement as general partner. Certain amendments to the partnership agreement, however, require the consent of each limited
lments that would:

rtner s interest in our operating partnership into a general partnership interest;

artners to make additional capital contributions to our operating partnership; or

e limited liability of any limited partner.

of the general partner and any partner adversely affected is required to amend the partnership agreement to amend these amendment li

ting partnership, including our advisor (subject to specified limitations), have the right to cause our operating partnership to redeem the
ivalent number of shares of our common stock or a number of our shares equal to the number of limited partnership units redeemed. Un
ment, these redemption rights may not be exercised if and to the extent that the delivery of shares of our common stock upon such exerc

ability to qualify as a REIT under the Internal Revenue Code or subject us to any additional taxes under
on 4981 of the Internal Revenue Code;

n of our charter or bylaws;

y to constitute a violation of any applicable federal or state securities laws;

losely held within the meaning of Section 856(h) of the Internal Revenue Code;

% or more of the ownership interests in a tenant within the meaning of Section 856(d)(2)(B) of the Internal

partnership to become a publicly traded partnership under the Internal Revenue Code; or

partnership to cease to be classified as a partnership for federal income tax purposes.

ns, limited partners may exercise their redemption rights at any time after one year following the date of issuance of their limited partne

the shares of common stock offered by this prospectus to limited partners of our operating partnership in exchange for their limited par
hip exercises its redemption rights, and we elect to purchase the limited partnership units with shares of our common stock, we expect to
of common stock, in connection with such transaction.

limited partners upon redemption of their respective limited partnership units may be sold only pursuant to an effective registration stat
on from registration. We may grant holders of partnership interests registration rights for such shares of common stock.

e the right to grant similar redemption rights to holders of other classes of units, if any, in our operating partnership, and to holders of e

stributions and Allocations, upon payment of either a distribution upon listing or a distribution upon termination to Healthcare Adviso
med for cash equal to the value of an equivalent number of shares of our common stock.

v as the general partner of our operating partnership or transfer our general partnership interest in our operating partnership (except to a
our advisor approve the transaction by majority vote.

ted partners may not transfer their interests in our operating partnership, in whole or in part, without our written consent as the general p
erating partnership or exercise its redemption rights as long as it is acting as our advisor.

dissolved and its affairs wound up upon the earliest to occur of certain events, including:

term of our operating partnership on December 31, 2036;

s general partner to dissolve our operating partnership;

stantially all of the assets of our operating partnership; or

eneral partner of our operating partnership, unless the remaining partners determine to continue the business of our
p.

our operating partnership and, as such, have the authority to handle tax audits and to make tax elections under the Internal Revenue Co

res our operating partnership to indemnify us, as general partner (and our directors, officers and employees), the limited partners, includ
t damages and other liabilities to the extent permitted by Delaware law, except to the extent that any claim for indemnification results f

general partner, and the limited partners, our or their fraud, willful misconduct or gross negligence;

rectors, officers and employees (other than our independent directors), Healthcare Advisor and its managers,
yees, such person s negligence or misconduct; or

dependent directors, such person s gross negligence or willful misconduct.

r and the limited partners will be held harmless and indemnified for losses only if all of the following conditions are met:

rmined, in good faith, that the course of conduct which caused the loss, liability or expense was in our best

acting on our behalf or performing services for us;

was not the result of negligence or misconduct by the directors; and

was not the result of gross negligence or willful misconduct by the independent directors.

ement to hold harmless is recoverable only out of our assets and not from our stockholders.

ndemnification against liabilities arising under the Securities Act of 1933 is against public policy and unenforceable. Indemnification o
liabilities arising from or out of a violation of state or federal securities laws, unless one or more of the following conditions are met:

cessful adjudication on the merits of each count involving alleged securities law violations;

en dismissed with prejudice on the merits by a court of competent jurisdiction; or

t jurisdiction approves a settlement of the claims against the indemnitee and finds that indemnification of the
elated costs should be made, and the court considering the request for indemnification has been advised of the
and of the published position of any state securities regulatory authority in the state in which our securities were
ification for violations of securities laws.

must reimburse us for any amounts paid in satisfaction of our indemnification obligations under our charter. Our operating partnership
or our directors, officers or employees) to the extent that we could not provide such indemnification or advancement of expenses under
y and Indemnification of Directors, Officers and Others.

PLAN OF DISTRIBUTION

2,000,000 and a maximum of $2,200,000,000 in shares of our common stock in this offering, including $2,000,000,000 in shares of our
nd $200,000,000 in shares of our common stock initially allocated to be offered pursuant to our distribution reinvestment plan. Prior to t
ally allocated to the distribution reinvestment plan remain after meeting anticipated obligations under the distribution reinvestment plan
ublic in the primary offering. Similarly, prior to the conclusion of this offering, if the shares of our common stock initially allocated to th
tional demand for shares of common stock under our distribution reinvestment plan, we may plan to choose to reallocate some or all of
g to the distribution reinvestment plan. The shares of our common stock in the primary offering are being offered at $10.00 per share. Sh
estment plan will be sold at $9.50 per share during this offering.

shares purchased by our executive officers and directors, our dealer manager and our advisor and its affiliates, we had received and acc
, or $2,004,000, thereby exceeding the minimum offering. Having raised the minimum offering, the offering proceeds were released by
other purposes. As of November 30, 2007, we had received and accepted subscriptions in our offering for 19,538,497 shares of common
to our distribution reinvestment plan. We had also issued 226,470 shares pursuant to our distribution reinvestment plan. We will sell sh
m has been sold. However, we reserve the right to terminate this offering at any time prior to such termination date.

d the offering price of $10.00 per share based on consideration of the offering price of shares offered by similar REITs and the administ
amount. This price bears no relationship to the value of our assets or other established criteria for valuing shares because we have not ha
s other than subscription proceeds from the sale of shares of our common stock to our advisor at $10.00 per share and the sale of units in

ting Broker-Dealer Compensation and Terms

wholly owned subsidiary of Grubb & Ellis and a registered broker-dealer, is serving as the dealer manager for this offering on a best ef
o use only its best efforts to sell the shares and it has no firm commitment or obligation to purchase any of the shares. The dealer manag
o we refer to as participating broker-dealers, to sell our shares. Except as provided below, the dealer manager will receive selling comm
our common stock in the primary offering, subject to reductions based on volume and special sales. No selling commissions will be paid
nager will also receive 2.5% of the gross offering proceeds in the form of a marketing support fee for shares sold in the primary offerin
ross offering proceeds from the primary offering for its *bona fide* due diligence expenses and for those of the participating broker-dealer
nbursement will be paid for shares sold pursuant to the distribution reinvestment plan. We will not pay referral or similar fees to any acc
of the shares.

articipating broker-dealers a portion of the marketing support fee of up to 1.5% of the gross sales of the broker-dealer in the primary off
e reimbursement to participating dealer-brokers incurring such costs.

described above, we will also reimburse the dealer-manager and its affiliates for some of their costs in connection with the offering as de
of all items viewed as underwriting compensation by FINRA, assuming we sell all of the shares offered by this prospectus. To show
ensation that we may pay in this offering, this table assumes that all shares are sold through distribution channels associated with the hi

Dealer-Manager and Participating Broker-Dealer Compensation

		Amount
	$	50,000,000
		140,000,000
n-based compensation of sales and marketing managers and their support personnel(1)(2)		4,188,432
cational conferences and training		
		3,831,120
expenses(1)(4)		10,000,000
nager(1)		100,000
	$	208,119,552

ates.

Grubb & Ellis or its affiliates and are not reimbursed by us.

nization and offering expenses described below, we will reimburse NNN Capital Corp. or its affiliates for
ses, these payments will serve to reimburse NNN Capital Corp. for amounts it has paid to participating
s noted. These amounts consist primarily of reimbursements for travel, meals, lodging and attendance fees
personnel, financial advisors and wholesalers and other FINRA-registered personnel associated with NNN
ucational conferences and training seminars.

ler-manager for reimbursements it may make to broker-dealers for reasonable bona fide due diligence
n of 0.5% of our gross offering proceeds.

INRA, total underwriting compensation will not exceed 10% of our gross offering proceeds, except for bona fide due diligence expense
nd many states also limit our total organization and offering expenses to 15% of gross offering proceeds.

5% of the aggregate gross offering proceeds from the sale of shares of our common stock in the primary offering to reimburse it for our
g, printing and other offering expenses, including marketing, salaries and direct expenses of its employees, employees of its affiliates a
mon stock, which shall include development of marketing materials and marketing presentations, planning and participating in due dilig
erally coordinating the marketing process for us. Our total organization and offering expenses are capped at 11.5% of the gross proceeds

Organization and Offering Expenses

	Maximum Percent of Gross Offering Proceeds
sement	
ng expenses	

nd offering expense reimbursement may be used for wholesaling activities and therefore deemed to be additional underwriting compens
e payment of our cumulative organizational and offering expenses, other than the selling commissions, marketing support fee and the d
ggregate gross offering proceeds from the sale of shares of our common stock in the primary offering without recourse against or reimb

participating broker-dealers and the dealer manager against liabilities, including liabilities under the Securities Act of 1933, that arise
aler manager or material misstatements and omissions contained in this prospectus, other sales material used in connection with this off
Management Limited Liability and Indemnification of Directors, Officers and Others for a discussion of conditions that must be m
for liabilities arising out of state or federal securities laws.

are not obligated to obtain any subscriptions on our behalf, and we cannot assure you that any shares will be sold.

ors, as well as officers and employees of our advisor and its affiliates, may purchase shares in this offering at a discount. We expect tha
ept for the share ownership limitations contained in our charter, there is no limit on the number of shares that may be sold to those indivi
are reflecting the fact that selling commissions in the amount of $0.70 per share and the marketing support fee in the amount of $0.25 p
proceeds we receive will not be affected by such sales of shares at a discount. Our advisor and its affiliates have agreed to hold their sh
ribution. Shares purchased by our executive officers and directors, the dealer manager and our advisor or its affiliates did not count towa
in this offering.

harged (and the price will be correspondingly reduced) for sales of shares in the primary offering in the event that the investor has engag
, paid on a fee-for-service basis by the investor. In addition, no selling commission will be charged (and the price will be corresponding
lers, to participating broker-dealers in their individual capacities, to IRAs and

representatives or to any one of their registered representatives in their individual capacities.

n minimum numbers of shares to a purchaser, as defined below, certain volume discounts resulting in reductions in selling commissi
ent, any such reduction will be credited to the investor by reducing the purchase price per share payable by the investor. The following t
payable for volume discounts.

	Commission Rate	
	7.0%	
	6.0%	
	5.0%	
	4.0%	
	3.0%	
	2.0%	
	1.0%	

re and selling commissions are applied to the incremental shares falling within the indicated range only. All commission rates are calcu
t of $1,249,996 would result in a total purchase of 126,020 shares as follows:

.00 per share (total: $500,000) and a 7.0% commission;

90 per share (total: $495,000) and a 6.0% commission; and

80 per share (total: $254,996) and a 5.0% commission.

e affected by volume discounts. Requests to apply the volume discount provisions must be made in writing and submitted simultaneous
e distributions per share as other investors, an investor qualifying for a volume discount will receive a higher percentage return on his o

for the purpose of determining the volume discounts in the case of subscriptions made by any purchaser, as that term is defined belov
The volume discount shall be prorated among the separate subscribers considered to be a single purchaser. Any request to combine n
with your subscription for shares, and must set forth the basis for such request. Any such request will be subject to verification by the
r.

discounts, the term purchaser includes:

her spouse and their children under the age of 21 who purchase the shares for his, her or their own accounts;

ership, association, joint-stock company, trust fund or any organized group of persons, whether incorporated or

, pension, profit sharing or other employee benefit plan qualified under Section 401(a) of the Internal Revenue

t funds maintained by a given bank.

nnection with volume sales, investors who would not constitute a single purchaser may request in writing to aggregate subscriptions s purchased, provided that any aggregate group of subscriptions must be

ting dealer, including the dealer manager. Any such reduction in selling commission will be prorated among the separate subscribers. A
unt shown in the foregoing table, if applicable. Except as provided in this paragraph, separate subscriptions will not be cumulated, com

shares purchased by our executive officers and directors, our dealer manager and our advisor and its affiliates, we had received and acc
, or $2,004,000, thereby exceeding the minimum offering. Having raised the minimum offering, the offering proceeds were released by
the other purposes disclosed in the prospectus. As of December 7, 2007, we had received and accepted subscriptions in our offering for
cluding shares issued pursuant to our distribution reinvestment plan. We will sell shares until the earlier of September 20, 2009, or the d
terminate this offering at any time.

periodically as subscriptions for shares are received in good order, but not less frequently than monthly. Upon acceptance of subscriptio
operating account, out of which we will acquire real estate and pay fees and expenses as described in this prospectus.

ares, which equals a minimum investment of $1,000, except for purchases by (1) our existing stockholders, including purchases made p
r programs sponsored by our sponsor, Grubb & Ellis, or any of our sponsor s affiliates, which may be in lesser amounts.

ticipating broker-dealer who sells shares have the responsibility to make every reasonable effort to determine that the purchase of share
met. See Suitability Standards. In making this determination, the dealer manager or the participating broker-dealer will rely on relev
vestor s age, investment objectives, investment experience, income, net worth, financial situation, other investments, and other pertine
rticipating broker-dealer will be responsible for determining suitability.

cipating broker-dealer shall maintain records of the information used to determine that an investment in shares is suitable and appropria
t least six years.

shares in this offering at regular intervals may be able to do so through their participating broker-dealer or, if they are investing in this
manager by completing an automatic investment plan enrollment form. Participation in the automatic investment plan is limited to inve
ring. The minimum periodic investment is $100 per month.

te of Ohio may not participate in the Automatic Investment Plan.

of your monthly purchases under the automatic investment plan within five business days after the end of each month. The confirmation

vestment;

tment; and

e of the shares purchased by you.

ees and selling commissions in connection with sales under the automatic investment plan to the same extent that we pay those fees and
ent plan.

ation in the automatic investment plan at any time by providing us with written notice. If you elect to participate in the automatic invest
vestor suitability standards or cannot make the other investor representations set forth in the then-current prospectus and subscription ag
cipation in the plan will terminate. See the Suitability Standards section of this prospectus (on page i) and the form of subscription a

REPORTS TO STOCKHOLDERS

with an annual report within 120 days following the close of each fiscal year. These annual reports will contain, among other things, th

, including a balance sheet, statement of operations, statement of stockholders equity, and statement of cash flows,
nce with accounting principles generally accepted in the United States of America, or GAAP, which are audited
ndependent registered public accounting firm;

ggregate amount of fees paid to our advisor and its affiliates; and

material terms, factors and circumstances surrounding any and all transactions involving us and any of our
r and its affiliates or any other of our affiliates occurring in the year for which the annual report is made.

urities Exchange Act of 1934 to file with the SEC annual reports on Form 10-K, we will furnish a copy of each such report to each stoc
uest. We will also provide quarterly distribution reports.

nformation to our stockholders within 30 days following the end of each fiscal year. Our fiscal year will be the calendar year.

SUPPLEMENTAL SALES MATERIAL

may use certain supplemental sales material in connection with the offering of the shares, although only when accompanied by or prec
, may include a brochure describing the advisor and its affiliates and our investment objectives, a fact sheet that provides information re
ed to our offering, property brochures, a power point presentation that provides information regarding our company and our offering an
n addition, the sales material may contain quotations from various publications without obtaining the consent of the author or the public

prepare for, or furnish to, a prospective investor any sales material other than that described herein with the exception of third-party ar

interest limited to identifying the offering and the location of sources of additional information.

e only by means of this prospectus. Although the information contained in the supplemental sales material will not conflict with any of be complete, and should not be considered a part of this prospectus or the registration statement, of which this prospectus is a part, or a s forming the basis of the offering of shares of our common stock.

LEGAL MATTERS

ffered hereby has been passed upon for us by Venable LLP, Baltimore, Maryland. The statements under the caption Federal Income T iewed by Alston & Bird LLP, Atlanta, Georgia and Alston & Bird LLP has opined as to certain income tax matters relating to an inves ell as various other affiliates of our advisor, in other matters and may continue to do so in the future. See Conflicts of Interest.

EXPERTS

ents of NNN Healthcare/Office REIT, Inc. and subsidiary as of December 31, 2006 and April 28, 2006 (Date of Inception) and for the , 2006 included in this prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as s ort of such firm given upon their authority as experts in accounting and auditing.

rtain expenses of (1) Southpointe Office Parke and Epler Parke I, (2) Crawfordsville Medical Office Park and Athens Surgery Center, (G, (5) Commons V Medical Office Building, (6) Yorktown Medical Center and Shakerag Medical Center, (7) Thunderbird Medical Pla Gwinnett Professional Center, (10) 1 and 4 Market Exchange, (11) Kokomo Medical Office Park, (12) St. Mary Physicians Center, (13 meadow Medical Center, (16) Tucson Medical Office Portfolio and (17) Lima Medical Office Portfolio for the year ended December 3 Company LLP, an independent audit firm, as indicated in their reports with respect thereto, and are included in this prospectus in reliand

WHERE YOU CAN FIND ADDITIONAL INFORMATION

gistration statement on Form S-11 under the Securities Act of 1933 with respect to the shares offered pursuant to this prospectus. This p ment and the exhibits related thereto filed with the SEC, reference to which is hereby made. As a result of the effectiveness of the registr ents of the Exchange Act and, under that Act, we will file reports, proxy statements and other information with the SEC. The registratio hedules, and the reports, proxy statements and other information filed by us with the SEC may be inspected and copied, at the public re gton, D.C. 20549. Copies of the materials may also be obtained from the SEC at prescribed rates by writing to the public reference roo .C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In additi tion statement, of which this prospectus constitutes a part, can be downloaded from the SEC s web site.

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GRUBB & ELLIS HEALTHCARE REIT, INC.

he merger of NNN Realty Advisors, Inc., which previously served as our sponsor, with and into a wholly owned subsidiary of our curr
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re REIT, Inc., Grubb & Ellis Healthcare REIT Holdings, L.P., Grubb & Ellis Healthcare REIT Advisor, LLC, and Grubb & Ellis Healt
fer to the entity names that were in effect during the periods presented by such financial statements and have not been updated to reflec

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NNN Healthcare/Office REIT, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS
As of September 30, 2007 and December 31, 2006
(Unaudited)

		September 30, 2007
ASSETS		
	$	248,066,00
		4,512,00
et		1,419,00
		4,875,00
		41,232,00
		2,981,00
	$	303,085,00
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS EQUITY (DEFICIT)		
	$	123,331,00
		35,700,00
abilities		5,720,00
s, net		1,890,00
t		617,00
et		1,315,00
		168,573,00
(Note 9)		
er in Operating Partnership		200,00
200,000,000 shares authorized; none issued and outstanding		
1,000,000,000 shares authorized; 15,984,067 and 20,200 shares issued and outstanding as of er 31, 2006, respectively		160,00
		141,868,00
		(7,716,00
it)		134,312,00
and stockholders equity (deficit)	$	303,085,00

The accompanying notes are an integral part of these condensed consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended September 30, 2007 and 2006, for the Nine Months Ended September 30, 2007 and for the Period from April 28, 2006 (Date of Inception) through September 30, 2006
(Unaudited)

	Three Months Ended September 30,		
	2007	**2006**	
	$ 4,787,000	$	$
	1,562,000		
	935,000	50,000	
	3,048,000		
	5,545,000	50,000	
nse)	(758,000)	(50,000)	
tization of deferred financing costs and debt discount):			
ayables to affiliate	(7,000)		
age loan payables and line of credit	(1,279,000)		
	111,000		
	$ (1,933,000)	$ (50,000)	$
diluted	$ (0.15)	$ (88.84)	$
hares			
l	13,223,746	559	
mon share	0.18		

The accompanying notes are an integral part of these condensed consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)
For the Nine Months Ended September 30, 2007
(Unaudited)

	Common Stock				
	Number of Shares	Amount	Additional Paid-In Capital	Preferred Stock	
6	20,200	$	$ 53,000	$	$
	15,813,538	159,000	157,796,000		
l					
	17,500		35,000		
			(17,319,000)		
non stock compensation			42,000		
the					
	132,829	1,000	1,261,000		
07	15,984,067	$ 160,000	$ 141,868,000	$	$

The accompanying notes are an integral part of these condensed consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2007 and for the Period from April 28, 2006 (Date of Inception) through September 30, 2006
(Unaudited)

	Nine Months Ended September 30, 2007
ATING ACTIVITIES	
	$ (3,669,000
to net cash provided by operating activities:	
ncluding deferred financing costs, above/below market leases and debt discount)	5,534,000
f forfeitures	77,000
iabilities:	
et	(723,000
	(768,000
abilities	2,804,000
s, net	379,000
	(671,000
ctivities	2,963,000
TING ACTIVITIES	
ng properties	(253,574,000
	(61,000
	(4,875,000
ies	(258,510,000
NCING ACTIVITIES	
yables	86,310,000
ayables to affiliate	19,900,000
dit, net	35,700,000
bles	(19,921,000
on stock	157,281,000
our Operating Partnership	
	23,000
	(1,668,000
	(16,130,000
	(1,638,000
ctivities	259,857,000
CASH EQUIVALENTS	4,310,000
NTS - Beginning of period	202,000

NTS - End of period	$	4,512,000
URE OF CASH FLOW INFORMATION:		
	$	1,927,000
	$	2,000
URE OF NONCASH ACTIVITIES:		
	$	260,000
crease in certain assets and liabilities in connection with our acquisitions of operating		
	$	610,000
	$	37,039,000
abilities	$	1,771,000
s, net	$	9,000
t	$	1,182,000
the DRIP	$	1,262,000
id	$	905,000
	$	1,189,000
or issuance of common stock	$	674,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

or our refers to NNN Healthcare/Office REIT, Inc. and our subsidiaries, including NNN Healthcare/Office REIT Holdings, L.P., ex

ion of Business

nc., a Maryland corporation, was incorporated on April 20, 2006. We were initially capitalized on April 28, 2006, and therefore we cons
r income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical office buildin
produce current income. We may also invest in real estate related securities. We intend to qualify as a real estate investment trust, or R
1, 2007.

initial public offering, or our Offering, in which we are offering a minimum of 200,000 shares of our common stock aggregating at leas
of our common stock for $10.00 per share and 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan,
imum offering. Shares purchased by our executive officers and directors, by NNN Capital Corp., or our Dealer Manager, by NNN Heal
ot count towards the minimum offering. As of October 31, 2007, we had received and accepted subscriptions in our Offering for 18,059
ssued under the DRIP.

ur operations through NNN Healthcare/Office REIT Holdings, L.P., or our Operating Partnership. We are externally advised by our Ad
n us, our Advisor and Triple Net Properties, LLC, or Triple Net Properties, who is the managing member of our Advisor. The Advisory
subject to successive one-year renewals upon the mutual consent of the parties. On September 18, 2007, our board of directors extended
er 24, 2007, our board of directors authorized the renewal, for a term of one year ending on October 24, 2008, of our Advisory Agreem
s the properties and securities we acquire, subject to oversight by our board of directors. Our Advisor also provides marketing, sales and
our Advisor have common officers, some of whom also own an indirect equity interest in our Advisor. Our Advisor engages affiliated e
e various services to us.

NN Realty Advisors, Inc., or NNN Realty Advisors, or our Sponsor, acquired all of the outstanding ownership interests of Triple Net Pro
Advisors to be our Sponsor. On May 22, 2007, NNN Realty Advisors entered into a definitive merger agreement with Grubb & Ellis Co
directors of both NNN Realty Advisors and Grubb & Ellis. The combined company will retain the Grubb & Ellis name and will continu
ol GBE. The transaction is expected to close in the fourth quarter of 2007, subject to approval by stockholders of both companies and

d purchased 14 properties comprising 1,547,000 square feet of gross leasable area, or GLA.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

ccounting Policies

d consolidated financial statements and accompanying notes are the representations of our management, who are responsible for their in
ccounting principles generally accepted in the United States of America, or GAAP, in all material respects, and have been consistently a
solidated financial statements.

dited condensed consolidated financial statements include our accounts and those of our Operating Partnership. We operate and intend t
ich our Operating Partnership, or wholly-owned subsidiaries of our Operating Partnership, will own substantially all of the properties ac
hip and as of September 30, 2007 and December 31, 2006, we owned a 99.99% and 1.0%, respectively, general partnership interest the
d December 31, 2006, owned a 0.01% and 99.0%, respectively, limited partnership interest therein. Our Advisor is also entitled to certa
perating Partnership. Because we are the sole general partner of our Operating Partnership and have unilateral control over its managem
mitted to our Operating Partnership), the accounts of our Operating Partnership are consolidated in our consolidated financial statement
nsolidation.

dited condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and
information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules
condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financ
d financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentatio
interim period. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results ma
solidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto inc
C.

ted financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported am
of contingent assets and liabilities. We believe that our critical accounting policies are those that require significant judgments and estim
sing information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actu
, and those estimates could be different under different assumptions or conditions.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

mpound reserve accounts for property taxes, insurance, capital improvements and tenant improvements.

ounts

deferred rent receivables are carried net of the allowances for uncollectible current tenant receivables and unbilled deferred rent. An allo
rtain tenants to meet the contractual obligations under their lease agreements. Our determination of the adequacy of these allowances is
t receivables considering the tenant s financial condition, security deposits, letters of credit, lease guarantees and current economic con
ber 31, 2006, we had $2,000 and $0, respectively, in allowances for uncollectible accounts as determined to be necessary to reduce recei

f Financial Accounting Standards, or SFAS, No. 141, *Business Combinations*, we, with the assistance of independent valuation specialis
ed intangible assets based on their respective fair values. The allocation to tangible assets (building and land) is based upon our determ
sh flow models similar to those used by independent appraisers. Factors considered by us include an estimate of carrying costs during th
sts to execute similar leases. Additionally, the purchase price of the applicable property is allocated to the above or below market value
bove or below market debt assumed.

or below market component of the acquired in-place leases is determined based upon the present value (using a discount rate which refl
: (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) our estimate of the amounts that would be
amounts allocated to above market leases are included in identified intangible assets, net and below market lease values are included in
idated balance sheets and are amortized to rental income over the weighted-average remaining term of the acquired leases with each pro

ble assets acquired is further allocated to in-place lease costs and the value of tenant relationships based on management s evaluation o
with that respective tenant. Characteristics considered by us in allocating these values include the nature and extent of the credit quality

below market debt is determined based upon the present value of the difference between the cash flow stream of the assumed fixed rate
amounts allocated to above or below market debt are included in mortgage loan payables, net in the accompanying condensed consolida
ng term of the assumed mortgage.

hange based on information received within one year of the purchase related to one or more events identified at the time of purchase wh
perty.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

at the lower of fair market value or historical cost less accumulated depreciation. The cost of the operating properties includes the cost o
increase the service life of the properties are capitalized and the cost of maintenance and repairs is charged to expense as incurred. The
ated useful lives of the buildings up to 39 years and for tenant improvements, the shorter of the lease term or useful life, ranging from tw
the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

ed for potential impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impa
used in operations. Impairment losses are recorded on an operating property when indicators of impairment are present and the carrying
ws expected to be generated by that asset. We would recognize an impairment loss to the extent the carrying amount exceeded the fair va
losses recorded.

deferred rent receivables, leasing commissions, prepaid expenses, deposits and deferred financing costs. Costs incurred for property lea
amounts paid to lenders and others to obtain financing. Such costs are amortized using the straight-line method over the term of the rela
n of deferred financing costs is included in interest expense in our accompanying condensed consolidated statements of operations. Def
using the straight-line method over the term of the related lease.

, *Accounting for Leases*, as amended and interpreted, minimum annual rental revenue is recognized on a straight-line basis over the term
revenue, which is comprised of additional amounts recoverable from tenants for common area maintenance expenses and certain other
e related expenses are incurred.

ially subject us to a concentration of credit risk are primarily cash and accounts receivable from tenants. We have cash in financial insti
up to $100,000 per institution. As of September 30, 2007 and December 31, 2006, we had cash accounts in excess of FDIC insured lim
respect to accounts receivable from tenants is limited. We perform credit evaluations of prospective tenants, and security deposits are o

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

vned consolidated properties located in various states as follows:

	State (Property Location)	
lding	FL	$
o	FL	
	FL	
nakerag Medical Center	GA	
	GA	
	GA	
ler Parke I	IN	
ark and Athens Surgery Center	IN	
	IN	
	IN	
	PA	
Triumph Hospital Southwest	TX	
	TN	
	AZ	
	OH	
g	MN	
	CA	
		$

enue is based on contractual base rent from leases in effect as of September 30, 2007.

of our tenants at our consolidated properties accounted for 10.0% or more of our aggregate annual rental revenue, as follows:

	2007 Annual Base Rent(*)	Percentage of 2007 Annual Base Rent	Property
rida	$ 4,095,000	16.9%	East Florida Senior Care

			Portfolio
$	2,584,000	10.7%	Triumph Hospital Northwest and Triumph Hospital Southwest
$	2,623,000	10.8%	2750 Monroe Boulevard

enue is based on contractual base rent from leases in effect as of September 30, 2007.

elated Expenses

related expenses are being paid by our Advisor and its affiliates on our behalf. These organizational, offering and related expenses inclu
support fee which generally represent 7.0% and 2.5% of our gross offering proceeds,

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

connection with our Offering. These expenses will only become our liability to the extent selling commissions, the marketing support fe
ring expenses do not exceed 11.5% of the gross proceeds of our Offering. As of September 30, 2007 and December 31, 2006, expenses
ceeds of our Offering, has been incurred by our Advisor or Triple Net Properties and therefore these expenses are not recorded in our ac
ber 30, 2007 and December 31, 2006. To the extent we raise additional proceeds from our Offering, these amounts may become our lia
or a further discussion of these amounts during our offering stage.

hare-Based Payment, to account for our stock compensation pursuant to our 2006 Incentive Plan and the 2006 Independent Directors Co
kholders Equity (Deficit) 2006 Incentive Plan and Independent Directors Compensation Plan, for a further discussion of grants und

be taxed as a REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Code, and we intend to
We intend to qualify as a REIT. To qualify as a REIT, we must meet certain organizational and operational requirements, including a re
come to stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stoc
subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a R
which qualification is lost unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could ha
r distribution to stockholders. Because of our intention to elect REIT status in 2007, we will not benefit from the loss incurred for the ye

re pursuant to SFAS No. 128, *Earnings Per Share.* Basic earnings (loss) per share attributable for all periods presented are computed by
common stock outstanding during the period. Diluted earnings (loss) per share is computed based on the weighted average number of sh
of restricted common stock give rise to potentially dilutive shares of common stock.

ember 30, 2007 and 2006, we recorded a net loss of approximately $1,933,000 and $50,000, respectively. For the nine months ended Se
) through September 30, 2006, we recorded a net loss of approximately $3,669,000 and $50,000, respectively. As of September 30, 200
on stock were outstanding, but were excluded from the computation of diluted earnings per share because such shares of restricted comm

ards Board, or the FASB, issued SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, which establish

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

enterprise s reportable segments. We have determined that we have one reportable segment, with activities related to investing in medi office properties. Our investments in real estate are geographically diversified and management evaluates operating performance on an nomic characteristics, tenants, and products and services, our properties have been aggregated into one reportable segment for the nine m of Inception) through September 30, 2006.

nouncements

terpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN No. 48. This interpretation, among other things, creates a two- occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upo that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur ts the more-likely-than-not threshold of being sustained. FIN No. 48 specifically prohibits the use of a valuation allowance as a substitu ments. FIN No. 48 was effective for fiscal years beginning after December 15, 2006, in which the impact of adoption should be accounte l earnings in the year of adoption. Our adoption of FIN No. 48 as of the beginning of the first quarter of 2007 did not have any impact o

sued SFAS No. 157, *Fair Value Measurement*, or SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuri lue measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. We will adopt SF ve not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

ed SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159. SFAS No. 159 permits entit ms at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate vo ilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of the fi l as of the beginning of the fiscal year beginning on or before November 15, 2007, provided the provisions of SFAS No. 157 are applied lo. 159 and have not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

ted properties consisted of the following as of September 30, 2007 and December 31, 2006:

	September 30, 2007
	$ 40,260,000
	210,096,000
	4,000
	250,360,000
	(2,294,000
	$ 248,066,000

e months ended September 30, 2007 and 2006 was $1,411,000 and $0, respectively, and for the nine months ended September 30, 2007 ember 30, 2006 was $2,312,000 and $0, respectively.

Southpointe, LLC, NNN Crawfordsville, LLC, NNN Gallery Medical, LLC, NNN Lenox Medical, LLC and NNN Lenox Medical Lan ent appraiser was engaged to value the properties and the transactions were approved and determined by a majority of our board of direc o us, and at prices no greater than the cost of the investments to our affiliate or the properties appraised values.

ler Parke I Indianapolis, Indiana

d all of the membership interests of NNN Southpointe, LLC from an affiliate, for a total purchase price of $14,800,000, plus closing co Parke and Epler Parke I, located in Indianapolis, Indiana, or the Southpointe property. We primarily financed the purchase price throug ty with LaSalle Bank National Association, or LaSalle, and approximately $5,115,000 of the proceeds from a $7,500,000 unsecured loa ote Payables to Affiliate, for a further discussion. The balance was provided by funds raised through our Offering. An acquisition fee of te.

ark and Athens Surgery Center Crawfordsville, Indiana

d all of the membership interests of NNN Crawfordsville, LLC from an affiliate, for a total purchase price of $6,900,000, plus closing c ille Medical Office Park and Athens Surgery Center, located in Crawfordsville, Indiana, or the Crawfordsville property. We primarily f ge loan of $4,264,000 on the property with LaSalle and approximately $2,385,000 of the proceeds from a $7,500,000 unsecured loan fr yables to Affiliate, for a further discussion. The balance was provided by funds raised through our Offering. An acquisition fee of $207

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

g St. Paul, Minnesota

ll of the membership interests of NNN Gallery Medical, LLC from an affiliate, for a purchase price of $8,800,000, plus closing costs. N
sional Building, located in St. Paul, Minnesota, or the Gallery property. We primarily financed the purchase price through the assumptio
a $1,000,000 unsecured loan from our Sponsor. See Note 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate, for a f
unds raised through our Offering. An acquisition fee of $264,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliat

Memphis, Tennessee

all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC from an affiliate, for a purchase pri
sehold interest in Lenox Office Park, Building G, and NNN Lenox Medical Land, LLC holds a fee simple interest in two vacant parcels
collectively refer to as the Lenox property. We primarily financed the purchase price of the property and land parcels through the assum
LaSalle. See Note 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate Mortgage Loan Payables, for a further disc
our Offering. An acquisition fee of $555,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

ions

lding Naples, Florida

Commons V Medical Office Building, located in Naples, Florida, or the Commons V property, from an unaffiliated third party, for a pu
price using funds raised through our Offering. An acquisition fee of $423,000, or 3.0% of the purchase price, was paid to our Advisor a
roximately 2.0% of the purchase price, was paid to Grubb & Ellis. On May 14, 2007, we entered into a loan, secured by the Commons V
nced by a promissory note in the principal amount of $10,000,000. The proceeds from this loan were used to purchase the Thunderbird
and Unsecured Note Payables to Affiliate Mortgage Loan Payables, for a further discussion.

hakerag Medical Center Fayetteville and Peachtree City, Georgia

rktown Medical Center and Shakerag Medical Center, located in Fayetteville, Georgia and Peachtree City, Georgia, respectively, whic
e of $21,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price through
ipal amount of $13,530,000 and by funds raised through our Offering. See Note 6, Mortgage Loan Payables and Unsecured Note Payab
on fee of $645,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

endale, Arizona

hunderbird Medical Plaza, located in Glendale, Arizona, from an unaffiliated third party for a total purchase price of $25,000,000, plus
651,000 in net proceeds from the $10,000,000 loan from Wachovia secured by

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

bed above) and funds raised through our Offering. An acquisition fee of $750,000, or 3.0% of the purchase price, was paid to our Advis
e Thunderbird property, with Wachovia, evidenced by a promissory note in the principal amount of $14,000,000. The proceeds from th
Hospital Southwest as described below. See Note 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate Mortgage L

Triumph Hospital Southwest Houston and Sugar Land, Texas

iumph Hospital Northwest, located in Houston, Texas, and Triumph Hospital Southwest, located in Sugar Land, Texas, which we collec
ce of $36,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a
cured by the Thunderbird property (described above), $20,975,000 from funds raised through our Offering and the balance of $4,000,00
bles and Unsecured Note Payables to Affiliate Unsecured Note Payables to Affiliate, for a further discussion. An acquisition fee of $
te.

Lawrenceville, Georgia

e Gwinnett Professional Center, or the Gwinnett property, located in Lawrenceville, Georgia, for a purchase price of $9,300,000, plus c
nanced the purchase price using a combination of debt financing consisting of a $6,000,000 loan assumed with a current principal balan
raised through our Offering. See Note 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate Mortgage Loan Payable
hase price, was paid to our Advisor and its affiliate.

mbus, Ohio

d 1 Market Exchange, 4 Market Exchange and a vacant parcel of land, located in Columbus, Ohio, which we collectively refer to as the
g costs. We acquired the property from unaffiliated third parties. We financed the purchase price using funds raised through our Offerin
ur Advisor and its affiliate. On September 28, 2007, we entered into a loan, secured by the 1 and 4 Market property, with Wachovia, evi
e 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate Mortgage Loan Payables, for a further discussion.

Kokomo, Indiana

d the Kokomo Medical Office Park, located in Kokomo, Indiana, or the Kokomo property, for a total purchase price of $13,350,000, plu
We financed the purchase price using a combination of funds raised through our Offering and the balance of $1,300,000 from an unsecu
secured Note Payables to Affiliate Unsecured Note Payables to Affiliate, for a further discussion. An acquisition fee of $401,000, or

ng Beach, California

red St. Mary Physicians Center, located in Long Beach, California, or the St. Mary property, for a purchase price of $13,800,000, plus c

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

nanced the purchase price using a combination of $8,280,000 from a loan secured by the St. Mary property and the balance of $6,100,00
bles and Unsecured Note Payables to Affiliate Unsecured Note Payables to Affiliate, for a further discussion. An acquisition fee of $4
te.

y Forge, Pennsylvania

ired 2750 Monroe Boulevard, located in Valley Forge, Pennsylvania, or the 2750 Monroe property, for a total purchase price of $26,70
d party. We financed the purchase price of the property with approximately $27,870,000 in borrowings under a secured revolving line o
An acquisition fee of $801,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

o Jacksonville, Winter Park and Sunrise, Florida

ired the East Florida Senior Care Portfolio, located in Jacksonville, Winter Park and Sunrise, Florida, or the EFSC property, for a total
from an unaffiliated third party. We financed the purchase price using a combination of $24,918,000 in net proceeds from a $26,000,000
tion, or KeyBank, secured by the EFSC property, $11,000,000 in borrowings under a secured revolving line of credit with LaSalle and t
Loan Payables and Unsecured Note Payables to Affiliate Mortgage Loan Payables and Note 7, Line of Credit, for a further discussion
ur Advisor and its affiliate.

majority of our directors, including a majority of our independent directors, approved our leverage exceeding 300.0% in connection wi
ess leverage was justified because it enabled us to purchase the properties during the initial stages of our Offering, thereby improving ou
s to generate current income for investors and preserve investor capital. As of November 13, 2007, our leverage does not exceed 300.0%
, exceed our charter s leverage guidelines again during the early stages of our operations. Net assets for purposes of this calculation are
to deducting depreciation, reserves for bad debts and other non-cash reserves, less total liabilities.

rty Acquisition

Lima, Ohio

irectors approved the acquisition of the Lima Medical Office Portfolio, located in Lima, Ohio. We anticipate purchasing the Lima Medi
from an unaffiliated third party. We intend to finance the purchase using our secured revolving line of credit with LaSalle. We expect to
0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; hov
no assurance that we will be able to complete the acquisition of the Lima Medical Office Portfolio.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

s

sted of the following as of September 30, 2007 and December 31, 2006:

		September 30, 2007
ed amortization of $1,828,000 and December 31, 2006, respectively, 55 months as of September 30, 2007).	$	17,391,0
mulated amortization of $167,000 and $0 as of September 30, 2007 and December 31, 2006, verage life of 55 months as of September 30, 2007).		1,162,0
mulated amortization of $837,000 and $0 as of September 30, 2007 and December 31, 2006, verage life of 99 months as of September 30, 2007).		22,679,0
	$	41,232,0

n the identified intangible assets for the three months ended September 30, 2007 and 2006 was $1,713,000 and $0, respectively, which ntal income for above market leases. Amortization expense recorded on the identified intangible assets for the nine months ended Septe n) through September 30, 2006 was $3,104,000 and $0, respectively, which included $167,000 and $0, respectively, of amortization rec

ntified intangible assets as of September 30, 2007 for the three months ended December 31, 2007, each of the next four years ended Dec

Amount
$2,083,000
$7,406,000
$6,766,000
$5,264,000
$3,978,000
$15,735,000

owing as of September 30, 2007 and December 31, 2006:

		September 30, 2007
ccumulated amortization of $54,000 and $0 as of September 30, 2007 and December 31, 2006,	$	1,615
		123

nulated amortization of $3,000 and December 31, 2006, respectively	191
	1,052
$	2,981

n deferred financing costs and lease commissions for the three months ended September 30, 2007 and 2006 was $39,000 and $0, respec
eriod from April 28, 2006 (Date of Inception) through September 30, 2006 was $57,000 and $0, respectively.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

nd Unsecured Note Payables to Affiliate

23,433,000 ($123,331,000, net of discount) and $0 as of September 30, 2007 and December 31, 2006, respectively. As of September 30
e interest rates ranging from 5.52% to 6.52% per annum and the weighted-average effective interest rate of 6.01% per annum. We are re
ial covenants, such as debt service coverage ratios and rent coverage ratios, and reporting requirements. As of September 30, 2007, we

d of the following as of September 30, 2007 and December 31, 2006:

	Interest Rate	Maturity Date	Mortgage Loan Payables as of September 30, 2007
ler Parke I	6.11 %	9/1/2016	$ 9,146,000
ark and Athens Surgery Center	6.12 %	10/1/2016	4,264,000
g	5.76 %	3/1/2017	6,000,000
	5.88 %	2/1/2017	12,000,000
lding	5.54 %	6/11/2017	10,000,000
nakerag Medical Center	5.52 %	5/11/2017	13,530,000
	5.67 %	6/11/2017	14,000,000
	5.88 %	1/1/2014	5,713,000
	5.80 %	9/4/2009	8,280,000
			82,933,000
	Variable *	9/30/2010	14,500,000
o	Variable **	10/1/2010	26,000,000
			40,500,000
	Total fixed and variable debt		123,433,000
	Less: discount		(102,000)

Mortgage loan payables	$	123,331,000

terest at per annum rates equal to: (a) 30-day LIBOR plus 1.35%; or (b) the Prime Rate, as announced by Wachovia Financial from tim

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

nterest at per annum rates equal to: (a) a rate equal to the greater of: (i) the prime rate, as established from time to time by KeyBank, or
oan agreement; or (b) the Adjusted LIBOR Rate, as defined in the loan agreement. As of September 30, 2007, the rate was 6.52%.

ur mortgage loan payables as of September 30, 2007, for the three months ended December 31, 2007, each of the next four years ended

	Amount
$	14,000
$	150,000
$	8,588,000
$	41,045,000
$	961,000
$	72,675,000

iliate

9, 2007, we entered into unsecured loans with NNN Realty Advisors, evidenced by unsecured promissory notes in the principal amount
r maturity dates of July 22, 2007 and September 9, 2007, respectively. The $7,500,000 and $1,000,000 unsecured notes bore interest at
ly interest-only payments for the terms of the unsecured notes. The unsecured notes provided for default interest rates in an event of def
, we repaid all outstanding principal and accrued interest on both unsecured notes using proceeds from our Offering.

an unsecured loan with NNN Realty Advisors, evidenced by an unsecured promissory note in the principal amount of $4,000,000. The
0,000 unsecured note bore interest at a fixed rate of 6.82% per annum and required monthly interest-only payments for the term of the u
ent of default equal to 8.82% per annum. On June 18, 2007, we repaid all outstanding principal and accrued interest on the unsecured n

ber 5, 2007, we entered into unsecured loans with NNN Realty Advisors, evidenced by unsecured promissory notes in the principal amo
s provided for maturity dates of March 1, 2008 and March 5, 2008, respectively. The $1,300,000 and $6,100,000 unsecured notes bore
uired monthly interest-only payments for the terms of the unsecured notes. The unsecured notes provided for default interest rates in an
tember 4, 2007 and September 11, 2007, we repaid all outstanding principal and accrued interest on the $1,300,000 and $6,100,000 uns

party loans, the terms of the loans and the unsecured notes were approved by our board of directors, including a majority of our indepe
our board of directors.

red into a loan agreement, or the Loan Agreement, with LaSalle to obtain a secured revolving credit facility in an aggregate maximum p

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

eeds of loans made under the Loan Agreement may be used to finance the purchase of properties or, provided no event of default has oc
tion to loans, our Operating Partnership may obtain up to $10,000,000 of the credit available under the Loan Agreement in the form of
may be extended by one 12-month period subject to satisfaction of certain conditions, including payment of an extension fee equal to 0.

able under the Loan Agreement is a function of certain loan to cost, loan to value and debt service coverage ratios contained in the Loa
may be increased to $120,000,000 subject to the terms of the Loan Agreement. Also, additional financial institutions may become lende

oan Agreement bear interest at per annum rates equal to (a) LIBOR plus a margin ranging from 1.45% to 1.60%, depending on the ratio
llateral securing the Loan Agreement, (b) the greater of LaSalle s prime rate or the Federal Funds Rate plus 0.50%, or (c) a combinatio
thly and at maturity. In addition to interest, we are required to pay a fee on the unused portion of the lenders commitments under the L
rs, beginning with the quarter ending December 31, 2007.

he Loan Agreement are guaranteed by us and by our subsidiaries that own properties that serve as collateral for the Loan Agreement.

rious affirmative and negative covenants that are customary for facilities and transactions of this type, including limitations on the incu
teral for the Loan Agreement, limitations on the nature of our business, and limitations on distributions by us and our subsidiaries that
eement also imposes the following financial covenants on us and our Operating Partnership, as applicable: (a) a minimum ratio of opera
flow to fixed charges, (c) a maximum ratio of liabilities to asset value, (d) a maximum distribution covenant and (e) a minimum net wo
Loan Agreement includes events of default that are customary for facilities and transactions of this type.

ecember 31, 2006, borrowings under the LaSalle Line of Credit totaled $35,700,000 and $0, respectively. Borrowings as of September
.

ities

nsisted of the following as of September 30, 2007 and December 31, 2006:

		September 30, 2007
mulated amortization of $130,000 and $0 as of September 30, 2007 and December 31, 2006, verage life of 59 months as of September 30, 2007)	$	1,315,0
	$	1,315,0

n the identified intangible liabilities for the three months ended September 30, 2007 and 2006 was $93,000 and $0, respectively, and fo
2006 (Date of Inception) through September 30, 2006 was $132,000

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

corded to rental income on the condensed consolidated statements of operations.

ntified intangible liabilities as of September 30, 2007 for the three months ended December 31, 2007, each of the next four years ended

	Amount
	$106,000
	$335,000
	$259,000
	$192,000
	$154,000
	$269,000

gencies

ny material litigation nor, to our knowledge, is any material litigation threatened against us, which if determined unfavorably to us, wou esults of operations or cash flows.

ng our properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liabi nmental liability with respect to our properties that would have a material effect on our consolidated financial position, results of opera any unasserted claim or assessment with respect to an environmental liability that we believe would require additional disclosure or the

elated Expenses

ecember 31, 2006, expenses of $990,000 and $1,728,000, respectively, in excess of 11.5% of the gross proceeds of our Offering, has be penses are not recorded in our accompanying condensed consolidated financial statements as of September 30, 2007 and December 31, e amounts may become our liability. See Note 2, Summary of Significant Accounting Policies Organizational, Offering and Related E

ingencies include the usual obligations of real estate owners and operators in the normal course of business. In our opinion, these matte ial position, results of operations or cash flows.

ons

iates

nd our non-independent directors are also executive officers and/or holders of a direct or indirect interest in our Advisor, Triple Net Pro

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

tiveness of our Offering, we entered into the Advisory Agreement and a dealer manager agreement, or the Dealer Manager Agreement. es to specified compensation for certain services with regards to our Offering and the investment of funds in real estate assets, among o nses incurred.

ling commissions up to 7.0% of the gross offering proceeds from the sale of shares of our common stock in our Offering other than sha ortion of these fees to participating broker-dealers. For the three months ended September 30, 2007 and 2006, we incurred $3,673,000 a or the period from April 28, 2006 (Date of Inception) through September 30, 2006, we incurred $10,915,000 and $0, respectively, in sel stockholders equity (deficit) as such amounts are reimbursed to our Dealer Manager from the gross proceeds of our Offering.

Diligence Expense Reimbursements

non-accountable marketing support fees and due diligence expense reimbursements up to 2.5% of the gross offering proceeds from the ursuant to the DRIP, and may re-allow up to 1.5% of gross offering proceeds to participating broker-dealers. In addition, we may reimb ross offering proceeds for bona fide due diligence expenses and may re-allow up to 0.5% of gross offering proceeds to participating bro e incurred $1,328,000 and $0, respectively, and for the nine months ended September 30, 2007 and for the period from April 28, 2006 (d $0, respectively, in marketing support fees and due diligence expense reimbursements to our Dealer Manager. Such fees and reimburs mbursed to our Dealer Manager or its affiliates from the gross proceeds of our Offering.

ng Expenses

expenses are paid by our Advisor or Triple Net Properties on our behalf. Our Advisor or Triple Net Properties may be reimbursed for ac sale of shares of our common stock in our Offering other than shares sold pursuant to the DRIP. For the three months ended September nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, we inc expenses to our Advisor or Triple Net Properties. Other organizational expenses are expensed as incurred, and offering expenses are ch dvisor or Triple Net Properties from the gross proceeds of our Offering.

age

ve, as compensation for services rendered in connection with the investigation, selection and acquisition of properties, an acquisition fe to 4.0% of the total development cost of any development property

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

hree months ended September 30, 2007 and 2006, we incurred $4,112,000 and $0, respectively, and for the nine months ended Septemb
September 30, 2006, we incurred $8,495,000 and $0, respectively, in acquisition fees to our Advisor or its affiliates. Acquisition fees a

penses

be reimbursed for acquisition expenses related to selecting, evaluating, acquiring and investing in properties. Acquisition expenses, incl
e of the properties. The reimbursement of acquisition fees and expenses, including real estate commissions paid to unaffiliated parties,
ent costs, unless fees in excess of such limits are approved by a majority of our disinterested independent directors. For the three month
vely, and for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September
o our Advisor or its affiliates, excluding amounts our Advisor or its affiliates paid directly to third parties. Acquisition expenses are capi

aid a monthly fee for services rendered in connection with the management of our assets equal to one-twelfth of 1.0% of the average in
month, subject to our stockholders receiving annualized distributions in an amount equal to 5.0% per annum on average invested capital
3,000 and $0, respectively, and for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inceptio
asset management fees to our Advisor or its affiliates, which is included in general and administrative in the accompanying condensed

aid a monthly property management fee equal to 4.0% of the gross cash receipts from each property managed. For properties managed
ffiliates will be paid up to 1.0% of the gross cash receipts from the property for a monthly oversight fee. For the three months ended Sep
nd for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 20
ment fees and oversight fees to our Advisor or its affiliates, which is included in rental expenses in the accompanying condensed consol

ffiliated third parties, as the property manager, may receive a separate fee for leasing activities in an amount not to exceed the fee custo
in the same geographic area for similar properties, as determined by a survey of brokers and agents in such area ranging between 3.0%
he three months ended September 30, 2007 and 2006, and for the nine months ended September 30, 2007 and for the period from April
$93,000, $0, $127,000, and $0, respectively, to Triple Net Properties in lease fees.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

ng Payroll

ember 30, 2007 and 2006, Triple Net Properties incurred payroll for on-site personnel and engineering on our behalf of $43,000 and $0,
period from April 28, 2006 (Date of Inception) through September 30, 2006, Triple Net Properties incurred payroll for on-site personnel
cluded in rental expense on the condensed consolidated statements of operations.

affiliates for expenses incurred in rendering its services to us, subject to certain limitations on our operating expenses. However, we can
eater of: (1) 2.0% of our average invested assets, as defined in the Advisory Agreement, or (2) 25.0% of our net income, as defined in th
cess expenses were justified based on unusual and non-recurring factors. For the twelve months ended September 30, 2007, our operati
m offering and had funds held in escrow released to us to commence real estate operations in January 2007. At this early stage of our op
pared with our funds from operations and our average invested assets. Our board of directors determined that the relationship of our gen
invested assets was justified for the twelve months ended September 30, 2007 given the costs of operating a public company and the ea

ember 30, 2007 and 2006, Triple Net Properties incurred on our behalf $68,000 and $0, respectively, and for the nine months ended Sep
n) through September 30, 2006, Triple Net Properties incurred on our behalf $494,000 and $0, respectively, which is included in genera
nts of operations or prepaid expenses on the accompanying condensed consolidated balance sheets, as applicable.

be paid, for services relating to a sale of one or more properties, a disposition fee up to the lesser of 1.75% of the contract sales price or
nces surrounding the sale, in each case as determined by our board of directors and will not exceed market norms. The amount of dispos
parties, will not exceed the lesser of the customary competitive disposition fee or an amount equal to 6.0% of the contract sales price. F
months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, we did not i

est

Sales Proceeds

, our Advisor will be paid a subordinated distribution of net sales proceeds. The distribution will be equal to 15.0% of the net proceeds
of (1) their initial contributed capital (less amounts paid to repurchase shares pursuant to our share repurchase program) plus (2) an ann
. Actual amounts depend upon the sales prices of properties upon

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

ended September 30, 2007 and 2006, and for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date
ns.

Listing

common stock on a national securities exchange, our Advisor will be paid a distribution equal to 15.0% of the amount by which (1) the
paid prior to listing exceeds (2) the sum of total amount of capital raised from stockholders (less amounts paid to repurchase shares pur
d to stockholders as of the date of listing, would have provided them an annual 8.0% cumulative, non-compounded return on average in
market value of shares of our common stock at the time of listing, among other factors. For the three months ended September 30, 200
period from April 28, 2006 (Date of Inception) through September 30, 2006, we did not incur such distributions.

Termination

y Agreement, other than a termination by us for cause, our Advisor will be entitled to receive a distribution from our Operating Partners
fair market value of all of the assets of our Operating Partnership as of the date of the termination (determined by appraisal), less any in
us by our Operating Partnership from our inception through the termination date, exceeds (2) the sum of the total amount of capital rais
are repurchase plan) plus an annual 8.0% cumulative, non-compounded return on average invested capital through the termination date.
e been listed on a national securities exchange prior to the termination of the Advisory Agreement.

tes, Net

standing to affiliates as of September 30, 2007 and December 31, 2007:

Fee		**September 30, 2007**
Operating Expenses	$	
Offering Costs		7
On-site Payroll and Engineering		
Acquisition Related Expenses		1
Receivable for Property Acquisition		
Refund		(1
Selling Commissions, Marketing Support Fees		
and Due Diligence Expense Reimbursements		3
Asset and Property Management Fees		5
Lease Commissions		
	$	1,8

iliate

ember 30, 2007 and 2006, we paid interest expense to our Sponsor of $7,000 and $0, respectively, and for the nine months ended Septe

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

) through September 30, 2006, we paid interest expense to our Sponsor of $84,000 and $0, respectively.

bles and Unsecured Note Payables to Affiliate Unsecured Note Payables to Affiliate for a further discussion.

ecember 31, 2006, we owned a 99.99% and a 1.0%, respectively, general partnership interest in our Operating Partnership and our Advi interest. As such, 0.01% of the losses at our Operating Partnership are allocated to minority interest.

eficit)

ased 200 shares of our common stock for total cash consideration of $2,000 and was admitted as our initial stockholder. On September ,000 shares, respectively, of restricted common stock to our independent directors. On April 12, 2007, we granted 5,000 shares of restri , 2007, in connection with their re-election, we granted an aggregate of 12,500 shares of restricted stock to our independent directors. T with our Offering and 132,829 shares under the DRIP. As of September 30, 2007 and December 31, 2006, we had 15,984,067 and 20,2

e public up to 200,000,000 shares of our $0.01 par value common stock for $10.00 per share and up to 21,052,632 shares of our $0.01 p Our charter authorizes us to issue 1,000,000,000 shares of our common stock.

e 200,000,000 shares of our $0.01 par value preferred stock. No shares of preferred stock were issued and outstanding as of September 3

s stockholders to purchase additional shares of common stock through reinvestment of distributions, subject to certain conditions. We re to the DRIP in our Offering. For the three and nine months ended September 30, 2007, $927,000 and $1,262,000, respectively, in distrib re issued under the DRIP. As of September 30, 2007 and December 31, 2006, a total of $1,262,000 and $0, respectively, in distributions he DRIP.

ved a share repurchase plan. On August 24, 2006, we received SEC exemptive relief from rules restricting issuer purchases during distri rtain criteria are met. Share repurchases will be made at the sole discretion of our board of directors. Funds for the repurchase of shares

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

nder the DRIP. As of September 30, 2007, no share repurchases had been made.

ndent Directors Compensation Plan

entive Plan, the aggregate number of shares of our common stock subject to options, shares of restricted common stock, stock purchase
under its sub-plan, the 2006 Independent Directors Compensation Plan, will be no more than 2,000,000 shares.

ber 4, 2006, we granted an aggregate of 15,000 shares and 5,000 shares, respectively, of restricted common stock, as defined in the 200
dent Director Compensation Plan. On April 12, 2007, we granted 5,000 shares of restricted common stock to our newly appointed indep
we granted 12,500 shares of restricted stock to our independent directors. Each of these restricted stock awards vested 20.0% on the gr
e of grant. The fair value of each share of restricted common stock was estimated at the date of grant at $10.00 per share, the per share p
over the vesting period. Shares of restricted common stock may not be sold, transferred, exchanged, assigned, pledged, hypothecated o
e months ended September 30, 2007 and 2006, we recognized compensation expense of $19,000 and $31,000, respectively, related to th
, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, we recognized compensation expense o
rants. Such compensation expense is included in general and administrative on our accompanying condensed consolidated statements of
rights to dividends.

ecember 31, 2006, there was approximately $247,000 and $149,000, respectively, of total unrecognized compensation expense, net of e
k. This expense is expected to be realized over a remaining weighted average period of 3.3 years.

ecember 31, 2006, the fair value of the nonvested shares of restricted common stock was $270,000 and $160,000, respectively. A summ
0, 2007 and December 31, 2006, and changes for the nine months ended September 30, 2007 is presented below:

	Restricted Common Stock	**V**
	16,000	$
	17,500	
	(6,500)	
	27,000	$
, 2007	27,000	$

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

on Interest

mited Partnership approved by our board of directors, upon termination of the Advisory Agreement, other than a termination by us for c
Partnership in an amount equal to 15.0% of the amount, if any, by which (1) the fair market value of all of the assets of our Operating Pa
ny indebtedness secured by such assets, plus the cumulative distributions made to us by our Operating Partnership from our inception th
l raised from stockholders (less amounts paid to redeem shares pursuant to our share repurchase plan) plus an annual 8.0% cumulative,
ate. However, our Advisor will not be entitled to this distribution if our shares have been listed on a national securities exchange prior to

ompleted the acquisition of 14 consolidated properties, adding a total of approximately 1,547,000 square feet of GLA to our property po

	Date
ler Parke I	January 22, 200
ark	
	January 22, 200
g	March 9, 2007
	March 23, 2007
lding	April 24, 2007
nakerag Medical Center	May 2, 2007
	May 15, 2007
	June 8, 2007
	July 27, 2007
	August 15, 2007
	August 30, 2007
	September 5, 20
	September 10, 2
o	September 28, 2

perties are reflected in our consolidated statements of operations for the three and nine months ended September 30, 2007 for the period
4 consolidated properties was $283,150,000 plus closing costs of $9,795,000, of which $144,368,000 was initially financed with mortg
LaSalle Line of Credit.

1, we allocated the purchase price to the fair value of the assets acquired and the liabilities assumed, including the allocation of the inta
: lease origination costs and tenant relationships. Certain allocations as of September 30, 2007 are subject to change based on informati
s at the time of purchase which confirm the value of an asset acquired or a liability assumed in an acquisition of a property.

discussed above had occurred on April 28, 2006 (Date of Inception), for the nine months ended September 30, 2007, pro forma revenue

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

23,672,000, $(5,126,000) and $(0.49), respectively. For the three months ended September 30, 2007, pro forma revenues, net income (lo
2,088,000) and $(0.16), respectively. For the period from April 28, 2006 (Date of Inception) through September 30, 2006, pro forma rev
ve been $13,527,000, $(1,914,000) and $(0.21), respectively. For the three months ended September 30, 2006, pro forma revenues, net i
7,977,000, $(1,129,000) and $(0.13). The pro forma results are not necessarily indicative of the operating results that would have been o
ed, nor are they necessarily indicative of future operating results.

received and accepted subscriptions in our Offering for 18,059,074 shares of our common stock, or $180,368,000, excluding shares issu

rty Acquisitions

Tucson, Arizona

of directors approved the acquisition of Tucson Medical Office Portfolio, located in Tucson, Arizona. We anticipate purchasing Tucson
s, from an unaffiliated third party. We intend to finance the purchase using the LaSalle Line of Credit. We expect to pay our Advisor ar
connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is subject to c
ble to complete the acquisition of Tucson Medical Office Portfolio.

Roswell, Georgia

of directors approved the acquisition of Northmeadow Medical Center, located in Roswell, Georgia. We anticipate purchasing Northme
from an unaffiliated third party. We intend to finance the purchase using the LaSalle Line of Credit. We expect to pay our Advisor and
ase price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is
e will be able to complete the acquisition of Northmeadow Medical Center.

ed an interest rate swap agreement with Wachovia in connection with the $14,500,000 secured loan on the 1 and 4 Market Exchange pro
nal promissory note, the Market Exchange loan bears interest, at our option, at a per annum rate equal to either: (a) 30-day LIBOR plus
e to time. As a result of the interest rate swap agreement, the Market Exchange loan bears interest at an effective fixed rate of 5.97% per
s for monthly interest-only payments due on the first day of each calendar month commencing on November 1, 2007.

ed an interest rate swap agreement with KeyBank in connection with the $30,500,000 secured loan on the EFSC property, or the EFSC
bears interest, at our option, at a per annum rate equal to either: (a) a rate

NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

me rate, as established from time to time by KeyBank, or (ii) 1.0% in excess of the federal funds effective rate, as defined in the loan ag
s a result of the interest rate swap agreement, the EFSC loan bears interest at an effective fixed rate of 6.02% per annum from Novembe
nd interest payments due on the tenth day of each calendar month commencing on November 10, 2007.

ve repaid $29,300,000 on the LaSalle Line of Credit and $6,400,000 remains outstanding.

requirements of the EFSC loan and received the $4,500,000 loan holdback held in escrow from KeyBank pursuant to the loan agreeme

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

F-2 of Supplement No. 7 dated April 24, 2008 to our Prospectus dated December 14, 2007.]

NNN Healthcare/Office REIT, Inc.

CONSOLIDATED BALANCE SHEETS

December 31, 2006 and April 28, 2006 (Date of Inception)

	December 31, 2006	
ASSETS		
	$ 202,000	$
	179,878	
	3,446	
	$ 385,324	$
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS (DEFICIT) EQUITY		
	$ 61,944	$
	312,426	
	374,370	
(Note 3)		
er in Operating Partnership	200,000	
200,000,000 shares authorized; none issued and outstanding		
1,000,000,000 shares authorized; 20,200 and 200 shares issued and outstanding as of December 31,		
ively	162	
	52,563	
	(241,771)	
ity	(189,046)	
and stockholders (deficit) equity	$ 385,324	$

The accompanying notes are an integral part of these consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

CONSOLIDATED STATEMENT OF OPERATIONS

For the Period from April 28, 2006 (Date of Inception) through December 31, 2006

		$ (241,771)
		$ (241,771)
uted		$ (149.03)
mmon shares outstanding	basic and diluted	1,622

The accompanying notes are an integral part of these consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

CONSOLIDATED STATEMENT OF STOCKHOLDERS (DEFICIT) EQUITY

For the Period from April 28, 2006 (Date of Inception) through December 31, 2006

	Common Stock		Additional		
	Number of Shares	Amount	Paid-In Capital	Preferred Stock	
		$	$	$	$
	200	2	1,998		
l common stock	20,000	160	39,840		
non stock compensation			10,725		
6	20,200	$ 162	$ 52,563	$	$

The accompanying notes are an integral part of these consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period from April 28, 2006 (Date of Inception) through December 31, 2006

ATING ACTIVITIES	
	$ (241,771)
to net cash provided by operating activities:	
	50,725
iabilities:	
	(179,878)
	(3,446)
	61,944
	312,426
ctivities	
NCING ACTIVITIES	
on stock	2,000
Operating Partnership	200,000
ctivities	202,000
	202,000
	$ 202,000

The accompanying notes are an integral part of these consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Period from April 28, 2006 (Date of Inception) through December 31, 2006

or our refers to NNN Healthcare/Office REIT, Inc. and our subsidiary, NNN Healthcare/Office REIT Holdings, L.P., except where

ption of Business

nc., a Maryland corporation, was incorporated on April 20, 2006 and intends to provide investors the potential for income and growth th rimarily on medical office buildings, healthcare-related facilities and quality commercial office properties that produce current income. s a real estate investment trust, or REIT, for federal income tax purposes for our taxable year ended December 31, 2007.

initial public offering, or our Offering, in which we are offering a minimum of 200,000 shares of our common stock aggregating at leas of our common stock for $10.00 per share and 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan, imum offering. Shares purchased by our executive officers and directors, by NNN Capital Corp., or our Dealer Manager, by NNN Heal ot count towards the minimum offering. On January 8, 2007, excluding shares purchased by our executive officers and directors, our De cepted subscriptions in our Offering for 200,846 shares of our common stock, or $2,004,000, thereby exceeding the minimum offering. ion.

ct substantially all of our operations through NNN Healthcare/Office REIT Holdings, L.P., or our Operating Partnership. We are extern sory Agreement, between us, our Advisor and Triple Net Properties, LLC, or Triple Net Properties, who is the managing member of our tember 2007 and is subject to successive one-year renewals upon the mutual consent of the parties. Our Advisor supervises and manage cquire, subject to oversight by our board of directors. Our Advisor will also provide marketing, sales and client services on our behalf. fficers, some of whom also own an indirect equity interest in our Advisor. Our Advisor engages affiliated entities, including Triple Net ure properties.

NN Realty Advisors, Inc., or NNN Realty Advisors, or our Sponsor, acquired all of the outstanding ownership interests of Triple Net Pro Advisors to be our Sponsor.

d neither purchased nor contracted to purchase any investments. See Note 10, Subsequent Events Property Acquisitions for a further

Accounting Policies

unting policies presented below is designed to assist in understanding our consolidated financial statements. Such financial statements a nt, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepte been consistently applied in preparing our accompanying consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

financial statements include our accounts and those of our Operating Partnership. We intend to operate in an umbrella partnership REIT
bsidiaries of our Operating Partnership, will own substantially all of the properties acquired on our behalf. We are the sole general partn
1.0% general partnership interest therein. Our Advisor is a limited partner and as of December 31, 2006, owned a 99.0% limited partne
istribution rights under the partnership agreement for our Operating Partnership. Management expects our ownership percentage in our
ceeds from our Offering into our Operating Partnership. As of December 31, 2006, our Operating Partnership has no real estate operatio
use we are the sole general partner of our Operating Partnership and have unilateral control over its management and major operating d
rtnership), the accounts of our Operating Partnership are consolidated in our consolidated financial statements. All significant intercomp

ted financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amo
of contingent assets and liabilities. We believe that our critical accounting policies are those that require significant judgments and estim
sing information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actu
, and those estimates could be different under different assumptions or conditions.

ially subject us to a concentration of credit risk are primarily cash. We have cash in financial institutions that is insured by the Federal D
f December 31, 2006, we had cash accounts in excess of FDIC insured limits. We believe this risk is not significant.

of $1,802,000, including funds received from shares sold to our executive officers and directors, our Dealer Manager, and our Advisor a
of funds received in connection with subscription agreements to purchase shares of our common stock in connection with our Offering
20, 2007 (one year following the commencement of our Offering), or, the funds raised, including interest, would have been returned to
ere held in an escrow account and were not released to or available to us until the minimum offering was raised.

e minimum offering and the funds held in escrow were released to us.

elated Expenses

related expenses are initially being paid by our Advisor, our Dealer Manager and their affiliates on our behalf. These organizational, off
missions and the marketing support fee) to be paid by us in connection with

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

, 2006, our Advisor or its affiliates have incurred $1,093,000. These expenses will only become our liability to the extent selling comm
t and other organizational and offering expenses do not exceed 11.5% of the gross proceeds of our Offering. We have no obligation to r
onal, offering and related expenses unless we raise the minimum offering. As such, these expenses are not recorded in our accompanyin
ring as of December 31, 2006. See Note 4, Related Party Transactions Offering Stage for a further discussion of expenses during our

l Accounting Standards, or SFAS, No. 123(R), *Share-Based Payment*, to account for our stock compensation pursuant to our 2006 Ince
sub-plan of our 2006 Incentive Plan. See Note 6, Stockholders (Deficit) Equity 2006 Incentive Plan and Independent Directors Com

be taxed as a REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Code, and we intend to
We intend to qualify as a REIT. To qualify as a REIT, we must meet certain organizational and operational requirements, including a re
come to stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stoc
subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a
which qualification is lost unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could ma
to stockholders. Because of our intention to elect REIT status in 2007, we will not benefit from the loss incurred in the year ended Dec

re pursuant to SFAS No. 128, *Earnings Per Share*. Basic earnings (loss) per share attributable for all periods presented are computed by
common stock outstanding during the period. Diluted earnings (loss) per share are computed based on the weighted average number of
any. Restricted shares of common stock give rise to potentially dilutive shares of common stock.

06 (Date of Inception) through December 31, 2006, we recorded a net loss of approximately $242,000. 16,000 shares of restricted comm
cluded from the computation of diluted earnings per share because such shares of restricted common stock were anti-dilutive during this

s as one segment and therefore do not report segment information.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

nouncements

unting Standards Board, or the FASB, issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN No. 48. This in uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical me (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position etermines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FTN No. 48 specifically prohibits th , and it has expanded disclosure requirements. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, in which the t to the beginning balance of retained earnings. The adoption of FIN No. 48 as of the beginning of the first quarter of 2007 did not have

sued SFAS No. 157, *Fair Value Measurement*, or SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuri lue measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. We will adopt SF ve not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

s and Exchange Commission, or the SEC, released Staff Accounting Bulletin, or SAB, No. 108, *Considering the Effects of Prior Year M* 108, to address diversity in practice regarding consideration of the effects of prior year errors when quantifying misstatements in curren quantify financial statement errors using both a balance sheet approach and an income statement approach and evaluate whether either ant quantitative and qualitative factors are considered, is material. SAB No. 108 states that if correcting an error in the current year mat cial statements must be restated. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB No. 10 ted financial statements.

ed SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159. SFAS No. 159 permits entit ms at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate vo ilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of the fi l as of the beginning of the fiscal year beginning on or before November 15, 2007, provided the provisions of SFAS No. 157 are applied lo. 159 and have not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ngencies

ny material litigation nor, to our knowledge, is any material litigation threatened against us, which if determined unfavorably to us, wou
esults of operations or cash flows.

ons

nd our non-independent director are also executive officers and/or holders of a direct or indirect interest in our Advisor, Triple Net Prop
fering, we entered into the Advisory Agreement and a dealer manager agreement, or the Dealer Manager Agreement, with our Dealer M
d their affiliates to specified compensation for certain services with regard to our Offering and the investment of funds in real estate asse
and offering expenses incurred.

selling commissions up to 7.0% of the gross offering proceeds from the sale of shares of our common stock in our Offering. Our Deale
-dealers. Our Dealer Manager did not receive selling commissions for the period from April 28, 2006 (Date of Inception) through Dece
onsolidated financial statements because such commissions were not our liability since we had not raised the minimum offering as of De
tockholders equity as such amounts are paid to our Dealer Manager from the gross proceeds of our Offering.

Diligence Expense Reimbursement

e non-accountable marketing support fees up to 2.5% of the gross offering proceeds from the sale of shares of our common stock in our
-dealers. In addition, we may reimburse our Dealer Manager or its affiliates an additional accountable 0.5% of gross offering proceeds f
to participating broker-dealers. Our Dealer Manager or its affiliates did not receive marketing support fees or due diligence expense rei
December 31, 2006. Marketing support fees and due diligence expense reimbursements are not recorded in our accompanying consoli
liability since we had not raised the minimum offering as of December 31, 2006. When recorded by us, such fees and reimbursements
our Dealer Manager or its affiliates from the gross proceeds of our Offering.

ng Expenses

expenses are paid by our Advisor or Triple Net Properties on our behalf. Our Advisor or Triple Net Properties may be reimbursed for ac
hares sold under our Offering. No reimbursements were made to our Advisor or Triple Net Properties for the period from April 28, 2006
offering expenses. Other organizational and offering expenses are not recorded in our accompanying consolidated financial statements

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as of December 31, 2006. When recorded by us, organizational expenses will be expensed as incurred and offering expenses will be cha
Triple Net Properties from the gross proceeds of our Offering.

age

receive, as compensation for services rendered in connection with the investigation, selection and acquisition of properties, an acquisitio
or up to 4.0% of the total development cost of any development property acquired, as applicable. For the period from April 28, 2006 (D

penses

be reimbursed for acquisition expenses related to selecting, evaluating, acquiring and investing in properties, which will not exceed 0.5%
s and expenses, including real estate commissions paid to unaffiliated parties, will not exceed, in the aggregate, 6.0% of the purchase pr
d by a majority of our disinterested independent directors. For the period from April 28, 2006 (Date of Inception) through December 31

be paid a monthly fee for services rendered in connection with the management of our assets equal to one-twelfth of 1.0% of the averag
month, subject to our stockholders receiving annualized distributions in an amount equal to 5.0% per annum on average invested capital
, 2006, we did not incur such fees.

be paid a monthly property management fee equal to 4.0% of the gross cash receipts from each property managed. For properties manag
s affiliates will be paid up to 1.0% of the gross cash receipts from the property for a monthly oversight fee. For the period from April 28
ncur such fees.

be reimbursed for expenses incurred in rendering its services, subject to certain limitations. Fees and costs reimbursed to our Advisor or
assets, as defined in the Advisory Agreement, or (2) 25.0% of our net income, as defined in the Advisory Agreement. For the period fr
ple Net Properties incurred $312,000 on our behalf. As of December 31, 2006, we had not reimbursed our Advisor or its affiliates for su

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

be paid, for a substantial amount of services relating to a sale of one or more properties, a disposition fee up to the lesser of 1.75% of th
e commission given the circumstances surrounding the sale, in each case as determined by our board of directors and will not exceed ma
ssions paid to unaffiliated parties, will not exceed the lesser of the customary competitive disposition fee or an amount equal to 6.0% o
n) through December 31, 2006, we did not incur such fees.

est

on of Net Sales Proceeds

, our Advisor will be paid a subordinated distribution of net sales proceeds. The distribution will be equal to 15.0% of the net proceeds
of (1) their initial contributed capital (less amounts paid to repurchase shares pursuant to our share repurchase program) plus (2) an ann
. Actual amounts depend upon the sales prices of properties upon liquidation. For the period from April 28, 2006 (Date of Inception) th

on Upon Listing

common stock on a national securities exchange, our Advisor will be paid a distribution equal to 15.0% of the amount by which (1) the
paid prior to listing exceeds (2) the sum of total amount of capital raised from stockholders (less amounts paid to repurchase shares pur
d to stockholders as of the date of listing, would have provided them an annual 8.0% cumulative, non-compounded return on average in
market value of shares of our common stock at the time of listing, among other factors. For the period from April 28, 2006 (Date of Inc

on Upon Termination

y Agreement, other than a termination by us for cause, our Advisor will be entitled to receive a distribution from our Operating Partners
fair market value of all of the assets of our Operating Partnership as of the date of the termination (determined by appraisal), less any in
us by our Operating Partnership from our inception through the termination date, exceeds (2) the sum of the total amount of capital rais
are repurchase plan) plus an annual 8.0% cumulative, non-compounded return on average invested capital through the termination date.
common stock have been listed on a national securities exchange prior to the termination of the Advisory Agreement. For the period fro
ncur such distributions.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ximately $312,000 was payable to Triple Net Properties, primarily for reimbursement of insurance premiums.

capital contribution to our Operating Partnership of $2,000 and our Advisor made an initial capital contribution of $200,000 to our Op
mmon stock to our Advisor to make such capital contribution to our Operating Partnership. As of December 31, 2006, we owned a 1.0%
ed a 99.0% limited partnership interest.

Equity

ased 200 shares of our common stock for total cash consideration of $2,000 and was admitted as our initial stockholder. On September
respectively, of restricted common stock to our independent directors. As such, as of December 31, 2006 and April 28, 2006, we had 20

e public up to 200,000,000 shares of our $0.01 par value common stock for $10.00 per share and up to 21,052,632 shares of our $0.01 p
Our charter authorizes us to issue 1,000,000,000 shares of our common stock.

we received subscriptions of 200,899 shares of our common stock, or $1,802,000, including shares sold to our executive officers and di
00 per share as of December 31, 2006. On January 8, 2007, we raised the minimum offering and the funds held in escrow were released

e 200,000,000 shares of our $0.01 par value preferred stock. No shares of preferred stock were issued and outstanding as of December 3

s stockholders to purchase additional shares of our common stock through reinvestment of distributions, subject to certain conditions. W
rsuant to the DRIP in our Offering. No reinvestment of distributions were made for the period from April 28, 2006 (Date of Inception) t

ved a share repurchase plan. On August 24, 2006, we received SEC exemptive relief from rules restricting issuer purchases during distri
rtain criteria are met. Share repurchases will be made at the sole discretion of our board of directors. Funds for the repurchase of shares
nder the DRIP. No share repurchases were made for the period from April 28, 2006 (Date of Inception) through December 31, 2006.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ndent Directors Compensation Plan

ntive Plan, the aggregate number of shares of our common stock subject to options, restricted shares of common stock, stock purchase
under its sub-plan, the 2006 Independent Directors Compensation Plan, will be no more than 2,000,000 shares.

ber 4, 2006, we granted 15,000 shares and 5,000 shares, respectively, of restricted common stock, as defined in the 2006 Incentive Plan
ation Plan, of which 20.0% vested on the grant date and 20.0% will vest on each of the first four anniversaries of the date of grant. The f
f grant at $10.00 per share and is amortized on a straight-line basis. Shares of restricted common stock may not be sold, transferred, exc
rictions expire upon vesting. We recognized compensation expense of approximately $51,000 related to the restricted common stock gr
31, 2006, which is included in general and administrative on our accompanying consolidated statement of operations. Shares of restricte

was approximately $149,000 of total unrecognized compensation expense, net of estimated forfeitures, related to nonvested restricted sh
ighted average period of approximately three years and nine months.

r value of the nonvested restricted shares of common stock was $160,000. A summary of the status of our shares of restricted common
6 (Date of Inception) through December 31, 2006, is presented below:

	Restricted Common Stock	W
	20,000	$
	(4,000)	$
	16,000	$
ember 31, 2006	16,000	$

on Interest

mited Partnership approved by our board of directors, upon termination of the Advisory Agreement, other than a termination by us for c
Partnership in an amount equal to 15.0% of the amount, if any, by which (1) the fair market value of all of the assets of our Operating Pa
ny indebtedness secured by such assets, plus the cumulative distributions made to us by our Operating Partnership from our inception th
l raised from stockholders (less amounts paid to redeem shares pursuant to our share repurchase plan) plus an annual 8.0% cumulative,
ate. However, our Advisor will not be entitled to this distribution if shares of our common stock have been listed on a national securities

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

tive Expenses

06 (Date of Inception) through December 31, 2006, general and administrative expenses of approximately $242,000 consisted of insura
rectors fees of $55,000, restricted common stock compensation of $51,000 and professional and legal fees of $68,000.

operating expense reimbursement obligation of our Advisor as discussed in Note 4, Related Party Transactions Operating Expenses.

ncial Data (Unaudited)

selected quarterly financial data. We believe that all necessary adjustments, consisting only of normal recurring adjustments, have been
with GAAP, the unaudited selected quarterly financial data when read in conjunction with our consolidated financial statements.

	Quarters Ended	
	December 31, 2006	September 30 2006
	$ (192,112)	$ (49,659
	$ (192,112)	$ (4
d	$ (46.10)	$ (

shares purchased by our executives officers and directors, our Dealer Manager and our Advisor and its affiliates, we had received and
tock, or $2,004,000, thereby exceeding the minimum offering. Having raised the minimum offering, the offering proceeds were released
nd other purposes disclosed in our Registration Statement on Form S-11 (File No. 333-133652, effective September 20, 2006) filed wit
received and accepted subscriptions in our Offering for 722,689 shares of our common stock, or $7,197,000.

on with our acquisition of the 100% membership interests in NNN Southpointe, LLC and NNN Crawfordsville, LLC, we entered into a
n the principal amount of $7,500,000. The unsecured loan matures on July 22, 2007. The unsecured loan bears interest at a fixed rate of
on February 1, 2007 for the term of the unsecured loan. NNN Realty Advisors is our sponsor and therefore these loans are deemed to b
e approved by our board of directors, including the majority of our independent directors, and deemed fair, competitive and commercia

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

sed a 100% membership interest in NNN Southpointe, LLC from NNN South Crawford Member, LLC, an indirect wholly-owned subsi hpointe, LLC has a fee simple ownership interest in Southpointe Office Parke and Epler Parke I, or the Southpointe property, located in y through the assumption of an existing mortgage loan payable of $9,146,000 on the property with LaSalle Bank National Association, unsecured loan (as described above) from NNN Realty Advisors. The balance was provided by funds raised through our Offering. An ac dvisor and its affiliates.

e loan payable on the Southpointe property matures on September 1, 2016 and bears interest at a fixed rate of 6.113% per annum. Pursu monthly interest-only payments on the first day of each month through September 1, 2010. Beginning on October 1, 2010, we will be r month until maturity. The mortgage loan provides for a default interest rate of an additional 5.0% per annum in an event of default and mount of any overdue payments or (b) the maximum amount permitted by applicable law, in addition to any default interest payments.

hpointe, LLC membership interests from an indirect wholly-owned subsidiary of our Sponsor, an independent appraiser was engaged to directors, including a majority of our independent directors and it was determined by a majority of our board of directors, including a m to us and at a price no greater than the cost of the investment to our Sponsor s indirect wholly-owned subsidiary or the property s app

sed a 100% membership interest in NNN Crawfordsville, LLC from NNN South Crawford Member, LLC, for a total purchase price of $ Crawfordsville Medical Office Park and Athens Surgery Center, or the Crawfordsville property, located in Crawfordsville, Indiana. We of an existing mortgage loan payable of $4,264,000 on the property with LaSalle and approximately $2,385,000 of the proceeds from a rs. The balance was provided by funds raised through our Offering. An acquisition fee of $207,000, or 3.0% of the purchase price, was

ayable on the Crawfordsville property matures on October 1, 2016 and bears interest at a fixed rate of 6.123% per annum. Pursuant to o interest-only payments on the first day of each month through October 1, 2010. Beginning on November 1, 2010, we will be required t maturity. The mortgage loan provides for a default interest rate of an additional 5.0% per annum in an event of default and late charges any overdue payments or (b) the maximum amount permitted by applicable law, in addition to any default interest payments.

wfordsville, LLC membership interests from an indirect wholly-owned subsidiary of our Sponsor, an independent appraiser was engage directors, including a majority of our independent directors and it was determined by a majority of our board of directors, including a m to us and at a price no greater than the cost of the investment to our Sponsor s indirect wholly-owned subsidiary or the property s app

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the Crawfordsville property and the Southpointe property, as of January 22, 2007, our leverage exceeds 300.0%. In accordance with ou endent directors, approved our leverage exceeding 300.0% in connection with the acquisitions. The board of directors determined that t rty during the initial stages of our Offering, thereby improving our ability to meet our goal of acquiring a diversified portfolio of proper e will likely continue to exceed our charter s leverage guidelines during the early stages of our operations. We will take action to reduc ation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and oth erally expected to approximate 75.0% of the sum of (1) the aggregate cost of our properties before non-cash reserves and depreciation a

ectors approved the acquisitions of: (i) the Gallery Professional Building located in St. Paul, Minnesota for a purchase price of $8,800,0 mphis, Tennessee for a purchase price of $18,500,000, plus closing costs, contingent upon raising sufficient financing and other conditio

ittee

escombe accepted his appointment to the Audit Committee of our board of directors.

a 6.5% per annum distribution to be paid to stockholders beginning on January 8, 2007, the date we reached our minimum offering. The y 31, 2007.

of directors approved a 7.25% per annum distribution to be paid to stockholders beginning with our February 2007 monthly distributio

ted)

eived and accepted subscriptions in our Offering for 3,626,010 shares of our common stock, or $36,218,000.

with our acquisition of the 100% membership interests in NNN Gallery Medical, LLC, we entered into an unsecured loan with NNN R 1,000.000. The unsecured loan matures on September 9, 2007. The unsecured loan bears interest at a fixed rate of 6.84% per annum an e term of the unsecured loan. NNN Realty Advisors is our sponsor and therefore these loans are deemed to be related party loans. The t irectors, including the majority of our independent directors, and deemed fair, competitive and commercially reasonable by our board o

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

l outstanding principal and accrued interest on the two unsecured loans with NNN Realty Advisors using proceeds from our Offering.

all of the membership interests of NNN Gallery Medical, LLC for a total purchase price of $8,800,000, plus closing costs. NNN Gallery
g, an eight-story medical building located in downtown St. Paul, Minnesota. We primarily financed the purchase price of through the as
from NNN Realty Advisors (described above). The balance of the purchase price was provided by funds raised through our Offering. In
r 3.0% of the purchase price, to our Advisor and its affiliate.

ge loan payable on the property bears interest at a fixed rate of 5.76% per annum and matures on March 1, 2017. Pursuant to our assump
t-only payments on the first day of each month through March 1, 2011. Beginning on April 1, 2011, we will be required to make princi

all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC for a total purchase price of $18,50
nterest in Lenox Office Park Building G, and NNN Lenox Medical Land, LLC holds a fee simple interest in two vacant parcels of land
ily financed the purchase price of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC through the assumption of the existi
unds raised through our Offering. In connection with the acquisition, we incurred an acquisition fee of $555,000, or 3.0% of the purcha

ge loan payable bears interest at a fixed rate of 5.88% per annum and matures on February 1, 2017. Pursuant to our assumption of the n
ments on the first day of each month through February 1, 2011. Beginning on March 1, 2011, we will be required to make principal and

ery Medical, LLC, NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC membership interests from an affiliate and subsidia
he properties, the transactions were approved by the majority of our directors, including a majority of our independent directors and it w
our independent directors that the transactions are fair and reasonable to us and at prices no greater than the cost of the investments to

each of the The Gallery Professional Building and Lenox Office Park Building G, on the acquisition date, our leverage exceeded 300.0
ority of our independent directors, approved our leverage exceeding 300.0% in connection with the acquisitions. The board of directors
purchase the property during the initial stages of our offering, thereby improving our ability to meet our goal of acquiring a diversified
e investor capital. As of April 23, 2007, our leverage does not exceed 300.0%.

NNN Healthcare/Office REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

f directors approved the acquisition of Yorktown Medical Center and Shakerag Medical Center located in Fayette County, Georgia. We urchase price of $21,500,000, as soon as we have sufficient proceeds available from our Offering to fund the cash portion of the purcha xed-rate first mortgage from LaSalle. We expect to pay our Advisor and its affiliate an acquisition fee of $645,000, or 3.0% of the purc ll occur in the second quarter of 2007.

irectors approved the acquisition of Commons V. Commons V is a three-story multi-tenant medical office building centrally located in of $14,100,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of debt fi Advisor and its affiliate an acquisition fee of $423,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate t

irectors also approved the acquisition of Thunderbird Medical Plaza. Thunderbird Medical Plaza is a multi-tenant, three building portfol rd Medical Plaza for a purchase price of $25,250,000, plus closing costs, from unaffiliated third parties. We intend to finance the purcha ering. We expect to pay our Advisor and its affiliate an acquisition fee of $758,000, or 3.0% of the purchase price, in connection with th of 2007.

irectors also approved the acquisition of Triumph Hospital Northwest and Triumph Hospital Southwest, which we collectively refer to a Hospital Southwest are located in suburban Houston, Texas. We anticipate purchasing the Triumph Hospital Portfolio for a purchase p tend to finance the purchase through a combination of debt financing and funds raised through our Offering. We expect to pay our Advi ase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2007.

directors appointed Larry L. Mathis to serve as an independent director on our board of directors.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of Southpointe Office Parke and Epler Parke I, or the Property, for the year ended Decer
nsibility of the Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses b

dance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obt
expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosur
ng principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of reve
asis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
ler Parke I for the year ended December 31, 2006, in conformity with the accounting principles generally accepted in the United States

NY LLP

SOUTHPOINTE OFFICE PARKE AND EPLER PARKE I
STATEMENT OF REVENUES AND CERTAIN EXPENSES

	Year Ended December 31, 2006
	$ 1,432,000
	306,000
	19,000
	1,757,000
	46,000
	52,000
	378,000
s	58,000
	50,000
	7,000
	54,000
	645,000
penses	$ 1,112,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

SOUTHPOINTE OFFICE PARKE AND EPLER PARKE I

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2006

AND BASIS OF PRESENTATION

revenues and certain expenses includes the operations of Southpointe Office Parke and Epler Parke I, or the Property, located in Indiana
able area and is 95% leased as of December 31, 2006.

revenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses is not representative of the actual operations for the period presented, as certain expenses that may not be
fice REIT Holdings, L.P. in the future operations of the Property have been excluded.

GNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

erating lease agreements with tenants that expire at various dates through 2012 and are subject to scheduled fixed increases in base rent.

SOUTHPOINTE OFFICE PARKE AND EPLER PARKE I

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

e existing non-cancelable operating leases as of December 31, 2006 are as follows:

	$ 1,252,000
	930,000
	717,000
	510,000
	430,000
	307,000
	$ 4,146,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

NTRATION

, 2006, the Property had one tenant occupying 14% of the gross leaseable area which accounted for 17% of total rental income.

me	**Date of Lease Expiration**	**Aggregate Annual Rental Income**
Group	July 31, 2012	$243,000

ts lease, future revenue of the Property would be materially and adversely impacted.

AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper , liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

ncies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

SOUTHPOINTE OFFICE PARKE AND EPLER PARKE I

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

ENTS

thcare/Office REIT Holdings, L.P. purchased a 100% membership interest in NNN Southpointe, LLC for a total purchase price of $14,8
s a fee simple ownership of the Property.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of Crawfordsville Medical Office Park and Athens Surgery Center, or the Property, for t
ı expenses is the responsibility of the Property s management. Our responsibility is to express an opinion on the statement of revenues

dance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obt
ı expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosur
ng principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of reve
asis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
ı expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 of Crawf
d December 31, 2006, in conformity with the accounting principles generally accepted in the United States of America.

NY LLP

CRAWFORDSVILLE MEDICAL OFFICE PARK AND ATHENS SURGERY CENTER

STATEMENT OF REVENUES AND CERTAIN EXPENSES

	Year Ended December 31, 2006
	$ 581,000
	251,000
	1,000
	833,000
	14,000
	48,000
	92,000
s	94,000
	16,000
	3,000
	25,000
	292,000
penses	$ 541,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

CRAWFORDSVILLE MEDICAL OFFICE PARK AND ATHENS SURGERY CENTER

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2006

AND BASIS OF PRESENTATION

revenues and certain expenses includes the operations of Crawfordsville Medical Office Park and Athens Surgery Center, or the Propert
of gross leaseable area and is 100% leased as of December 31, 2006.

revenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses is not representative of the actual operations for the period presented, as certain expenses that may not be
fice REIT Holdings, L.P. in the future operations of the Property have been excluded.

GNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

erating lease agreements with tenants that expire at various dates through 2016 and are subject to scheduled fixed increases in base rent.

CRAWFORDSVILLE MEDICAL OFFICE PARK AND ATHENS SURGERY CENTER

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

e existing non-cancelable operating leases as of December 31, 2006 are as follows:

	$ 578,000
	591,000
	593,000
	593,000
	605,000
	1,837,000
	$ 4,797,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

NTRATION

, 2006, the Property had two tenants occupying 100% of the gross leaseable area which accounted for 100% of total rental income.

	Date of Lease Expiration	Aggr Annual Inco
ices, Inc.	January 31, 2013	$
are Center	February 29, 2016	$

n their leases, future revenue of the Property would be materially and adversely impacted.

AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

o and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper , liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

CRAWFORDSVILLE MEDICAL OFFICE PARK AND ATHENS SURGERY CENTER

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

ENTS

thcare/Office REIT Holdings, L.P. purchased a 100% membership interest in NNN Crawfordsville, LLC for a total purchase price of $6
ville, LLC has a fee simple ownership of the Property.

Independent Auditors Report

nc.

ng statement of revenues and certain expenses of The Gallery Professional Building, or the Property, for the year ended December 31, 2
he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obt
expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosur
ng principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of reve
asis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
g for the year ended December 31, 2006, in conformity with the accounting principles generally accepted in the United States of Ameri

NY LLP

THE GALLERY PROFESSIONAL BUILDING

STATEMENT OF REVENUES AND CERTAIN EXPENSES

	Year Ended December 31, 2006
	$ 1,839,000
	221,000
	56,000
	15,000
	2,131,000
	21,000
	374,000
	144,000
s	289,000
	48,000
	47,000
	269,000
	34,000
	1,226,000
penses	$ 905,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

THE GALLERY PROFESSIONAL BUILDING

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2006

AND BASIS OF PRESENTATION

revenues and certain expenses includes the operations of The Gallery Professional Building, or the Property, located in St. Paul, Minnes
eased as of December 31, 2006.

revenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses is not representative of the actual operations for the period presented, as certain expenses that may not be
fice REIT Holdings, L.P. in the future operations of the Property have been excluded.

GNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

erating lease agreements with tenants that expire at various dates through 2012 and are subject to scheduled fixed increases in base rent.

THE GALLERY PROFESSIONAL BUILDING

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

e existing non-cancelable operating leases as of December 31, 2006 are as follows:

	$ 945,000
	855,000
	793,000
	772,000
	444,000
	173,000
	$ 3,982,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

NTRATION

, 2006, the Property had three tenants occupying 25% of the gross leaseable area which accounted for 50% of total rental income.

	Date of Lease Expiration	Aggre Annual Inco
	September 30, 2009	$
	May 31, 2011	$
, PA	September 30, 2012	$

n their leases and substitute tenants were not found, future revenue of the Property would be materially and adversely impacted.

AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

ncies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

THE GALLERY PROFESSIONAL BUILDING

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

ENTS

care/Office REIT Holdings, L.P. purchased a 100% membership interest in NNN Gallery Medical, LLC for a total purchase price of $8,
erty.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of Lenox Office Park, Building G, or the Property, for the year ended December 31, 200
he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obt
expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosur
ng principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of reve
asis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
or the year ended December 31, 2006, in conformity with the accounting principles generally accepted in the United States of America.

NY LLP

LENOX OFFICE PARK, BUILDING G

STATEMENT OF REVENUES AND CERTAIN EXPENSES

	Year Ended December 31, 2006
	$ 2,135,000
	148,000
	2,000
	2,285,000
	75,000
	302,000
	38,000
s	143,000
	134,000
	37,000
	341,000
	1,070,000
penses	$ 1,215,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

LENOX OFFICE PARK, BUILDING G

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2006

AND BASIS OF PRESENTATION

revenues and certain expenses includes the operations of Lenox Office Park, Building G, or the Property, located in Memphis, Tennesse approximately 98,000 square feet of gross leaseable area and is 100% leased as of December 31, 2006.

revenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses is not representative of the actual operations for the period presented, as certain expenses that may not be fice REIT Holdings, L.P. in the future operations of the Property have been excluded.

GNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb le costs are recognized in the period that the expenses are incurred.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim expenses during the reporting period. Actual results could differ materially from those estimates.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

er the Payment in Lieu of Taxes tax abatement program, or Pilot Credit program. Under this program, the Property was conveyed to the a nominal annual rent. In return the developer receives reduced real estate taxes.

LENOX OFFICE PARK, BUILDING G

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

operating lease agreement with a tenant that expires in January 2010 and is subject to scheduled fixed increases in base rent. The aggre
non-cancelable operating lease as of December 31, 2006 are as follows:

	$ 2,131,000
	2,173,000
	2,217,000
	185,000
	$ 6,706,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

NTRATION

, 2006, the Property had one tenant occupying 100% of the gross leaseable area which accounted for 100% of total rental income

Date of Lease Expiration	Aggr Annual Inc
January 31, 2010	$

ts lease, future revenue of the Property would be materially and adversely impacted.

AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

LENOX OFFICE PARK, BUILDING G

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

ENTS

Medical, LLC acquired the property for the purchase price of $18,500,000.

ncare/Office REIT Holdings, L.P. purchased a 100% membership interest in NNN Lenox Medical, LLC and NNN Lenox Medical Land
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Independent Auditors Report

nc.

ng statement of revenues and certain expenses of Commons V Medical Office Building, or the Property, for the year ended December 3
lity of the Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based

dance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obt
expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosur
ng principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of reve
asis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
lding for the year ended December 31, 2006, in conformity with the accounting principles generally accepted in the United States of An

NY LLP

COMMONS V MEDICAL OFFICE BUILDING

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and the Year Ended December 31, 2006

		Three Months Ended March 31, 2007 (Unaudited)
	$	279,0
		149,0
		428,0
		4,0
		22,0
		28,0
s		64,0
		8,0
		14,0
		4,0
		144,0
penses	$	284,0

The accompanying notes are an integral part of the statements of revenues and certain expenses.

COMMONS V MEDICAL OFFICE BUILDING

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Commons V Medical Office Building, or the Property, located in Naples, Flori
% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not
fice REIT Holdings, L.P. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

l monthly management fee of $2,500.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

COMMONS V MEDICAL OFFICE BUILDING

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the three months ended March 31, 2007 is unaudited. In the opinion of management, such financial statement reflects
interim period. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2012 and are subject to consumer price index increases in base
der the existing non-cancelable operating leases as of December 31, 2006 are as follows:

	$ 995,000
	705,000
	573,000
	507,000
	507,000
	288,000
	$ 3,575,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

h 31, 2007 (unaudited), the Property had one tenant occupying 73% of the gross leaseable area which accounted for 69.0% of quarterly

Date of Lease Expiration	Aggre Annual Inco
Various	$

s lease, future revenue of the Property would be materially and adversely impacted.

, 2006, the Property had one tenant occupying 73% of the gross leaseable area which accounted for 74% of total rental income.

Date of Lease Expiration	Aggre Annual Inco
Various	$

s lease, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

COMMONS V MEDICAL OFFICE BUILDING

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

ENT EVENTS

care/Office REIT Holdings L.P., through its wholly owned subsidiary, purchased the Property for a total purchase price of $14,100,000.

Independent Auditors Report

c.

ng statement of revenues and certain expenses of Yorktown Medical Center and Shakerag Medical Center, or together the Property, for
expenses is the responsibility of the Property s management. Our responsibility is to express an opinion on the statement of revenues

dance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obt
expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosur
ng principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of reve
asis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 of Yorkt
ber 31, 2006, in conformity with the accounting principles generally accepted in the United States of America.

/s/ KMJ | CORBIN & COMPANY LLP

YORKTOWN MEDICAL CENTER AND SHAKERAG MEDICAL CENTER

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
the Year Ended December 31, 2006

		Three Months Ended March 31, 2007 (Unaudited)
	$	612,0
		36,0
		23,0
		43,0
s		67,0
		54,0
		13,0
		26,0
		7,0
		2,0
		271,0
penses	$	341,0

The accompanying notes are an integral part of the statements of revenues and certain expenses.

YORKTOWN MEDICAL CENTER AND SHAKERAG MEDICAL CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Yorktown Medical Center and Shakerag Medical Center, or together the Prope
Property has 115,000 square feet of gross leaseable area and is 85% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not
fice REIT Holdings, L.P. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

ertain expenses for the three months ended March 31, 2007 is unaudited. In the opinion of management, such financial statement reflects
interim period. All such adjustments are of a normal recurring nature.

YORKTOWN MEDICAL CENTER AND SHAKERAG MEDICAL CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

erating lease agreements with tenants that expire at various dates through 2013 and are subject to scheduled fixed increases in base rent. e existing non-cancelable operating leases as of December 31, 2006 are as follows:

	$ 2,388,000
	2,390,000
	2,039,000
	1,012,000
	881,000
	1,187,000
	$ 9,897,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

h 31, 2007 (unaudited), the Property had one tenant occupying 58% of the gross leaseable area which accounted for 60% of quarterly re

Date of Lease Expiration	Aggre Annual Inco
Various	$

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006, the Property had one tenant occupying 58% of the gross leaseable area which accounted for 61% of total rental income.

Date of Lease Expiration	Aggre Annual Inco
Various	$

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

YORKTOWN MEDICAL CENTER AND SHAKERAG MEDICAL CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

ENT EVENTS

re/Office REIT Holdings, L.P., through its wholly owned subsidiary, purchased the Property for a total purchase price of $21,500,000

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of Thunderbird Medical Plaza, or the Property, for the year ended December 31, 2006. T
he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obt
expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosur
ng principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of reve
asis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
he year ended December 31, 2006, in conformity with the accounting principles generally accepted in the United States of America.

NY LLP

THUNDERBIRD MEDICAL PLAZA

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
the Year Ended December 31, 2006

		Three Months Ended March 31, 2007 (Unaudited)
	$	722,0
		7,0
		43,0
		50,0
s		47,0
		18,0
		19,0
		184,0
penses	$	538,0

The accompanying notes are an integral part of the statements of revenues and certain expenses.

THUNDERBIRD MEDICAL PLAZA

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Thunderbird Medical Plaza, or the Property, located in Glendale, Arizona. The as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not fice REIT Holdings, L.P. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

management fee equal to 2.5% of the gross cash receipts.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim expenses during the reporting period. Actual results could differ materially from those estimates.

THUNDERBIRD MEDICAL PLAZA

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the three months ended March 31, 2007 is unaudited. In the opinion of management, such financial statement reflects
interim period. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2015 and are subject to scheduled fixed increases in base rent.
e existing non-cancelable operating leases as of December 31, 2006 are as follows:

$	1,065,000
	887,000
	826,000
	741,000
	556,000
	1,193,000
$	5,268,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

h 31, 2007 (unaudited), the Property had two tenants occupying 19% of the gross leaseable area which accounted for 12% of quarterly

Date of Lease Expiration		Aggre Annual Inco
August 1, 2012	$	
August 11, 2015	$	

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006, the Property had one tenant occupying 5% of the gross leaseable area which accounted for 12% of total rental income.

Date of Lease Expiration	Aggre Annual Inco

August 1, 2012 $

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

THUNDERBIRD MEDICAL PLAZA

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

ENT EVENTS

are/Office REIT Holdings, L.P., through its wholly owned subsidiary, purchased the Property for a total purchase price of $25,000,000.

Independent Auditors Report

nc.

ng statement of revenues and certain expenses of Triumph Hospital Northwest and Triumph Hospital Southwest, or together the Proper
ertain expenses is the responsibility of the Property s management. Our responsibility is to express an opinion on the statement of reve

dance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obt
expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosur
ng principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of reve
asis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
Triumph Hospital Southwest for the year ended December 31, 2006, in conformity with the accounting principles generally accepted i

/s/ KMJ | CORBIN & COMPANY LLP

TRIUMPH HOSPITAL NORTHWEST AND TRIUMPH HOSPITAL SOUTHWEST

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
the Year Ended December 31, 2006

		Three Months Ended March 31, 2007 (Unaudited)
	$	625,0
		625,0
		1,0
penses	$	624,0

The accompanying notes are an integral part of the statements of revenues and certain expenses.

TRIUMPH HOSPITAL NORTHWEST AND TRIUMPH HOSPITAL SOUTHWEST

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Triumph Hospital Northwest and Triumph Hospital Southwest, or together the
The Property has 151,000 square feet of gross leaseable area and is 100% leased as of December 31, 2006

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

with its tenant, whereby the tenant directly pays for the buildings operating expenses, including but not limited to maintenance, real est
rative expenses. As a result the accompanying statements of revenues and expenses do not include these operating expenses.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not
fice REIT Holdings, L.P. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays).

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

rtain expenses for the three months ended March 31, 2007 is unaudited. In the opinion of management, such financial statement reflect
interim period. All such adjustments are of a normal recurring nature.

TRIUMPH HOSPITAL NORTHWEST AND TRIUMPH HOSPITAL SOUTHWEST

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

operating lease agreement with a tenant that expires at various dates through 2013 and is subject to consumer price index increases in b
eceived under the existing non-cancelable operating lease as of December 31, 2006 are as follows:

	$ 2,478,000
	2,478,000
	2,478,000
	2,478,000
	2,478,000
	2,675,000
	$ 15,065,000

CONCENTRATION

ch 31, 2007 (unaudited), the Property had one tenant occupying 100% of the gross leaseable area which accounted for 100% of quarterly

Date of Lease Expiration	Aggre Annual Inco
Various	$

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006, the Property had one tenant occupying 100% of the gross leaseable area which accounted for 100% of total rental income

Date of Lease Expiration	Aggre Annual Inco
Various	$

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

TRIUMPH HOSPITAL NORTHWEST AND TRIUMPH HOSPITAL SOUTHWEST

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

ENT EVENTS

re/Office REIT Holdings, L.P., through its wholly owned subsidiary, purchased the Property for a purchase price of $36,500,000.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of Gwinnett Professional Center, or the Property, for the year ended December 31, 2006 he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a ne accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

NY LLP

GWINNETT PROFESSIONAL CENTER

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Six Months Ended June 30, 2007 (Unaudited)
	$	525,000
		8,000
		50,000
		45,000
s		55,000
		21,000
		3,000
		20,000
		202,000
penses	$	323,000

The accompanying notes are an integral part of the statements of revenues and certain expenses.

GWINNETT PROFESSIONAL CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Gwinnett Professional Center, or the Property, located in Lawrenceville, Georg
% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not
fice REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

roperty contracted with related parties to manage the Property and its assets. For the year ended December 31, 2006 and for the six mon
5,000 and $21,000, respectively, related to property management fees.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

GWINNETT PROFESSIONAL CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the six months ended June 30, 2007 is unaudited. In the opinion of management, such financial statement reflects all
d. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through May 2016 and are subject to fixed increases in base rent. The
e existing non-cancelable operating leases as of December 31, 2006 are as follows:

$	1,070,000
	904,000
	600,000
	429,000
	319,000
	917,000
$	4,239,000

ement of the tenants proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

, 2007 (unaudited), the Property had two tenants occupying 22% of the gross leaseable area which accounted for 32% of rental income

	Date of Lease Expiration		Aggregate Rental Income for the Six Months Ended June 30, 2007
nt Medicine, LLC	May 13, 2016	$	189,0
	June 30, 2008	$	61,0

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006, the Property had three tenants occupying 14% of the gross leaseable area which accounted for 43% of total rental income.

	Date of Lease Expiration	Aggregate Annual Rental Income

nt Medicine, LLC	May 13, 2016	$	189,000
	June 30, 2008	$	61,000
	February 28, 2009	$	94,000

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

GWINNETT PROFESSIONAL CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

ENT EVENT

are/Office REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $9,300,000, plus closing costs.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of 1 and 4 Market Exchange, or the Property, for the year ended December 31, 2006. Th
rty s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit.

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

NY LLP

1 AND 4 MARKET EXCHANGE

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Six Months Ended June 30, 2007 (Unaudited)
	$	1,156,000
		10,000
		143,000
		51,000
s		129,000
		87,000
		11,000
		42,000
		473,000
penses	$	683,000

The accompanying notes are an integral part of the statements of revenues and certain expenses.

1 AND 4 MARKET EXCHANGE

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

ATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of 1 and 4 Market Exchange, or the Property, located in Columbus, Ohio. The Pr
3% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of re
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pre
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the periods presented, as certain expenses that may no
Office REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reim
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

roperty contracted with a related party to manage the Property and its assets. For the year ended December 31, 2006 and for the six mo
49,000 and $87,000, respectively, related to property management fees.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

1 AND 4 MARKET EXCHANGE

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the six months ended June 30, 2007 is unaudited. In the opinion of management, such financial statement reflects all
d. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2012 and are subject to scheduled fixed increases in base rent.
e existing non-cancelable operating leases as of December 31, 2006 are as follows:

$	1,566,000
	1,521,000
	1,509,000
	1,086,000
	530,000
	311,000
$	6,523,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

, 2007 (unaudited), the Property had two tenants occupying 36% of the gross leaseable area which accounted for 39% of rental income

Date of Lease Expiration		Aggregate Rental Income for the Six Months Ended June 30, 2007
Various	$	193,0
July 31, 2012	$	119,0

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006**,** the Property had two tenants occupying 36% of the gross leaseable area which accounted for 39% of total rental income.

Date of Lease Expiration	Aggregate Annual Rental Income

Various	$	393,000
July 31, 2012	$	238,000

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

1 AND 4 MARKET EXCHANGE

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

ENT EVENT

hcare/Office REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $21,900,000, plus closing costs.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of Kokomo Medical Office Park, or the Property, for the year ended December 31, 2006 he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a ne accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the state reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

NY LLP

KOKOMO MEDICAL OFFICE PARK

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Six Months Ended June 30, 2007 (Unaudited)
	$	811,000
		69,000
		98,000
s		36,000
		46,000
		6,000
		255,000
penses	$	556,000

The accompanying notes are an integral part of the statements of revenues and certain expenses.

KOKOMO MEDICAL OFFICE PARK

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Kokomo Medical Office Park, or the Property, located in Kokomo, Indiana. Th
was 98% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not
fice REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

roperty contracted with a related party to manage the Property and its assets. For the year ended December 31, 2006 and the six months
2,000 and $46,000, respectively, related to property management fees.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

KOKOMO MEDICAL OFFICE PARK

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the six months ended June 30, 2007 is unaudited. In the opinion of management, such financial statement reflects all
d. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2017 and are subject to scheduled fixed increases in base rent.
e existing non-cancelable operating leases as of December 31, 2006 are as follows:

$	1,192,000
	936,000
	893,000
	844,000
	613,000
	3,402,000
$	7,880,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

, 2007 (unaudited), the Property had two tenants occupying 67% of the gross leaseable area which accounted for 75% of rental income

Date of Lease Expiration		Aggregate Rental Income for the Six Months Ended June 30, 2007
August 31, 2017	$	300,0
August 31, 2007	$	160,0

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006**,** the Property had two tenants occupying 67% of the gross leaseable area which accounted for 76% of total rental income.

Date of Lease Expiration	Aggregate Annual Rental Income

August 31, 2017	$	600,000
August 31, 2007	$	319,000

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

KOKOMO MEDICAL OFFICE PARK

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

ENT EVENT

hcare/Office REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $13,350,000, plus closing costs.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of St. Mary Physicians Center, or the Property, for the year ended December 31, 2006. T
he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
ne accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
ne year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

NY LLP

ST. MARY PHYSICIANS CENTER

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Six Months Ended June 30, 2007 (Unaudited)
	$	757,000
		94,000
		26,000
s		101,000
		26,000
		19,000
		18,000
		284,000
penses	$	473,000

The accompanying notes are an integral part of the statements of revenues and certain expenses.

ST. MARY PHYSICIANS CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

f revenues and certain expenses include the operations of St. Mary Physicians Center, or the Property, located in Long Beach, California able area and was 82% leased as of December 31, 2006.

f revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M esults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres of interest expense, depreciation and amortization and federal and state income taxes.

f revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not ffice REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

Property contracted with related parties to manage the Property and its assets. For the year ended December 31, 2006 and for the six mon 7,000 and $26,000, respectively related to property management fees.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim expenses during the reporting period. Actual results could differ materially from those estimates.

ST. MARY PHYSICIANS CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the six months ended June 30, 2007 is unaudited. In the opinion of management, such financial statement reflects all
d. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2016 and are subject to scheduled fixed increases in base rent.
e existing non-cancelable operating leases as of December 31, 2006 are as follows:

	$ 646,000
	652,000
	609,000
	419,000
	163,000
	636,000
	$ 3,125,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

, 2007 (unaudited), the Property had two tenants occupying 65% of the gross leaseable area which accounted for 80% of rental income

Date of Lease Expiration		Aggregate Rental Income for the Six Months Ended June 30, 2007
Month-to-Month	$	120,0
Various	$	459,0

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006, the Property had two tenants occupying 65% of the gross leaseable area which accounted for 80.0% of total rental income.

Date of Lease	Aggregate Annual Rental

	Expiration		Income
	Month to Month	$	239,0
	Various	$	918,0

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

ST. MARY PHYSICIANS CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

ENT EVENT

althcare/Office REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $13,800,000, plus closing costs.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of 2750 Monroe Boulevard, or the Property, for the year ended December 31, 2006. This
rty s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit.

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
ne accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

NY LLP

2750 MONROE BOULEVARD

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Six Months Ended June 30, 2007 (Unaudited)
	$	1,342,000
		45,000
		49,000
		105,000
		61,000
		6,000
		9,000
		275,000
penses	$	1,067,000

The accompanying notes are an integral part of the statements of revenues and certain expenses.

2750 MONROE BOULEVARD

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of 2750 Monroe Boulevard, or the Property, located in Valley Forge, Pennsylvan
eable area and was 100% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not
fice REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

property management fee equal to 4.5% of the gross rents.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

2750 MONROE BOULEVARD

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the six months ended June 30, 2007 is unaudited. In the opinion of management, such financial statement reflects all
d. All such adjustments are of a normal recurring nature.

operating lease agreement with a tenant that expires in April 2011 and is subject to scheduled fixed increases in base rent. The aggregat
n-cancelable operating lease as of December 31, 2006 are as follows:

$	2,597,000
	2,674,000
	2,750,000
	2,827,000
	951,000
$	11,799,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

, 2007 (unaudited), the Property had one tenant occupying 100% of the gross leaseable area which accounted for 100% of rental incom

Date of Lease Expiration	Aggregate Rental Income for the Six Months Ended June 30, 2007
April 30, 2011	$ 1,342,0

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006**,** the Property had one tenant occupying 100% of the gross leaseable area which accounted for 100% of total rental income.

Date of Lease Expiration	Aggregate Annual Rental Income

April 30, 2011	$	2,667,000

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

2750 MONROE BOULEVARD

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

ENT EVENT

ealthcare/Office REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $26,700,000, plus closing costs.

Independent Auditors Report

nc.

ng statement of revenues and certain expenses of the East Florida Senior Care Portfolio, or the Property, for the year ended December 3
lity of the Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
folio for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of Ameri

NY LLP

EAST FLORIDA SENIOR CARE PORTFOLIO

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Six Months Ended June 30, 2007 (Unaudited)
	$	2,121,000
		5,000
penses	$	2,116,000

The accompanying notes are an integral part of the statements of revenues and certain expenses.

EAST FLORIDA SENIOR CARE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Six Months Ended June 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of the East Florida Senior Care Portfolio, or the Property, located in Jacksonville,
000 square feet of gross leaseable area and was 100% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

with its tenants, whereby the tenants directly pay for the buildings operating expenses, including but not limited to maintenance, real es
nistrative expenses. As a result the accompanying statements of revenues and expenses do not include these amounts.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not
fice REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). In addition t
al to 50% of the net profits of the facilities calculated monthly on a cumulative basis. Within 30 days after the end of each month, the te
d to be paid quarterly within 45 days after the end of each quarter. The combined minimum net profit for all three tenants is $400,000 p

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

EAST FLORIDA SENIOR CARE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the six months ended June 30, 2007 is unaudited. In the opinion of management, such financial statement reflects all
d. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire through May 2009 and are subject to fixed increases in base rent. The aggregate annua
ancelable operating leases as of December 31, 2006 are as follows:

	$ 4,095,000
	4,095,000
	1,706,000
	$ 9,896,000

CONCENTRATION

, 2007 (unaudited), the Property had three tenants occupying 100% of the gross leaseable area which accounted for 100% of rental inco

	Date of Lease Expiration	Aggregate Rental Income for the Six Months Ended June 30, 2007
lle, LLC	May 31, 2009	$ 591,0
C	May 31, 2009	$ 690,0
LLC	May 31, 2009	$ 690,0

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006**,** the Property had three tenants occupying 100% of the gross leaseable area which accounted for 100% of total rental income.

	Date of Lease Expiration	Aggregate Annual Rental Income

lle, LLC	May 31, 2009	$	1,182,000
C	May 31, 2009	$	1,380,000
LLC	May 31, 2009	$	1,380,000

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

EAST FLORIDA SENIOR CARE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

ENT EVENT

ealthcare/Office REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $52,000,000, plus closing costs.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of Northmeadow Medical Center, or the Property, for the year ended December 31, 2006 he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a ne accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the state reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta r the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

NY LLP

NORTHMEADOW MEDICAL CENTER

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Nine Months Ended September 30, 2007 (Unaudited)
	$	1,033,00
		85,00
		74,00
s		96,00
		37,00
		4,00
		35,00
		331,00
penses	$	702,00

The accompanying notes are an integral part of the statements of revenues and certain expenses.

NORTHMEADOW MEDICAL CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Northmeadow Medical Center, or the Property, located in Roswell, Georgia. T
was 72% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not
fice REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

s ended September 30, 2007, the owners of the Property contracted with related parties to manage the Property and its assets. For the ye
07 (unaudited), the Property incurred expenses of $45,000 and $37,000, respectively, related to property management fees. The term of
ve months and fees are earned as follows. Upon execution of a lease and commencement of rent payments, the owner pays to the manag
s due under the lease. If the term of the lease is renewed or extended, the owner will pay a fee equal to 2% of the total monthly rental pa

NORTHMEADOW MEDICAL CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

ertain expenses for the nine months ended September 30, 2007 is unaudited. In the opinion of management, such financial statement refl
interim period. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2017 and are subject to fixed increases in base rent. The aggre
non-cancelable operating leases as of December 31, 2006 are as follows:

$	931,000
	1,183,000
	1,247,000
	1,276,000
	1,306,000
	2,496,000
$	8,439,000

ement of the tenants proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

mber 30, 2007 (unaudited), the Property had two tenants occupying 40% of the gross leaseable area which accounted for 36% of rental

Date of Lease Expiration	Aggregate Renta Income for the Ni Months Ended September 30, 20
May 31, 2014	$ 186,000
June 30, 2012	$ 185,000

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006, the Property had two tenants occupying 40% of the gross leaseable area which accounted for 40% of total rental income.

NORTHMEADOW MEDICAL CENTER

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

Date of Lease Expiration	Aggregate Annual Rental Income
May 31, 2014	$ 248,000
June 30, 2012	$ 246,000

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

ENT EVENT

ealthcare/Office REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $11,850,000, plus closing costs.

Independent Auditors Report

ıc.

ng statement of revenues and certain expenses of Tucson Medical Office Portfolio, or the Property, for the year ended December 31, 20
he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
ne accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

NY LLP

TUCSON MEDICAL CENTER PORTFOLIO

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Nine Months Ended September 30, 2007 (Unaudited)
	$	1,182,00
		50,00
		85,00
		240,00
s		139,00
		60,00
		15,00
		3,00
		592,00
penses	$	590,00

The accompanying notes are an integral part of the statements of revenues and certain expenses.

TUCSON MEDICAL OFFICE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Tucson Medical Office Portfolio, or the Property, located in Tucson, Arizona.
e feet of gross leaseable area and was 63% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

31, 2006, the statement of revenues and certain expenses includes the operations of six buildings from January 1, 2006 through Decemb
15, 2006 through December 31, 2006. For the period ended September 30, 2007, the statement of revenues and certain expenses include

revenues and certain expenses are not representative of the actual operations for the periods presented, as certain expenses that may no
Office REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

e expensed as incurred, while significant improvements, renovations and replacements are capitalized.

s ended September 30, 2007, the owners of the Property contracted with a related party to manage the Property and its assets. For the ye
07 (unaudited), the Property incurred expenses of $59,000 and $60,000, respectively, related to property management fees. Property ma
ted, including base rent, parking fees, common area maintenance charges and other items.

TUCSON MEDICAL OFFICE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

ertain expenses for the nine months ended September 30, 2007 is unaudited. In the opinion of management, such financial statement refl
interim period. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2017 and are subject to scheduled fixed increases in base rent.
e existing non-cancelable operating leases as of December 31, 2006 are as follows:

$	1,350,000
	1,387,000
	1,227,000
	1,045,000
	656,000
	1,693,000
$	7,358,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

mber 30, 2007 and for the year ended December 31, 2006 the Property did not have any tenants occupying 10% or greater of the gross
ncome.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other

TUCSON MEDICAL OFFICE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

elieves will have a material adverse effect on the Property s results of operations.

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

ENT EVENT

ealthcare/Office REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $21,050,000, plus closing costs.

Independent Auditors Report

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ng statement of revenues and certain expenses of Lima Medical Office Portfolio, or the Property, for the year ended December 31, 200
he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
ne accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
r the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

NY LLP

LIMA MEDICAL OFFICE PORTFOLIO

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Nine Months Ended September 30, 2007 (Unaudited)
	$	1,926,00
		1,754,00
		2,680,00
		346,00
		250,00
s		394,00
		49,00
		23,00
		56,00
		1,118,00
penses	$	1,562,00

The accompanying notes are an integral part of the statements of revenues and certain expenses.

LIMA MEDICAL OFFICE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

LATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Lima Medical Office Portfolio, or the Property, located in Lima, Ohio. The Pro
0% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not
fice REIT, Inc. in the future operations of the Property have been excluded.

GNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred. Condo and association fees are recognized in the period that the fee

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

s ended September 30, 2007, the owners of the property contracted with a related party to manage the Property. For the year ended Dece
the Property incurred expenses of $65,000 and $49,000, respectively, related to property management fees.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

LIMA MEDICAL OFFICE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the nine months ended September 30, 2007 is unaudited. In the opinion of management, such financial statement refl
interim period. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2025 and are subject to scheduled fixed increases in base rent.
e existing non-cancelable operating leases as of December 31, 2006 are as follows:

$	1,579,000
	1,064,000
	985,000
	966,000
	819,000
	7,727,000
$	13,140,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other operating expenses, which are not include

CONCENTRATION

mber 30, 2007 (unaudited), the Property had two tenants occupying 25% of the gross leaseable area which accounted for 27% of rental

Date of Lease Expiration	Aggregate Rental Income For the Nine Months Ended September 30, 2007
December 31, 2007	$ 230,000
December 31, 2025	$ 382,000

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006**,** the Property had two tenants occupying 25% of the gross leaseable area which accounted for 27% of total rental income.

Date of Lease Expiration	Aggregate Annual Rental Income
December 31, 2007	$ 307,000
December 31, 2025	$ 509,000

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

LIMA MEDICAL OFFICE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

ENT EVENT

lthcare/Office REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $25,250,000, plus closing costs.

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Financial Statements
As of September 30, 2007 and for the Nine Months Ended September 30, 2007 and for
the Period from April 28, 2006 (Date of Inception) through December 31, 2006

sed consolidated financial statements (including notes thereto) are qualified in their entirety by reference to and should be read in conju
ated financial statements included elsewhere in this prospectus. In management s opinion, all adjustments necessary to reflect the trans

o forma condensed consolidated balance sheet as of September 30, 2007 is presented as if we acquired Northmeadow Medical Center, o
Tucson Medical property, Lima Medical Office Portfolio, or the Lima Medical property, on September 30, 2007. Collectively, these pro
e secured debt financing on the property subsequent to acquisition. However, the pro forma adjustments assume that the debt proceeds a

o forma condensed consolidated statements of operations for the nine months ended September 30, 2007 and for the period from April 2
d as if we acquired Southpointe Office Parke and Epler Parke I, or the Southpointe property, Crawfordsville Medical Office Park and At
al Building, or the Gallery property, Lenox Office Park, Building G, or the Lenox property, Commons V Medical Office Building, or th
nter, or the Peachtree property, Thunderbird Medical Plaza, or the Thunderbird property, Triumph Hospital Northwest and Triumph Ho
the Gwinnett property, 1 and 4 Market Exchange, or the 1 and 4 Market property, Kokomo Medical Office Park, or the Kokomo prope
Boulevard, or the 2750 Monroe property, East Florida Senior Care Portfolio, or the EFSC property, the Northmeadow property, the Tu
erties, and secured the LaSalle Bank National Association, or LaSalle, or the LaSalle line of credit, on April 28, 2006 (Date of Inceptio
d proceeds, net of offering costs, received from our initial public offering through the acquisition date at $10.00 per share. In some case
ver, the pro forma adjustments assume that the debt proceeds and offering proceeds were raised as of April 28, 2006 (Date of Inception)

o forma condensed consolidated financial statements are unaudited and are subject to a number of estimates, assumptions, and other unc
that would have occurred had the acquisitions reflected therein in fact occurred on the dates specified, nor do such financial statements
in the future. In addition, the unaudited pro forma condensed consolidated financial statements include pro forma allocations of the purc
value of the assets acquired and liabilities assumed in connection with the acquisitions and are subject to change.

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2007

	Company Historical(A)	Acquisition of Northmeadow Property(B)	Acquisition of Tucson Medical Property(C)	
ASSETS				
	$ 248,066,000	$ 10,400,000	$ 18,961,000	$
	4,512,000	317,000	314,000	
et	1,419,000	10,000		
	4,875,000			
	41,232,000	1,747,000	2,916,000	
	2,981,000	125,000	41,000	
	$ 303,085,000	$ 12,599,000	$ 22,232,000	$
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS EQUITY				
	$ 123,331,000	$ 8,000,000	$	$
	35,700,000	4,400,000	22,000,000	
abilities	5,720,000	29,000	21,000	
s	1,890,000			
t	617,000	120,000	98,000	
et	1,315,000	50,000	113,000	
	168,573,000	12,599,000	22,232,000	
er in Operating Partnership	200,000			
200,000,000 shares authorized; none issued and				
1,000,000,000 shares authorized; 15,984,067 shares				
	160,000			
	141,868,000			
	(7,716,000)			
	134,312,000			
and stockholders equity	$ 303,085,000	$ 12,599,000	$ 22,232,000	$

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Nine Months Ended September 30, 2007

	Company Historical(E)	Q1, Q2 and Q3 2007 Transactions(F)	Acquisition of Northmeadow Property(G)	Acquisition of Tucson Medical Property(H)	
	$ 8,711,000	$ 13,893,000	$ 1,022,000**(J)**	$ 1,213,000**(J)**	$
	3,065,000	3,321,000	331,000**(K)**	584,000**(K)**	
	1,957,000	1,558,000	91,000**(L)**	163,000**(L)**	
	5,252,000	7,359,000	425,000**(J)**	785,000**(J)**	
	10,274,000	12,238,000	847,000	1,532,000	
se)	(1,563,000)	1,655,000	175,000	(319,000)	
tization of deferred					
):					
ayable to affiliate	(84,000)	(465,000)			
age loan payable	(2,218,000)	(5,488,000)	(572,000)**(M)**	(1,195,000)**(M)**	
	196,000				
	(2,106,000)	(5,953,000)	(572,000)	(1,195,000)	
	$ (3,669,000)	$ (4,298,000)	$ (397,000)	$ (1,514,000)	$
per share basic and diluted	$ (0.53)				
ommon shares outstanding	6,939,820				

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Period from April 28, 2006 (Date of Inception) through December 31, 2006

	Company Historical(O)	Q1, Q2 and Q3 2007 Transactions(P)	Acquisition of Northmeadow Property(Q)	Acquisition of Tucson Medical Property(R)
	$	$ 18,838,000	$ 832,000(T)	$ 822,000(T)
		5,291,000	254,000(U)	415,000(U)
	242,000	2,678,000	86,000(V)	154,000(V)
		11,271,000	378,000(T)	820,000(T)
	242,000	19,240,000	718,000	1,389,000
se)	(242,000)	(402,000)	114,000	(567,000)
tization of deferred financing costs				
ayable to affiliate		(520,000)		
age loan payable		(7,054,000)	(525,000)(W)	(1,097,000)(W)
		(7,574,000)	(525,000)	(1,097,000)
	$ (242,000)	$ (7,976,000)	$ (411,000)	$ (1,664,000)
per share basic and diluted	$ (149.03)			
ommon shares outstanding basic	1,622			

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

ma Condensed Consolidated Balance Sheet as of September 30, 2007.

heet as of September 30, 2007 included in this prospectus.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Northmeadow property. We h
nd acquisition fees, was financed through a secured mortgage loan payable of $8,000,000 on the property with Equitrust Life Insurance
An acquisition fee of $356,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. We allocated the purchase price,
umed as follows: $1,187,000 to land, $9,213,000 to building and improvements, $839,000 to in place leases, $804,000 to tenant relation
. The purchase price allocations are preliminary and are subject to change.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Tucson Medical property. The
nanced through borrowings of $22,000,000 under the LaSalle line of credit. An acquisition fee of $632,000, or 3.0% of the purchase pri
plus closing costs, to the fair value of the assets acquired and liabilities assumed as follows: $1,270,000 to land, $17,691,000 to buildin
ace leases, $1,018,000 to tenant relationships, $13,000 to above market leases and $(113,000) to below market leases. The purchase pri

e of the assets acquired and liabilities incurred or assumed us in connection with the acquisition of the Lima Medical property. We have
fees, was financed through borrowings of $26,000,000 under the LaSalle line of credit. An acquisition fee of $758,000, or 3.0% of the
chase price, plus closing costs, to the fair value of the assets acquired and liabilities assumed as follows: $646,000 to land, $18,746,000
,000 to in place leases, $2,199,000 to tenant relationships, $835,000 to above market leases and $(139,000) to below market leases. The

rma Condensed Consolidated Statement of Operations for the Nine Months ended September 30,

of operations for the nine months ended September 30, 2007 included in this prospectus.

ated operations, including pro forma adjustments, from January 1, 2007 through the acquisition date of the Southpointe property, the Cr
s V property, the Peachtree property, the Thunderbird property, the Triumph property, the Gwinnett property, the 1 and 4 Market prope
rty and the EFSC property (properties acquired during the nine months ended September 30, 2007) as if these assets had been acquired

ated operations of the Northmeadow property for the nine months ended September 30, 2007.

ated operations of the Tucson Medical property for the nine months ended September 30, 2007.

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

ted operations of the Lima Medical property for the nine months ended September 30, 2007.

portion of the purchase price allocated to building is recognized using the straight-line method and a 39 year life. Depreciation expense
mated useful life between 5 and 217 months. Amortization expense on the identified intangible assets and liabilities excluding, leasehol
g the straight-line method over an estimated useful life between 1 and 217 months. Amounts allocated to leasehold interests in land are
the leases ranging from 81 to 96 years.

market leases are included in identified intangible assets and below market lease values are included in identified intangible liabilities in
sheet and are amortized to rental income over the remaining term of the acquired leases with each property which range between 1 and

nd therefore depreciation and amortization expense, are preliminary and subject to change.

eement, our advisor or its affiliates are entitled to receive, for services in managing our properties, a monthly property management fee
ied. As a result, the pro forma amount shown is reflective of our current advisory agreement.

an incremental property tax expense assuming the acquisition price and historical property tax rate.

eement, our advisor or its affiliates are entitled to receive a monthly asset management fee calculated at one-twelfth of 1.0% of average
month, subject to our stockholders receiving annualized distributions in an amount equal to at least 5.0% per annum on average invested
on Medical property and the Lima Medical property, the stockholders had received annualized distributions greater than 5.0% per annu
the nine months ended September 30, 2007.

were financed using various debt instruments as noted above in notes (B) through (D). As such, this amount represents interest expense,
ts. The LaSalle line of credit bears interest at a variable rate. If rates increase 0.125%, interest expense would increase $49,000.

rage number of shares of common stock from our initial public offering required to generate sufficient offering proceeds to fund the pur
quired on April 28, 2006 (Date of Inception).

rma Condensed Consolidated Statement of Operations for the Period from April 28, 2006 (Date of
ber 31, 2006.

of operations for the period from April 28, 2006 (Date of Inception) through December 31, 2006 included in this prospectus.

ated operations, including pro forma adjustments, for the period from April 28, 2006 (Date of Inception) through December 31, 2006 of
e Lenox property, the Commons V property, the Peachtree property, the Thunderbird property, the Triumph property, the Gwinnett pro

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

he 2750 Monroe property and the EFSC property (properties acquired during the nine months ended September 30, 2007) as if these as

ated operations of the Northmeadow property for the period from April 28, 2006 (Date of Inception) through December 31, 2006.

ated operations of the Tucson Medical property for the period from April 28, 2006 (Date of Inception) through December 31, 2006.

ated operations of the Lima Medical property for the period from April 28, 2006 (Date of Inception) through December 31, 2006.

portion of the purchase price allocated to building is recognized using the straight-line method and a 39 year life. Depreciation expense
mated useful life between 5 and 217 months. Amortization expense on the identified intangible assets and liabilities excluding, leasehol
g the straight-line method over an estimated useful life between 1 and 217 months. Amounts allocated to leasehold interests in land are
the leases ranging from 81 to 96 years.

market leases are included in the identified intangible assets and below market lease values are included in identified intangible liabilitie
sheet and are amortized to rental income over the remaining term of the acquired leases with each property which range between 1 and

nd therefore depreciation and amortization expense, are preliminary and subject to change.

eement, our advisor or its affiliates are entitled to receive, for services in managing our properties, a monthly property management fee
ied. As a result, the pro forma amount shown is reflective of our current advisory agreement.

an incremental property tax expense assuming the acquisition price and historical property tax rate.

eement, our advisor or its affiliates are entitled to receive a monthly asset management fee calculated at one-twelfth of 1.0% of average
month, subject to our stockholders receiving annualized distributions in an amount equal to at least 5.0% per annum on average invested
on Medical property and the Lima Medical property, the stockholders had received annualized distributions greater than 5.0% per annu
the period from April 28, 2006 (Date of Inception) through December 31, 2006.

were financed using various debt instruments as noted above in notes (B) through (D). As such, amount represents interest expense, and
he LaSalle line of credit bears interest at a variable rate. If rates increase 0.125%, interest expense would increase $45,000.

rage number of shares of common stock from our initial public offering required to generate sufficient offering proceeds to fund the pur
quired on April 28, 2006 (Date of Inception).

PRIOR PERFORMANCE TABLES

e Tables, or Tables, provide information relating to real estate investment and notes programs sponsored by NNN Realty Advisors, our f
Ellis and Triple Net Properties, an indirect wholly owned subsidiary of Grubb & Ellis or collectively, NNN Realty Advisors Group, thr
N Realty Advisors Group has served as advisor, sponsor or manager of 165 real estate investment programs, consisting of six public pr
nvestment programs that have no public reporting requirements. The investment objectives of the public reporting companies have certa
eration of commercial properties; the provision of stable cash flow available for distribution to our stockholders; preservation and protec
le of our properties. One difference in investment objectives between us and the public companies is the focus on a particular type or as
overnment-oriented office properties; T REIT focused on commercial properties located in tax free states; Grubb & Ellis Apartment RE
nts in three office properties; and 2003 Value Fund focused on value-added properties in asset classes that include office properties and
ed facilities and quality commercial office properties.

sponsored by NNN Realty Advisors Group also had as their primary investment objective the acquisition, ownership, operation and eve
a diversified portfolio of real estate and real estate related securities, the private real estate programs were structured for the purpose of
ited liability company.

ould read these Tables carefully together with the summary information concerning the Prior Programs as set forth in the Prior Perfor

, you will not own any interest in the Prior Programs and should not assume that you will experience returns, if any, comparabl

ed by Triple Net Properties. Our advisor is responsible for managing our day-to-day business affairs and assets, administering our book
policy decisions to be made by our board of directors, managing or causing to be managed our properties, and rendering other property
esults of the Prior Programs thus may provide some indication of our advisor s performance of its obligations during the periods covere
and other factors contribute significantly to financial results.

d herein:

and Investing Funds (Unaudited)
nsor (Unaudited)
sults of Prior Programs (Unaudited)
l Programs (Unaudited)
Properties (Unaudited)

o the acquisition of properties by the Prior Programs is contained in Table VI, which is included in the registration statement which our
ll information concerning the Prior Programs at no charge upon request.

sents the data in Prior Performance Table III for each program on either a GAAP basis or an income tax basis depending on the re

orting requirements, the Table III presentation of Revenues, Expenses and Net Income for the public programs has been prepared and pr
ciples generally accepted in the Unites States of America, or GAAP, which incorporate accrual basis accounting. NNN Realty Advisors
(which can in turn be presented on either a cash basis or accrual basis), specifically, the private programs are presented on a cash basis
, which are presented on an accrual basis, as the only applicable reporting requirement is for the year-end tax information provided to e
erally formed using LLCs) are prepared and presented by NNN Realty Advisors Group in accordance with the cash method of accountir
n these private programs are individuals required to report to the Internal Revenue Service using the cash method of accounting for inco
e than 50% of their investors are taxpayers that report using the cash method of accounting for income tax purposes. When GAAP-basis
ne ownership presentation in the tables is made in accordance with the cash method of accounting for income tax purposes. This present
individual investor that invests in an LLC.

allow NNN Realty Advisors Group to record and report results for its private programs on an income tax basis, investors should unders
were reported on a GAAP basis. Some of the major differences between GAAP accounting and income tax accounting (and, where ap
t impact the accounting for investments in real estate are described in the following paragraphs:

nce between the cash methods of accounting and accrual methods (both GAAP and the accrual method of
me tax purposes) is that the cash method of accounting generally reports income when received and expenses when
al method generally requires income to be recorded when earned and expenses recognized when incurred.

when reporting lease revenue, the minimum annual rental revenue be recognized on a straight-line basis over the
ease, whereas the cash method of accounting for income tax purposes requires recognition of income when cash
y received from tenants, and the accrual method of accounting for income tax purposes requires recognition of
come is earned pursuant to the lease contract.

when an asset is considered held for sale, depreciation ceases to be recognized on that asset, whereas for income
iation continues until the asset either is sold or is no longer in service.

when a building is purchased certain intangible assets and liabilities (such as above-and below-market leases,
and in-place lease costs) are allocated separately from the building and are amortized over significantly shorter
iation recognized on the building. These intangible assets and liabilities are not recognized for income tax
t allocated separately from the building for purposes of tax depreciation.

an asset is considered impaired when the carrying amount of the asset is greater than the sum of the future
lows expected to be generated by the asset, and an impairment loss must then be recognized to decrease the value
r value. For income tax purposes, losses are generally not recognized until the asset has been sold to an unrelated
isposed of in an arm s length transaction.

TABLE I
EXPERIENCE IN RAISING AND INVESTING FUNDS (UNAUDITED)
PUBLIC PROGRAMS
December 31, 2006

f NNN Realty Advisors Group in raising and investing funds in prior programs where the offering closed in the three years prior to Dec
hat closed in the three years prior to December 31, 2006.

	Initial Offering G REIT, Inc.	Second Offering G REIT, Inc.
	$ 200,000,000	$ 270,000,000
	200,000,000	237,315,000
	100.0%	87.9%
	7.5%	7.0%
nce Reimbursement	2.0%	3.0%
es(1)	2.5%	2.0%
	0.0%	0.0%
	0.0%	0.0%
	88.0%	88.0%
	87.5%	87.5%
	0.0%	0.0%
es	0.5%	0.5%
	88.0%	88.0%
	49.7%	49.7%
	22-Jul-02	23-Jan-04
	9-Feb-04	30-Apr-04
	19	3
t Available for Investment (Measured from Beginning of Offering)	18	N/A
	13,867(3)	13,867(3

printing and other offering expenses, including amounts for the reimbursement for marketing, salaries and
es engaged in marketing and other organization expenses.

nce reimbursement to Selling Group.

for Initial Offering and Second Offering at December 31, 2006.

TABLE II
COMPENSATION TO SPONSOR (UNAUDITED)
PUBLIC PROGRAMS
December 31, 2006

mpensation paid to NNN Realty Advisors Group and its affiliates in connection with prior programs with offerings that closed in the thr
ive public programs which paid compensation to NNN Realty Advisors Group and its affiliates. Property management fees, asset mana
g commissions are presented for consolidated properties at 100% of the amount incurred by the property on a GAAP basis. Consolidate
liated ownership percentages. Additionally, unconsolidated properties information is not included in the tabular presentation.

					Other Programs
	G REIT, Inc.	NNN 2003 Value Fund, LLC	Subtotal	T REIT, Inc	NNN 2002 Value Fund, LLC
	22-Jul-02	11-Jul-03		22-Feb-00	15-May-02
	$ 437,315,000	$ 50,000,000	$ 487,315,000	$ 46,395,000	$ 29,799,000
roceeds of Offering:					
Group Members	$ 30,443,000	$ 3,898,000	$ 34,341,000	$ 3,576,000	$ 2,089,000
nce Reimbursement	10,818,000	1,251,000	12,069,000	671,000	2,005,000
es	3,036,000	1,394,000	4,430,000	860,000	249,000
					1,000
		1,783,000	1,783,000		1,192,000
	$ 44,297,000	$ 8,326,000	$ 52,623,000	$ 5,107,000	$ 5,536,000
uisition for Real Estate	$ 13,763,000	$ 2,041,000	$ 15,804,000	$ 585,000	$
d from Operations Before	$ 81,585,000(2)	$ 755,000	$ 82,340,000	$ 5,853,000(3)	$ 8,395,000(4)
Operations Year 2004	$ 4,293,000	$ 272,000	$ 4,565,000	$ 343,000	$ 840,000
	801,000		801,000	48,000	630,000
	$ 5,094,000	$ 272,000	$ 5,366,000	$ 391,000	$ 1,470,000
Operations Year 2005	$ 5,617,000	$ 268,000	$ 5,885,000	$ 291,000	$ 477,000
	2,756,000	747,000	3,503,000	349,000	86,000
	$ 8,373,000	$ 1,015,000	$ 9,388,000	$ 640,000	$ 563,000

Operations Year 2006						
	$ 4,811,000	$ 596,000	$ 5,407,000	$ 84,000		
				265,000		
	3,705,000	947,000	4,652,000			
	$ 8,516,000	$ 1,543,000	$ 10,059,000	$ 349,000	$	
Property Sales and Refinancings						
	$ 7,828,000	1,069,000	$ 8,897,000	$ 1,700,000	$	1,280,000
		173,000	173,000			
		107,000	107,000			
	$ 7,828,000	$ 1,349,000	$ 9,177,000	$ 1,700,000	$	1,280,000

1, 2006 as the offering has not closed. Such amount excludes amounts issued under the distribution

presents cash generated from operations for the two years ended December 31, 2005, plus payments to the the three years ended December 31, 2006 due to the adoption of the liquidation basis of accounting as of

presents cash generated from operations for the period from January 1, 2005 through June 30, 2005 and the 04, plus payments to the sponsor from operations for the three years ended December 31, 2006 due to the asis of accounting as of June 30, 2005.

e Fund, LLC represents cash generated from operations for the period from January 1, 2005 through r ended December 31, 2004, plus payments to the sponsor from operations for the three years ended he adoption of the liquidation basis of accounting as of August 31, 2005.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PUBLIC PROGRAMS
G REIT, INC.

ts for programs which have closed their offerings during each of the five years ended December 31, 2006.

	Year Ended Dec		
	2005(4)	**2004**	**2003**
	$	$	$
	10,682,000	980,000	
me	445,000	332,000	117
rities	440,000	251,000	
consolidated Real Estate	1,337,000	(604,000)	204
d Operations	(4,215,000)	1,225,000	1,337
enses	4,006,000	2,419,000	1,287
	2,054,000	1,243,000	293
		398,000	
is	$ 2,629,000	$ (1,876,000)	$ 78
	2,511,000	11,273,000	1,083
	11,963,000	251,000	
:			
	19,697,000	39,905,000	7,878
	80,432,000	(563,218,000)	(291,418
	(76,789,000)	552,058,000	296,053
Operations, Investing & Financing	23,340,000	28,745,000	12,513
rs	19,023,000	26,335,000	5,285
y Interest	674,000	376,000	74
	13,865,000		
r Cash Distributions	(10,222,000)	2,034,000	7,154
g Sales & Refinancing)			
r Cash Distributions and Special Items	$ (10,222,000)	$ 2,034,000	$ 7,154

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED) (Continued)
PUBLIC PROGRAMS
G REIT, INC.

	2005(4)	Year Ende 2004
1,000 Invested		
	$ 5.72	$ 30.19
	27.27	0.67
)		
	43.37	70.54
es		
	31.61	
es		
	43.37	70.54
	$ 31.61	$

rred financing costs.
nce of common stock net. $ $ 236,109,000
0 invested excludes distributions to minority interests.
idation basis of accounting as of December 31, 2005 and for all subsequent periods.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PUBLIC PROGRAMS
T REIT, INC.

ts for programs which have closed their offerings during the five years ended December 31, 2006.

	Period from January 1, 2005 through June 30, 2005(4)	2004	Year Ended D 200
	$	$	$
	191,000	2,466,000	2,61
me	285,000	622,000	18
rities	126,000	109,000	
consolidated Real Estate	787,000	581,000	1,16
d Operations	(272,000)	31,000	1,07
enses	1,013,000	1,213,000	79
	44,000	52,000	5
is	$ 60,000	$ 2,544,000	$ 4,18
	157,000	1,197,000	(1,10
	614,000	2,545,000	2,54
:			
	883,000	3,590,000	2,95
	249,000	(14,333,000)	2,51
	(120,000)	9,731,000	4,43
Operations, Investing & Financing	1,012,000	(1,012,000)	9,90
rs	792,000	3,438,000	2,95
y Interest	91,000	152,000	
	1,118,000	358,000	89
er Cash Distributions	(989,000)	(4,960,000)	6,06
g Sales & Refinancing)			
er Cash Distributions and Special Items	$ (989,000)	$ (4,960,000)	$ 6,06

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED) (Continued)
PUBLIC PROGRAMS
T REIT, INC.

	Period from January 1, 2005 through June 30, 2005(4)	Y 2004
1,000 Invested		
	$ 3.41	$ 25.85
	13.33	54.97
)		
	17.20	74.25
es		
	24.28	7.73
es		
	17.20	74.25
	$ 24.28	$ 7.73

rred financing costs.
nce of common stock net $ $
0 invested excludes distributions to minority interests.
idation basis of accounting as of June 30, 2005 and for all subsequent periods. However, the taxable
d from January 1, 2005 through July 28, 2005, the date the plan of liquidation was formally

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PUBLIC PROGRAMS
NNN 2003 VALUE FUND, LLC

ts for programs which have closed their offerings during the five years ended December 31, 2006.

	Year Ended December 31,			
	2006	**2005**	**2004**	**P**
	$ 3,742,000	$ 1,262,000	$ 653,000	$
	7,056,000	5,802,000		
me	527,000	416,000	86,000	
rities	134,000	344,000		
onsolidated Real Estate	(1,139,000)	2,510,000	(682,000)	
d Operations	(1,314,000)	670,000	(145,000)	
	2,599,000	1,203,000	1,084,000	
enses	754,000	1,289,000	339,000	
	2,680,000	768,000	638,000	
	2,611,000	665,000	286,000	
	(19,000)	166,000	(133,000)	
is	$ 381,000	$ 6,913,000	$ (2,302,000)	$
	(1,954,000)	95,000	680,000	
	5,952,000	3,354,000		
:				
	(4,789,000)	238,000	2,476,000	
	15,867,000	(64,529,000)	(45,158,000)	
	(12,015,000)	70,050,000	52,269,000	
Operations, Investing & Financing	(937,000)	5,759,000	9,587,000	
rs			1,908,000	
y Interest		238,000	408,000	
	9,179,000	4,657,000		
r Cash Distributions	(10,116,000)	864,000	7,271,000	
g Sales & Refinancing)				
r Cash Distributions and Special Items	$ (10,116,000)	$ 864,000	$ 7,271,000	$

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED) (Continued)
PUBLIC PROGRAMS
NNN 2003 VALUE FUND, LLC

	Year Ended December 31,		
	2006	**2005**	**2004**
1,000 Invested			
	$ (39.17)	$ 1.90	$ 22.0
	119.33	67.08	
)			
			61.9
es			
	120.23	69.86	
es			
			61.9
	$ 120.23	$ 69.86	$

erred financing costs.

0 invested excludes distributions to minority interests.

f $3,182,000 and $1,164,000 to minority interests for the year ended December 31, 2006 and 2005,

e Fund, LLC s Operating Agreement, cash proceeds from capital transactions are first treated as a return of

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PUBLIC PROGRAMS
NNN 2002 VALUE FUND, LLC

ts for programs which have closed their offerings during the five years ended December 31, 2006.

	Period from January 1, 2005 through August 31, 2005(3)	Year Ended December 31, 2004	2003	
	$	$	$	$
	6,674,000			
me	76,000	6,000	46,000	
rities				
consolidated Real Estate	373,000	(278,000)	84,000	
d Operations	1,049,000	196,000	(596,000)	
enses	15,000	99,000	69,000	
	3,000	9,000		
is	$ 8,154,000	$ (184,000)	$ (535,000)	$
	143,000	732,000	137,000	
	14,843,000			
:				
	3,378,000	2,984,000	2,140,000	
	22,977,000	(2,170,000)	(47,060,000)	
	(8,626,000)	2,068,000	44,416,000	
s, Investing & Financing	17,729,000	2,882,000	(504,000)	
rs	2,726,000	2,027,000	1,693,000	
y Interest	652,000	957,000	447,000	
	10,330,000	410,000	100,000	
er Cash Distributions	4,021,000	(512,000)	(2,744,000)	
g Sales & Refinancing)				
er Cash Distributions and Special Items	$ 4,021,000	$ (512,000)	$ (2,744,000)	$

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED) (Continued)
PUBLIC PROGRAMS
NNN 2002 VALUE FUND, LLC

	Period from January 1, 2005 through August 31, 2005(3)	Year Decem 2004
1,000 Invested		
	$ 4.80	$ 24.56
	498.09	
)		
	91.48	68.02
es		
	346.64	13.76
es		
	91.48	68.02
	$ 346.64	$ 13.76

erred financing costs.

0 invested excludes distributions to minority interests.

uidation basis of accounting as of August 31, 2005 and for all subsequent periods. However, the taxable year ended December 31, 2005, as the liquidation basis of accounting is not applicable for income tax

e Fund, LLC s Operating Agreement, cash proceeds from capital transactions are first treated as a return of

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED)
PUBLIC PROGRAMS
December 31, 2006

posals of properties in prior public programs in the three years prior to December 31, 2006

te ired	Date of Sale(1)	Selling Price, Net of Closing Costs & GAAP Adjustments Purchase: Cash Received Net of Closing Costs(2)	Mortgage Balance at Time of Sale	Money Mortgage Taken Back By Program(3)	Adjustments Resulting from Application Of GAAP	Total(26)	Cost of Properties Including Closing & Soft Total: Original Mortgage Financing	Acquisition Costs, Capital Improvements Closing & Soft Costs(4)	
n-03	Mar-04	$ 2,452,000	$ 4,876,000	$ 8,700,000	N/A	$ 16,028,000	$ 5,000,000	$ 10,259,000	$
p-04	Sep-04	$ 794,000	$	$ 528,000	N/A	$ 1,322,000	$	$ 468,000	$
p-02	Dec-04	$ 1,619,000	$ 1,817,000	N/A	N/A	$ 3,436,000	$ 1,913,000	$ 670,000	$
n-02	Apr-05	$ 603,000	$ 472,000	N/A	N/A	$ 1,075,000	$ 514,000	$ 370,000	$
r-02	Jul-05	$ 13,379,000	$ 11,015,000	N/A	N/A	$ 24,394,000	$ 11,586,000	$ 6,836,000	$
n-04	Nov-05	$ 1,390,000	$ 1,850,000	N/A	N/A	$ 3,240,000	$ 1,850,000	$ 807,000	$
r-02	Dec-05	$ 1,645,000	$	N/A	N/A	$ 1,645,000	$ 3,534,000	$ (2,376,000)	$
p-01	Jan-06	$ 2,310,000	$ 1,778,000	N/A	N/A	$ 4,088,000	$ 1,080,000	$ 1,728,000	$
r-04	Jan-06	$ 917,000	$ 863,000	N/A	N/A	$ 1,780,000	$ 392,000	$ 808,000	$
g-02	Jan-06	$ 2,765,000	$ 4,209,000	N/A	N/A	$ 6,974,000	$	$ 6,518,000	$
n-04	Jun-06	$ 12,167,000	$ 11,229,000	N/A	N/A	$ 23,396,000	$ 11,250,000	$ 2,260,000	$
r-02	Jul-06	$ 3,725,000	$ 2,862,000	N/A	N/A	$ 6,587,000	$ 2,910,000	$ 1,279,000	$

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2006

		Selling Price, Net of Closing Costs & GAAP Adjustments					Cost of Properties Including Closing & Soft Cos		
				Purchase Money Adjustments					
e red	Date of Sale(1)	Cash Received Net of Closing Costs(2)	Mortgage Balance at Time of Sale	Mortgage Taken Back By Program(3)	Resulting from Application Of GAAP	Total(26)	Original Mortgage Financing	Total Acquisition Costs, Capital Improvements Closing & Soft Costs(4)	
-04	Aug-05	$ 52,218,000	$ 63,640,000	N/A	N/A	$ 115,858,000	$ 69,943,000	$ 35,365,000	$ 1
-03	Dec-05	$ 273,000	$ 376,000	N/A	N/A	$ 649,000	$ 399,000	$ 118,000	$
-04	Jul-06	$ 91,730,000	$	N/A	N/A	$ 91,730,000	$ 56,057,000	$ 11,638,000	$
-04	Sep-06	$ 68,261,000	$ 51,719,000	N/A	N/A	$ 119,980,000	$ 62,750,000	$ 27,274,000	$
-04	Sep-06	$ 27,584,000	$ 18,050,000	N/A	N/A	$ 45,634,000	$ 14,250,000	$ 20,455,000	$
-04	Oct-06	$ 9,639,000	$ 15,543,000	N/A	N/A	$ 25,182,000	$ 15,830,000	$ 7,327,000	$
-03	Oct-06	$ 33,707,000	$ 40,000,000	N/A	N/A	$ 73,707,000	$ 25,029,000	$ 28,139,000	$
-02	Nov-06	$ (862,000)	$ 9,588,000	N/A	N/A	$ 8,726,000	$ 6,700,000	$ 2,026,000	$
-03	Nov-06	$ 2,898,000	$ 8,881,000	N/A	N/A	$ 11,779,000	$ 7,605,000	$ 3,004,000	$
-04	Nov-06	$ 13,933,000	$ 24,520,000	N/A	N/A	$ 38,453,000	$ 25,000,000	$ 12,171,000	$
-03	Dec-06	$ (219,000)	$ 3,448,000	N/A	N/A	$ 3,229,000	$ 2,200,000	$ 2,171,000	$
-03	Dec-06	$ 5,633,000	$ 10,089,000	N/A	N/A	$ 15,722,000	$ 9,815,000	$ 3,178,000	$

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2006

		Selling Price, Net of Closing Costs & GAAP Adjustments					Cost of Properties Including Closing & Soft C		
				Purchase					
e	Date of	Cash Received Net of Closing	Mortgage Balance at	Money Mortgage Taken Back By	Adjustments Resulting from Application Of		Original Mortgage	Total Acquisition Costs, Capital Improvements Closing & Soft	
red	Sale(1)	Costs(2)	Time of Sale	Program(3)	GAAP	Total(26)	Financing	Costs(4)	
-02	Mar-05	$ 11,768,000	$ 9,053,000	N/A	N/A	$ 20,821,000	$ 14,200,000	$ (53,000)	$
-03	Sep-05	$ 15,249,000	$ 17,014,000	N/A	N/A	$ 32,263,000	$ 15,750,000	$ 8,298,000	$
-04	Feb-05	$ 7,727,000	$ 11,000,000	N/A	N/A	$ 18,727,000	$ 11,000,000	$ 7,342,000	$
-04	Apr-05	$ 2,327,000	$ 4,110,000	$ 2,300,000	N/A	$ 8,737,000	$ 4,125,000	$ 1,597,000	$
-04	Aug-05	$ 7,244,000	$ 7,570,000	N/A	N/A	$ 14,814,000	$ 7,567,000	$ 5,168,000	$
-04	Nov-05	$ 2,405,000	$ 3,151,000	N/A	N/A	$ 5,556,000	$ 3,151,000	$ 1,417,000	$
-04	Dec-05	$ 7,493,000	$	N/A	N/A	$ 7,493,000	$	$ 5,091,000	$
-04	Jan-06	$ 7,052,000	$ 6,639,000	N/A	N/A	$ 13,691,000	$ 3,016,000	$ 5,132,000	$
-05	Oct-06	$ 21,726,000	$ 46,530,000	N/A	N/A	$ 68,256,000	$ 57,737,000	$ 9,346,000	$

arties except as noted below.
nption of certain liabilities by buyer.
face amounts and do not represent discounted current value.
are of original offering costs. Amount shown is net of depreciation for consolidated properties and net of
ed for unconsolidated properties.
we received a note receivable which was secured by a pledge agreement, bore interest at 6% per annum
04. The note was refinanced by the buyer and we received $6,500,000 on July 9, 2004 and issued an
r $2,200,000. The new note bears interest at 8.6% per annum and was due on August 1, 2006. The note
006.
we received a note receivable which was secured by a pledge agreement, bore interest at 4% per annum
05. The note was paid in full on March 7, 2005.
REIT s 25% tenant in common interest.

T REIT s 16% interest.
T REIT s 89.1% interest.
T REIT s 2.7% interest.
T REIT s 22.8% interest. Date of Sale is the date of sale of the last building in the property. Cash received is
e investment and mortgage at the time of sale is the mortgage balance as of the date of the sale of the last
ance was paid off in connection with the sale of one of the earlier buildings.
T REIT s 40% tenant in common interest.
T REIT s 9.8% interest.

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2006

T REIT s 75% tenant in common interest.
T REIT s 48.5% tenant in common interest.
G REIT s 4.75% interest.
ith 600 B Street (Comerica) was paid off in connection with a prior property sale.
n affiliated party. Represents results for NNN 2002 Value Fund, LLC s 50% interest.
n affiliated party.
, we received a note receivable secured by the property, bears interest at a fixed rate of 8.0% per annum and
The note requires monthly interest-only payments.
NNN 2003 Value Fund, LLC s 18.3% interest.
NNN 2003 Value Fund, LLC s 4.6% interest.
NNN 2003 Value Fund, LLC s 75.4% interest.
date of sale of NNN 2003 Value Fund, LLC s last remaining interest in the property. Represents results only
, LLC s 99% interest.
gain. Under liquidation accounting, adopted as of June 30, 2005 for T REIT, Inc., August 31, 2005 for
LC, and December 31, 2005 for G REIT, Inc. an investment is carried at its estimated fair value less costs to

le gain between ordinary and capital is as follows:

	Capital Gain/(Loss)	Ord
nter	$ (22,000)	$
	$ N/A	$
ng Center	$ 2,569,000	$
	$ 1,477,000	$
	$ 243,000	$
	$ 716,000	$
	$ 259,000	$
	$ 10,277,000	$
	$ 609,000	$
	$ 688,000	$
	$ 1,422,000	$
	$ 361,000	$
	$ 1,788,000	$
	$ 6,287,000	$
	$ 3,107,000	$

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2006

	Capital Gain/(Loss)	Ord
	$ 11,769,000	$
	$ 177,000	$
	$ 24,098,000	$
	$ 25,977,000	$
	$ 10,260,000	$
	$ 2,194,000	$
	$ 20,997,000	$
	$ 1,712,000	$
ilies Campus	$ 1,518,000	$
	$ 5,422,000	$
	$ 1,096,000	$
	$ 2,426,000	$
	$ 6,363,000	$
	$ 8,481,000	$
	$	$
	$	$
	$ 1,972,000	$
	$ 1,029,000	$
	$ N/A	$
	$ 2,788,000	$
	$ 1,523,000	$

for tax purposes on the sale of Thousand Oaks and Southwood Tower as the net proceeds from the sale were exchange under Section 1031 of the Code.

TABLE I
EXPERIENCE IN RAISING AND INVESTING FUNDS (UNAUDITED)
PRIVATE PROGRAMS
DECEMBER 31, 2006

f NNN Realty Advisors Group in raising and investing funds in prior programs where the offering closed in the three years prior to Dec
vhich closed in the preceding three years. 90 programs are presented in the aggregate, having similar investment objectives providing Te
Section 1031 of the Internal Revenue Code, to investors involved in a tax deferred exchange. Our Advisor is the Advisor and Sponsor to
ain private programs. At December, 31 2006 there were 8 affiliated investments by public programs in private programs where the offer
ated and disclosed in Table I. Table I further reflects the impact of the aggregate affiliated ownership on offering proceeds by excluding

hich had acquired properties remained open as of December 31, 2006. At December 31, 2006 the Dollar Amount Raised for open progra
fered totaling $154,405,000.

TABLE I
EXPERIENCE IN RAISING AND INVESTING FUNDS (UNAUDITED)
CONSOLIDATED PRIVATE PROGRAMS
DECEMBER 31, 2006

	1 Opportunity Fund VIII, LLC	90 TIC Programs	Subtotal of 91 Private Programs
	$ 20,000,000	$1,267,737,250	$1,287,737,250
	$ 11,805,559	$1,267,617,378	$1,279,422,937
	59.0%	100.0%	99.4%
	7.0%	7.0%	7.0%
nce Reimbursement	3.5%	3.1%	3.1%
es(1)	2.5%	2.8%	2.8%
	8.0%	5.6%	5.6%
	79.0%	81.5%	81.5%
	74.5%	78.3%	78.3%
	2.5%	2.9%	2.9%
es	2.0%	0.3%	0.3%
	79.0%	81.5%	81.5%
	82%	70%	70%
	13-Dec-04	July 18, 2003 to October 31, 2006	
	16-Jun-06	January 20, 2004 to December 21, 2006	
	17 months	2 to 17 months	
t Available for Investment (Measured from Beginning of	n/a	1 to 12 months	
	336	1,841	2,177
		2,226	2,226
	336	4,067	4,403

rinting and other offering expenses, including amounts for the reimbursement for marketing, salaries and
s engaged in marketing and other organization expenses.

TABLE II
COMPENSATION TO SPONSOR (UNAUDITED)
PRIVATE PROGRAMS
DECEMBER 31, 2006

mpensation paid to NNN Realty Advisors Group and its affiliates in connection with prior programs during the three years prior to Dece
which paid compensation to NNN Realty Advisors Group and its affiliates during the preceding three years. 91 private program offerin
4 affiliated investments by public programs in private programs, 8 which closed in the three years prior to December 31, 2006. For prog
liated ownerships are aggregated and disclosed in Table II. Table II further discloses the impact of the pro rata share of aggregate affilia
lating to public program (affiliated) ownership in private programs. 65 Other Programs made payments to NNN Realty Advisors Group
her Programs closed prior to December 31, 2003 and 12 of the Other Programs remained open as of December 31, 2006.

TABLE II
COMPENSATION TO SPONSOR (UNAUDITED)
PRIVATE PROGRAMS
DECEMBER 31, 2006

	91 Private Programs July 18, 2003 to October 31, 2006	65 Other Programs July 1, 1998 to December 5, 2006	156 Privat Programs
	$ 1,277,315,922	$ 450,796,920	$ 1,728,112
roceeds of Offering:			
Group Members	$ 89,633,759	$ 7,359,732	$ 96,993
nce Reimbursement	40,205,319	3,432,879	43,638
es	35,109,983	2,531,591	37,641
	11,502,553	377,438	11,879
	394,800		394
	$ 176,846,414	$ 13,701,640	$ 190,548
er at Acquisition			
uisition	$ 71,990,359	$ 2,119,500	$ 74,109
d from Operations Before Deducting Payments to Sponsor	$ 197,397,511	$ 78,737,017	$ 276,134
Operations Year 2004			
	2,854,066	6,612,706	9,466
	58,549	954,351	1,012
	407,010	2,456,282	2,863
	$ 3,319,625	$ 10,023,339	$ 13,342
Operations Year 2005			
	6,359,036	4,116,953	10,475
	31,103	990,656	1,021
	159,107	523,885	682
	$ 6,549,246	$ 5,631,494	$ 12,180
Operations Year 2006			
	15,282,297	3,827,945	19,110
	8,629,019	2,278,024	10,907
	$ 23,911,316	$ 6,105,969	$ 30,017

roperty sales and refinancings			
	$ 9,021,716	$ 11,934,000	$ 20,955
	242,853	3,183,281	3,426
	400,698	337,838	738
	340,480	325,281	665
	$ 10,005,747	$ 15,780,400	$ 25,786

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
TENANT IN COMMON (TIC) PROGRAMS

ng results for programs which have closed their offerings during the five years ended December 31, 2006. The programs presented are a
ommon (TIC) interests, a form of ownership which complies with Section 1031 of the Internal Revenue Code, to investors involved in

	2006 122 TIC Programs	2005 100 TIC Programs	2004 60 TIC Programs	3 Pr
	$ 353,999,775	$ 235,233,264	$ 142,333,748	$ 5
	50,355,892	43,545,180	3,365,199	
	132,962,673	90,121,252	48,978,673	1
enses	9,143,262	4,321,152	2,034,752	
	129,424,655	72,621,838	35,325,336	1
	$ 132,825,077	$ 111,714,202	$ 59,360,186	$ 2
	$ 86,703,984	$ 69,922,878	$ 55,299,433	$ 2
	128,888,158	149,023,359	11,384,836	
	2,929,222	7,616,687	819,282	
s, Sales & Refinancing ents	218,521,364	226,562,924	67,503,551	2
al Repayments	6,014,879	7,372,155	5,389,993	
s, Sales & Refinancing	212,506,485	219,190,768	62,113,558	2
tors From:				
	73,814,263	53,006,015	31,274,654	1
	132,019,854	141,672,518	12,142,157	
)	3,831,095	338,295	501,251	
er Cash Distributions g Sales & Refinancing)	2,841,273	24,173,941	18,195,496	
er Cash Distributions and Special Items	$ 2,841,273	$ 24,173,941	$ 18,195,496	$
1,000 Invested te A): ources (on Tax basis)				
	$	$	$	$

		2.78		0.34		0.84	
		95.81		143.98		20.42	
	$	53.57	$	53.87	$	52.60	$

mon (TIC) programs, individual investors are involved in a tax deferred exchange. Each TIC has an individual on and amortization and is responsible for their own calculations of depreciation and amortization.

000 in 2006 is due to the following: utilization of equity funded reserves for designated repairs in apartment utilization of equity funded reserves for payment of mezzanine interest ($380,000); acceleration of payments property taxes for income tax purposes ($450,000); unbilled CAM and rents at December 31, 2006 cipated expenses due to hurricane damage at two properties ($120,000).

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
AFFILIATED OWNERSHIP IN TENANT IN COMMON (TIC) PROGRAMS

ts for programs which have closed their offerings during the five years ended December 31, 2006. The programs presented are aggrega
IC) interests, a form of ownership which complies with Section 1031 of the Internal Revenue Code, to investors involved in a tax defer
ealty Advisors Group have invested in TIC programs either as a TIC or as a member of the LLC. This table presents, in aggregate, the r

	2006 13 Affiliated Programs	2005 14 Affiliated Programs	2004 14 Affiliated Programs	6
	$ 6,916,777	$ 11,244,143	$ 18,500,226	$
	7,149,318	3,113,871		
	4,206,048	5,592,738	6,699,094	
enses	187,856	181,192	154,620	
	2,093,425	2,743,523	3,662,498	
	$ 7,578,766	$ 5,840,561	$ 7,984,014	$
	$ 852,077	$ 2,784,768	$ 7,669,401	$
	20,674,751	12,910,464		
		(10,403)	287,066	
s, Sales & Refinancing ents	21,526,828	15,684,829	7,956,467	
al Repayments	113,815	144,097	105,701	
s, Sales & Refinancing tors From:	21,413,013	15,540,732	7,850,766	
	1,287,582	2,785,059	3,965,091	
	22,627,577	11,054,797	259,288	
			20,997	
er Cash Distributions g Sales & Refinancing)	(2,502,146)	1,700,876	3,605,390	
er Cash Distributions and Special Items	$ (2,502,146)	$ 1,700,876	$ 3,605,390	$
1,000 Invested te A):				

	$	$	$	$
			0.34	
	621.11	182.07	4.17	
	$ 35.34	$ 45.87	$ 63.81	$

mmon (TIC) programs, individual investors are involved in a tax deferred exchange. Each TIC has an individual
ion and amortization and is responsible for their own calculations of depreciation and amortization.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
TENANT IN COMMON (TIC) PROGRAMS EXCLUDING AFFILIATED OWNERSHIP

ts for programs which have closed their offerings during the five years ended December 31, 2006. The programs presented are aggrega
IC) interests, a form of ownership which complies with Section 1031 of the Internal Revenue Code, to investors involved in a tax defer
sors Group have invested in TIC programs either as a TIC or as a member of the LLC. This table presents, in aggregate, the results of T

	2006 122 TIC Programs	2005 100 TIC Programs	2004 60 TIC Programs	2003 36 TIC Progr
	$ 347,082,998	$ 223,989,121	$ 123,833,522	$ 49,985
	43,206,574	40,431,309	3,365,199	271
	128,756,625	84,528,514	42,279,579	16,483
enses	8,955,406	4,139,960	1,880,132	743
	127,331,230	69,878,315	31,662,838	13,542
	$ 125,246,311	$ 105,873,641	$ 51,376,172	$ 19,486
	$ 85,851,907	$ 67,138,110	$ 47,630,032	$ 19,241
	108,213,407	136,112,895	11,384,836	548
	2,929,222	7,627,089	532,216	
s, Sales & Refinancing ents	196,994,536	210,878,094	59,547,084	19,789
al Repayments	5,901,064	7,228,058	5,284,292	1,786
s, Sales & Refinancing	191,093,472	203,650,036	54,262,792	18,002
tors From:				
	72,526,681	50,220,956	27,309,563	10,247
	109,392,277	130,617,721	11,882,869	479
)	3,831,095	338,295	480,254	117
er Cash Distributions g Sales & Refinancing)	5,343,419	22,473,064	14,590,106	7,159
er Cash Distributions and Special Items	$ 5,343,419	$ 22,473,064	$ 14,590,106	$ 7,159
1,000 Invested				
te A):				
ources (on Tax basis)				

$	$	$	$
2.86	0.37	0.90	
81.54	141.47	22.32	
$ 54.06	$ 54.39	$ 51.29	$ 4

In Common (TIC) programs, individual investors are involved in a tax deferred exchange. Each TIC has an individual preciation and amortization and is responsible for their own calculations of depreciation and amortization.

$3,480,000 in 2006 is due to the following: utilization of equity funded reserves for designated repairs in apartment 00,000); utilization of equity funded reserves for payment of mezzanine interest ($380,000); acceleration of payments ense and property taxes for income tax purposes ($450,000); unbilled CAM and rents at December 31, 2006 unanticipated expenses due to hurricane damage at two properties ($120,000).

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
MULTIPLE PROPERTY INVESTMENT FUNDS

ng results for programs which have closed their offering during the five years ended December 31, 2006. The programs are aggregated, multiple unspecified properties that would likely be office buildings, mixed-use, research and development and industrial facilities, and

	2006	2005	2004	
	$ 2,522,318	$ 631,180	$ 2,034,929	$
	847,861	2,030,172		
	924,806	401,885	980,612	
enses	81,553	163,504	94,807	
	1,576,853	240,744	558,522	
		351,244	636,822	
	$ 786,967	$ 1,503,975	$ (235,834)	$
	$ (60,894)	$ (526,197)	$ (235,834)	$
	847,861	2,030,172		
	(60,894)	(174,953)	648,863	
	847,861	7,102,052		
			(88,806)	
s, Sales & Refinancing ents	786,967	6,927,099	560,057	
al Repayments		52,148	77,695	
s, Sales & Refinancing tors From:	786,967	6,874,951	482,362	
			647,681	
	1,898,534	2,623,375		
			121,775	
er Cash Distributions g Sales & Refinancing)	(1,111,567)	4,251,576	(287,094)	
er Cash Distributions and Special Items	$ (1,111,567)	$ 4,251,576	$ (287,094)	$
1,000 Invested				
	$ (2.67)	$ (47.87)	$ (21.45)	$

			37.19		184.69			
ources (on Tax basis)								
							11.08	
			83.28		238.66			
		$		$		$	58.92	$

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
NOTES PROGRAMS

ng results for programs which have closed their offerings during the five years ended December 31, 2006. The programs presented are a
ffer units of interest in the companys secured and unsecured notes offerings. The programs were formed for the purpose of making loa
ns to the programs. NNN Realty Advisors Group, as the sole member of the companies, has guarantied the note unit holders payment of
e are those of the note unit holders, not the company.

	2006 closed Notes Program	2005 one Notes Program
	$	$
enses		22,75
		43,51
	$	$ (66,26
	$	$ (66,26
s, Sales & Refinancing ents		(66,26
al Repayments		
s, Sales & Refinancing tors From:		(66,26
er Cash Distributions g Sales & Refinancing)		(66,26
er Cash Distributions and Special Items	$	$ (66,26
1,000 Invested te A):		

		$	$ 11.0
		$	$

TABLE IV
RESULTS OF COMPLETED PROGRAMS (UNAUDITED)
PRIVATE PROGRAMS
DECEMBER 31, 2006

ompleted programs for prior programs which have sold properties and completed operations during the five years prior to December 31

Tellride arstow, LLC	Kiwi Assoc, LLC	NNN 2000 Value Fund, LLC	NNN Town & Country, LLC	NNN Bryant Ranch, LLC	NNN Saddleback Financial, LLC	NNN Fund VIII, LLC	Yerington Shopping Center, LLC	
1,619,550	$ 2,681,352	$ 4,816,000	$ 7,200,000	$ 5,000,000	$ 3,865,800	$ 8,000,000	$ 1,625,000	$
1	1	7	1	1	1	3	1	
16-Dec-98	4-Feb-01	27-Feb-01	29-Mar-00	12-Nov-02	29-Oct-02	7-Mar-00	3-Aug-99	
19-Feb-03	25-Feb-03	26-Oct-01	25-Jun-04	2-Nov-04	27-Dec-04	26-Mar-02	17-Jan-05	
19-Feb-03	25-Feb-03	15-Oct-02	25-Jun-04	2-Nov-04	27-Dec-04	6-Jan-04	17-Jan-05	
	26.58	34.78	71.23		11.83	125.22	54.24	
884.53	1,053.34	880.51	1,221.31	1,206.17	1,384.96	1,305.19	1,132.76	
		195.48	68.33					
401.16	$ 175.12	$ 155.63	268.98	184.74	181.08	129.11	496.14	

programs that have completed operations and are closed. The notes programs report interest income to the note
aining programs included in this table are TIC programs with investors generally involved in tax deferred
ly, each TIC has an individual tax basis for determining amortization and depreciation. Neither type of program
or amortization, therefore, there is no presentation of Federal Income Tax Results.

l a note from Buyer as distributed proceeds from the sale.

TABLE IV
RESULTS OF COMPLETED PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2006

	Truckee River Office Tower, LLC	NNN North Reno LLC	(1) NNN Rocky Mountain Exchange, LLC	NNN Jefferson Square, LLC	NNN City Center West A, LLC	NNN LV 1900 Aerojet Way LLC	NNN Park Sahara, LLC	N S
	$ 5,550,000	$ 2,750,000	$ 2,670,000	$ 9,200,000	$ 1,237,803	$ 2,000,000	$ 4,953,000	$ 29
	1	1	1	2	1	1	5	
	15-Jul-99	19-Jun-02	15-Feb-01	26-Aug-03	15-Mar-02	31-Aug-01	17-Mar-03	31
	15-Apr-05	19-May-05	31-May-05	22-Jul-05	28-Jul-05	27-Sep-05	20-Dec-05	26
	15-Apr-05	19-May-05	31-May-05	22-Jul-05	28-Jul-05	27-Sep-05	20-Dec-05	26
1,000								
te A):								
			24.79		13.68		35.18	
	953.00	1,758.24	829.87	1,308.76	1,300.67	1,123.45	1,102.58	
	619.55	323.12	187.30	189.41	262.83	319.50	128.07	

TABLE IV
RESULTS OF COMPLETED PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2006

NNN Emerald Plaza, LLC	NNN Kahana Gateway, LLC	NNN Exchange Fund III, LLC	NNN PCP 1, LLC	NNN 1851 E 1st Street, LLC	NNN Reno Trademark, LLC	NNN Oakey Building 2003, LLC	N C W I
$ 42,800,000	$ 8,140,000	$ 6,300,000	$ 5,800,000	$ 20,500,000	$ 3,850,000	$ 8,270,000	$ 8.
1	3	1	6	1	1	1	
5-Jan-05	6-Mar-03	31-May-00	25-Jun-02	29-Jul-03	29-Sep-01	19-May-04	1
10-Nov-05	15-Nov-05	9-Dec-05	10-Oct-02	9-Jan-06	23-Jan-06	24-Jan-06	17
10-Nov-05	15-Nov-05	9-Dec-05	29-Dec-05	9-Jan-06	23-Jan-06	24-Jan-06	17
		14.36					
1,203.34	1,638.63	427.98	1,016.63	1,262.45	1,256.62	1,343.87	
					283.64		
92.28	252.29	231.59	283.85	238.01	361.45	136.48	

TABLE IV
RESULTS OF COMPLETED PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2006

	NNN Las Cimas II and III, LLC	NNN 901 Corporate Center, LLC	NNN Sacramento Corporate, LLC	NNN 2004 Notes Program, LLC	NNN 2005 Notes Program LLC
	$ 32,250,000	$ 6,292,125	$ 12,000,000	$ 5,000,000	
	2	1	1	N/A	N
	9-Dec-04	3-Oct-03	21-May-01	14-Aug-01	14-Aug-
	7-Aug-06	22-Aug-06	17-Nov-06	N/A	N
	7-Aug-06	22-Aug-06	17-Nov-06	N/A	N
1,000 Invested					
te A):					
				66.00	33.
		10.89			
	1,328.68	1,190.72	1,396.11		
	199.70	172.94	405.69		

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED)
PRIVATE PROGRAMS
December 31, 2006

ls of properties in prior programs during the three years prior to December 31, 2006. One sale is a NNN 2001 Value Fund, LLC proper
ty (a TIC program with multiple property ownership) and thirty one sales are of other TIC properties.

Date of Sale	Selling Price, Net of Closing Costs & GAAP Adjustments					Cost of Properties Including Closing & Soft Cos		
	(2) Cash Received Net of Closing Costs	Mortgage Balance at Time of Sale	Purchase Mortgage Taken Back by Program	Adjustments Resulting from Application of GAAP	Total	(3) Original Mortgage Financing	(3) Total Acquisition Costs, Capital Improvements Closing & Soft Costs	
Jan-04	$ 1,291,445	$ 2,737,342	N/A	N/A	$ 4,028,787	$ 2,840,000	$ 980,428	$
Feb-04	$ 3,434,518	$ 6,557,693	N/A	N/A	$ 9,992,211	$ 6,937,000	$ 2,029,944	$
Jun-04	$ 8,848,316	$ 33,420,982	N/A	N/A	$ 42,269,298	$ 34,000,000	$ 6,472,676	$ 4
Nov-04	$ 6,030,873	$ 5,910,623	N/A	N/A	$ 11,941,496	$ 6,222,000	$ 4,295,532	$ 1
Dec-04	$ 7,138,617	$ 7,269,300	N/A	N/A	$ 14,407,917	$ 7,650,000	$ 4,169,605	$ 1
Jan-05	$ 1,924,607	$ 3,114,225	N/A	N/A	$ 5,038,832	$ 3,316,200	$ 1,261,108	$
Feb-05	$ 6,687,677	$ 8,246,910	N/A	N/A	$ 14,934,587	$ 9,200,000	$ 3,420,584	$ 1
Mar-05	$ 8,538,537	$ 13,134,859	N/A	N/A	$ 21,673,396	$ 13,500,000	$ 5,213,556	$ 1

Apr-05	$ 3,614,632	$ 2,951,930	N/A	N/A	$ 6,566,562	$ 3,210,000	$ 2,247,787	$
Apr-05	$ 4,902,752	$ 12,000,000	N/A	N/A	$ 16,902,752	$ 12,000,000	$ 6,434,344	$ 1
May-05	$ 4,750,826	$ 5,261,170	N/A	N/A	$ 10,011,996	$ 5,400,000	$ 1,898,590	$
May-05	$	$ 5,275,000	$ 2,105,747	N/A	$ 7,380,747	$ 5,275,000	$ 2,541,815	$
Jul-05	$ 12,050,824	$ 12,834,953	N/A	N/A	$ 24,885,777	$ 13,070,000	$ 7,583,949	$ 2
Jul-05	$ 15,982,448	$ 12,358,953	N/A	N/A	$ 28,341,401	$ 13,000,000	$ 9,712,906	$ 2
Aug-05	$ 34,092,300	$ 41,350,000	N/A	N/A	$ 75,442,300	$ 41,350,000	$ 26,332,745	$ 6
Sep-05	$ 2,254,788	$ 3,490,513	N/A	N/A	$ 5,745,301	$ 3,625,000	$ 1,740,006	$
Sep-05	$ 3,128,166	$ 2,669,550	N/A	N/A	$ 5,797,716	$ 2,938,000	$ 2,370,647	$
Oct-05	$ 4,916,439	$ 6,163,260	N/A	N/A	$ 11,079,699	$ 6,390,000	$ 3,122,242	$

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PRIVATE PROGRAMS
December 31, 2006

d	Date of Sale	Selling Price, Net of Closing Costs & GAAP Adjustments (2) Cash Received Net of Closing Costs	Mortgage Balance at Time of Sale	Purchase Money Mortgage Taken Back by Program	Adjustments Resulting from Application of GAAP	Total	(3) Original Mortgage Financing	Cost of Properties Including Closing & Soft Costs (3) Total Acquisition Costs, Capital Improvements Closing & Soft Costs	T
2	Nov-05	$ 2,874,263	$ 4,541,495	N/A	N/A	$ 7,415,758	$ 4,700,000	$ 1,940,473	$ 6
4	Nov-05	$ 50,123,011	$ 68,500,000	N/A	N/A	$ 118,623,011	$ 68,500,000	$ 33,925,438	$ 102
2	Nov-05	$ 11,165,104	$ 12,642,394	N/A	N/A	$ 23,807,498	$ 13,041,000	$ 6,732,222	$ 19
9	Dec-05	$ 2,977,973	$ 11,488,641	N/A	N/A	$ 14,466,614	$ 11,835,000	$ 5,642,906	$ 17
3	Dec-05	$ 6,548,932	$ 7,911,654	N/A	N/A	$ 14,460,586	$ 8,400,000	$ 4,326,695	$ 12
2	Dec-05	$ 12,655,065	$ 15,500,000	N/A	N/A	$ 28,155,065	$ 15,500,000	$ 9,816,378	$ 25
3	Jan-06	$ 24,141,399	$ 49,000,000	N/A	N/A	$ 73,141,399	$ 45,375,000	$ 18,587,746	$ 63
1	Jan-06	$ 5,742,885	$ 4,444,615	N/A	N/A	$ 10,187,500	$ 2,700,000	$ 4,919,977	$ 7
4	Jan-06	$ 7,428,067	$ 10,650,000	N/A	N/A	$ 18,078,067	$ 4,000,000	$ 11,441,254	$ 15
2	Apr-06	$ 18,318,726	$ 14,115,548	N/A	N/A	$ 32,434,274	$ 14,650,000	$ 7,515,962	$ 22
4	Jun-06	$ 16,252,892	$ 15,000,000	N/A	N/A	$ 31,252,892	$ 15,000,000	$ 9,736,741	$ 24

2	Jul-06	$ 6,521,705	$ 6,900,000	N/A	N/A	$ 13,421,705	$ 6,000,000	$ 4,130,277	$ 10
4	Aug-06	$ 44,214,822	$ 45,217,600	N/A	N/A	$ 89,432,422	$ 46,800,000	$ 27,046,337	$ 73
3	Aug-06	$ 8,602,046	$ 10,905,994	N/A	N/A	$ 19,508,040	$ 11,310,000	$ 5,361,786	$ 16
1	Nov-06	$ 22,734,929	$ 21,213,069	N/A	N/A	$ 43,947,998	$ 22,250,000	$ 14,333,839	$ 36
2	Dec-06	$ 10,197,512	$ 14,531,163	N/A	N/A	$ 24,728,675	$ 13,922,000	$ 8,534,931	$ 22

parties except as noted below.
umption of certain liabilities by buyer.
share of original offering costs.
hly principal reductions during the operating cycle (see Table III) as total cost includes balance of Original

75% of the property. TREIT, Inc, affiliate owned 25% of the property. The above reflects property level
e ownership.
ned a 16% tenant in common interest in the NNN County Center Drive, LLC. The private program owning

Triple Net Properties.
10.875% of the property. TREIT, Inc, a affiliate owned 89.125% of the property. The above reflects
or 100% ownership.

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PRIVATE PROGRAMS
December 31, 2006

LC, an affiliate owned a 85% membership interest in NNN 801 K Street, LLC which had a 21.5% tenant in
vate program owning 100% of the property.
C, an affiliate owned a 22.4% membership interest in NNN Emerald Plaza, LLC which had a 20.5% tenant
rivate program owning 100% of the property.
ned a 13.2% membership interest in NNN Emerald Plaza, LLC which had a 20.5% tenant in common
am owning 100% of the property.
95.25% of the property. GREIT, Inc, a affiliate owned 4.75% of the property. The above reflects property
ownership.
C owned 40% of the property. NNN Pacific Corporate Park I, LLC owned 60% of the property. The above
results, or 100% ownership.
ned a 37.9% membership interest in NNN Pacific Corporate Park I, LLC which had a 60% interest in the

60% of the property. TREIT, Inc, an affiliate owned 40% of the property. The above reflects property level
rship.
C and TREIT, Inc, affiliates, respectively owned a 75.4% and 9.8% membership interests in NNN Oakey
00% of the property.
ned a 75% tenant in common interest in NNN Amber Oaks, LLC. The private program owned 100% of the

51.5% of the property. TREIT, Inc, an affiliate owned 48.5% of the property. The above reflects property
ownership.
Lakes Mall, and Netpark have occurred; however, a portion of the original acquisitions still remain in the
hese sales will occur until the entire original acquisition has been disposed of.

FOR USE FOR THE PERIOD FROM THE DATE OF THIS PROSPECTUS TO DECEMBER 31, 2007

GRUBB & ELLIS HEALTHCARE REIT, INC.

SUBSCRIPTION AGREEMENT

care REIT, Inc.
rkway

delivering a copy of the attached Subscription Agreement Signature Page, hereby tenders this subscription and applies for the purchase
Healthcare REIT, Inc., a Maryland corporation (the Company), set forth on such Subscription Agreement Signature Page. Full paym
hcare REIT, Inc.

the prospectus for the offering of the Shares dated December 14, 2007, as supplemented to date (the Prospectus). I agree that if this s
and disbursed on the terms described in the Prospectus. I agree that subscriptions may be rejected in whole or in part by the Company
criptions are irrevocable, and I will not have the right to cancel or rescind my subscription, except as required under applicable law.

T TO THIS SUBSCRIPTION AGREEMENT WILL NOT BE EFFECTIVE UNTIL AT LEAST FIVE BUSINESS DAYS AFTER TH
UNTIL THE INVESTOR HAS RECEIVED A CONFIRMATION OF PURCHASE.

advised of the following:

ability of the Shares is restricted and will be governed by the Amended and Restated Articles of Incorporation and the Bylaws of the Co

not invest in Shares unless they have an adequate means of providing for their current needs and personal contingencies and have no ne

et for the Shares, and accordingly, it may not be possible to readily liquidate an investment in the Shares.

STANDARD REGISTRATION REQUIREMENTS

e been established for the various forms of registration. Accordingly, complete Subscription Agreements and such supporting material a

SIGNATURE(S) REQUIRED

e required.

GHT OF SURVIVORSHIP: Each joint tenant must sign.

All tenant in common must sign.

Only one investor must sign.

RING PLANS: The trustee must provide a copy of plan document and sign the Signature Page.

gn. Provide the name of the trust, the name of the trustee and the name of the beneficiary. You must provide a copy of the trust agreeme

nether the entity is a general or limited partnership. Each general partner must be identified and must sign the Signature Page. In the cas
managing partner has been designated for the partnership, in which case he may sign on behalf of the partnership if a certified copy of
bmitted).

rized officer must sign. The Subscription Agreement must be accompanied by a certified copy of the resolution of the Board of Director
alf of the corporation and a certified copy of the Board s resolution authorizing the investment.

R KEOGHS: Requires signature of investor and authorized signer (e.g., an officer) of the bank, trust company or other fiduciary. The a
ecks and other pertinent information regarding the investment. **Please note that the Company and its affiliates do not act as custodia**

ORS ACT (UGMA) or UNIFORM TRANSFERS TO MINORS ACT (UTMA): The person named as the custodian must sign. (This ma
nent under UGMA or UTMA. In addition, designate the state under which the UGMA or UTMA has been formed.

GRUBB & ELLIS HEALTHCARE REIT, INC.
a Maryland corporation

NOTICE TO STOCKHOLDER OF ISSUANCE
OF UNCERTIFICATED SHARES OF COMMON STOCK
Containing the Information Required by Section 2-211 of the
Maryland General Corporation Law

Shares of Common Stock, $.01 par value per share

Inc., a Maryland corporation (the Company), is issuing to you, subject to acceptance by the Company, the number of shares of its co
Company. The Shares do not have physical certificates. Instead, the Shares are recorded on the books and records of the Company, and
s.

o issue shares of stock of more than one class. Upon the request of any stockholder, and without charge, the Company will furnish a ful
eneral Corporation Law with respect to certain restrictions on ownership and transferability, the designations and any preferences, conv
dends and other distributions, qualifications, and terms and conditions of redemption of the shares of each class of stock which the Com
s between the shares of each series to the extent set, and the authority of the Board of Directors to set such rights and preferences of sub
at its principal office.

ions on transfer and ownership for the purpose, among others, of the Company s maintenance of its status as a real estate investment tr
furnish a full statement about the restrictions on transfer and ownership to a stockholder on request and without charge. Such requests m

INSTRUCTIONS TO SUBSCRIPTION AGREEMENT SIGNATURE PAGE
TO GRUBB & ELLIS HEALTHCARE REIT, INC. SUBSCRIPTION AGREEMENT

arefully. Failure to do so may result in the rejection of your subscription. All information on the Subscription Agreement Signature Pag

$1,000 (100 Shares) is required. A check for the full purchase price of the Shares subscribed for should be made payable to the order o
s meeting the standards set forth under the section of the Prospectus entitled Suitability Standards. Please indicate the state in which
tor agrees to notify the Company and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time
any other representations or warranties set forth in the Prospectus or the Subscription Agreement.

to indicate the type of entity or type of individuals subscribing.

AND ADDRESS

hich the Shares are to be held. For joint tenants with right of survivorship or tenants in common, include the names of all investors. For
orrespondence will be addressed. Trusts should include the name of the trustee. All investors must complete the space provided for taxp
the investor is certifying that this number is correct. Enter the mailing address and telephone numbers of the registered owner of this in
he trustee. Indicate the birth date and occupation of the registered owner unless the registered owner is a partnership, corporation or trus

ADDRESS

investor s name and address is different from the registration name and address provided in Section 3. If the Shares are registered in th
number, birth date and occupation of the beneficial owner of the trust.

RDS AND SUBSCRIBER SIGNATURE

resentation made by the investor where indicated. Each investor must sign and date this Section. Certain states have imposed special fin
the higher suitability standards described in the Prospectus for residents of Arizona, California, Iowa, Kansas, Maine, Massachusetts,
Washington. Except in the case of fiduciary accounts, the investor may not grant any person a power of attorney to make such representa
he registered owner is a partnership, corporation or trust, a general partner, officer or trustee of the entity must sign. NOTE: THESE SIG

ESTMENT PLAN

Distribution Reinvestment Plan, the investor elects to reinvest 100% of cash distributions otherwise payable to the investor in common s
ker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability stand
set forth in the Prospectus or Subscription Agreement. If cash distributions are to be sent to an address other than that provided in Sect
he, account number and address in Section 7.

this section is not completed, distributions will be paid to the registered owner (or custodian, if applicable).

nd executed by the Registered Representative. Please complete all BROKER-DEALER information contained in Section 8 including su
h has been delivered with this Prospectus, together with a check for the full purchase price, should be delivered or mailed to your Broke
accepted. Photocopied or otherwise duplicated Subscription Agreements cannot be accepted by the Company.

IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS SUBSCRIPTION AGREEMENT SIGNATURE PAGE, PLEASE CALL INVESTOR SERVICES AT 1-877-888-7348

GRUBB & ELLIS HEALTHCARE REIT, INC.

SUBSCRIPTION AGREEMENT SIGNATURE PAGE

IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS SUBSCRIPTION AGREEMENT SIGNATURE PAGE, PLEASE CALL INVESTOR SERVICES 1-877-888-7348, ext. 411

Make Investment Check Payable to:
Grubb & Ellis Healthcare REIT, Inc.

ested

Minimum initial purchase = 100 Shares or $1,000

T

t of Survivorship (02)
)
4)
ofit Sharing Plan (05)

- o Company or Corporation (08)
- o IRA (09)
- o Keogh (10)
- o Custodian for _____ under the Uniform Gift to Min Act or the Uniform Transfers to Minors Act of the St of _____ (11)
- o Other _____

ND ADDRESS

e(s) in which Shares are to be registered. Include trust, entity or IRA custodian name and account number, if

n.D. o DDS o Other _____

_____

_____ Zip Code _____

_____ Business Telephone No.(__) _____

Occupation _____

_

_____

_____

_____

e: _____ Account #: _____

Transfer on Death Form: Fill out attached TOD form to effect designation.

NATURE GUARANTEED BY CUSTODIAN(S) IF IRA, KEOGH OR
Ellis Healthcare REIT, Inc. and its affiliates do not act as IRA custodians)

Date

DDRESS

registration name and address).

.D. o DDS Other _____

xpayer ID Number _ _ -_ _ _ _ _ _ _

curity Number _ _ _ -_ _ -_ _ _ _

_____

_____ Zip Code _____

_____ Business Telephone No. (___)_____

Occupation _____

_

OS AND SUBSCRIBER SIGNATURE

rth Date: _____

nual Income: _____

_____

_____

f the representations below. In the case of joint investors, each investor must initial. Except in the case of fiduciary accounts, you entation on your behalf. In order to induce the Company to accept this subscription, I hereby represent and warrant to you as f

Prospectus.

Initials Initial

o be bound by the terms and conditions of the charter.

Initials Initial

n (exclusive of home, home furnishings and automobiles) of $150,000 or more; or (ii) a net worth (as described
5,000 and had during the last year or estimate that I will have during the current tax year a minimum of $45,000
, or I meet the higher suitability requirements imposed by my state of primary residence as set forth in the

uitability Standards.

Initials Initial

Shares for my own account and acknowledge that the investment is not liquid.

Initials Initial

plied above is true and correct and may be relied upon by the Company in connection with my investment in the Company.

gning this Signature Page, I hereby certify that (a) I have provided herein my correct Taxpayer Identification Number; (b) I am nterest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding; and (c 3.

mitted as a shareholder until my investment has been accepted. Depositing of my check alone does not constitute acceptance. The accep ement for completeness and signatures, conducting an Anti-Money Laundering check as required by the USA PATRIOT Act, and depos

with whom dealings by U.S. persons are, unless licensed, prohibited under any Executive Order or federal regulation administered by t

BY SIGNING THIS AGREEMENT, YOU ARE NOT WAIVING ANY RIGHTS UNDER FEDERAL OR STATE SECURITIES LAWS.

Signature of Joint Owner, if any

Date

TMENT PLAN

ENROLLMENT FORM

estment Plan (the DRIP):

clude your signature in order to indicate your participation in the DRIP.

Healthcare REIT, Inc. (the Company) (or any designee or successor), acting as DRIP Administrator, as my agent to receive cash distr
f the Company registered in my name as set forth below, and authorize the Company to apply such distributions to the purchase of full
I understand that the purchases will be made under the terms and conditions of the DRIP as described in the Prospectus and that I may r
r, in writing, of my desire to terminate my participation.

participate in the Distribution Reinvestment Plan. You must participate with respect to 100% of your shares.

Date

Date

g account, please complete Direct Deposit Authorization form on page B-10.

ion only to direct distributions to an address other than registration address:

tory account) _____

e) _____

_____

_____ Zip Code _____

- o Send to registered owner address of record
- o Send to distribution address
  (Special distributions for IRA account investments will be sent directly to custodian.)

(TO BE COMPLETED BY REGISTERED REPRESENTATIVE)

_____

st sign below to complete the subscription. The registered representative warrants that he has reasonable grounds to believe this investm
ntitled INVESTOR SUITABILITY STANDARDS and that he has informed the subscriber of all aspects of liquidity and marketabil
Participating Broker-Dealer Agreement.

_____ Telephone No. _____

r P.O. Box _____

_____ Zip Code _____

e _____ Representative # _____

No. _____ E-Mail Address _____

. Box _____

_____ Zip Code _____

eries 7 or Series 62 FINRA license and am registered in _____ , the State of Sale.

sentative

___ Date: _____

resenting an investment in Grubb & Ellis Healthcare REIT, Inc. for the above referenced investor has been reviewed and approved as c
broker-dealer.

er): _____ Date: _____

tion agreement
s made payable to
IT, Inc., to:
T, Inc.

Transfer On Death Form (T.O.D.)

TO:
Inc.

ON

er(s), exactly as name(s) appear(s) on stock certificate
nt:

3. Daytime phone number:
( )

s) of registered owner(s):

4. State of Residence:

DESIGNATION
care REIT, Inc. to register all of my shares of its common stock in beneficiary form, assigning ownership on my death to my beneficiary
for each must be designated. If percentages are not designated, the shares will be divided equally. Percentages must equal 100%.

ciary:

1. Name of Primary Beneficiary:

OR Tax Identification Number:

2. Social Security Number OR Tax Identification Nu

3. Percentage: __ __%

ze Grubb & Ellis Healthcare REIT, Inc. to register all of my (our) shares of its common stock in T.O.D. form. The designation(s) will be
ke any beneficiary designation(s) made previously with respect to my (our) Grubb & Ellis Healthcare REIT shares. I (we) have reviewed
ves) and my (our) heirs, assigns, executors, administrators and beneficiaries to indemnify and hold harmless Grubb & Ellis Healthcare
nd their respective directors, managers, officers and employees, from and against any and all claims, liability, damages, actions and exp
(our) shares in accordance with this T.O.D. designation. I (we) further understand that Grubb & Ellis Healthcare REIT, Inc. cannot pro
f necessary, to make certain that the T.O.D. designation is consistent with my (our) estate and tax planning.

pear(s) on the stock certificate or subscription agreement. All registered owners must sign. This authorization form is subject to the

X

Date Signature

ORMATION

designation transfers ownership of shares to the registered owner s beneficiary(ies) upon death; provided that Grubb & Ellis Healthcare
y or appropriate.
owner(s), the T.O.D. beneficiary(is) has (have) no present interest in, or authority over, the T.O.D. account.
ccepted only where shares are owned by a natural person and registered in that individual s name or by (2) two or more natural persons
orporations, charities, and other such entities may not declare a T.O.D. designation because they are considered perpetual. These entitie
a natural person.
joint tenants with rights of survivorship does not take effect until the last of all multiple owners die. The surviving owners may revoke
) not survive the registered owner(s), the shares will be treated as belonging to the decedent s estate.
a beneficiary.
ghts related thereto shall be governed by the laws of the State of Maryland.
voided at any time by Grubb & Ellis Healthcare REIT, Inc., in its sole discretion, if there is any doubt as to the validity or effectiveness
t be accepted from residents of Louisiana or Texas.

C-1

DISTRIBUTION REINVESTMENT PLAN

lan (the DRIP) for Grubb & Ellis Healthcare REIT, Inc., a Maryland corporation (the Company), offers to holders of the Compan
ity to purchase, through reinvestment of distributions, additional shares of Common Stock, on the terms, subject to the conditions and a

n connection with the Company s Registration Statement under the Securities Act of 1933 on Form S-11, including the prospectus con
of 221,052,632 shares of the Company s Common Stock (the Initial Offering), of which amount 21,052,632 shares will be registered
).

pursuant to the DRIP will be applied to the purchase of shares of Common Stock at a price per share equal to $9.50 (the Initial Offerin
ntil the termination of the Initial Offering, whichever occurs first. Thereafter, the Company may, in its sole discretion, effect additional
are equal to 95% of the offering price in such subsequent public equity offering (the Subsequent Offering DRIP Price). The Company
al to 95% of the most recent offering price (the Post-Offering DRIP Price) for the first 12 months subsequent to the close of the last
tional securities exchange (a Listing). After that 12-month period, participants in the DRIP may acquire Common Stock under the D
e Company s advisor or another firm chosen for that purpose until the Listing (the Pre-Listing DRIP Price). From and after the date
e per share equal to 100% of the average daily open and close price per share on the distribution payment date, as reported by the nation
Listing DRIP Price and collectively referred to herein with the Initial Offering DRIP Price, the Subsequent Offering DRIP Price, the
).

mple and convenient way to invest your cash distributions in additional shares of Common Stock. As a participant in the DRIP and duri
P Price until all of the Initial DRIP Shares have been purchased or until the Company elects to terminate the DRIP. If the Company ele
es at the Subsequent Offering DRIP Price, the Post-Offering DRIP Price, the Pre-Listing DRIP Price or the Listing DRIP Price, as appli

e for the shares you hold through the DRIP.

hased directly from the Company. Such shares will be authorized and may be either previously issued or unissued shares. Proceeds fro
pany with funds for its general corporate purposes.

ock are eligible to participate in the DRIP only with respect to 100% of their shares. If your shares are held of record by a broker or no
e arrangements with your broker or nominee.

pation in the DRIP to stockholders residing in states where shares offered pursuant to the DRIP are neither registered under applicable s

the DRIP will be administered by the Company or an affiliate of the Company (the DRIP Administrator), but a different entity may a

and send statements of your account to you. Shares of Common Stock purchased under the DRIP will be registered in the name of each

n Stock in order to participate in the DRIP. You may become a participant in the DRIP by completing and signing the enrollment form r shares. If you receive a copy of the Prospectus or a separate prospectus relating solely to the DRIP and have not previously elected to he enrollment form attached to such prospectus or by other appropriate written notice to the Company of your desire to participate in th

ill begin with the first distribution payment after your signed enrollment form is received, provided such form is received on or before llment form is received after the record date for any distribution and before payment of that distribution, that distribution will be paid to the next distribution payment date.

ot be subject to selling commissions, marketing support fees or due diligence reimbursements. All costs of administration of the DRIP w n shares within the DRIP will be paid to the Company to defray certain costs relating to the DRIP.

k distributions will be invested within 30 days after the date on which Common Stock distributions are paid (the Investment Date). P last day of each month but may be changed to quarterly in the sole discretion of the Company. Any distributions not so invested will be

purchased under the DRIP as of the Investment Date. Distributions paid on shares held in the DRIP (less any required withholding tax) n full and fractional shares held in your account and are automatically reinvested.

ompany will use the aggregate amount of distributions to all DRIP participants for each distribution period to purchase shares for such p ants exceeds the amount required to purchase all shares then available for purchase, the Company will purchase all available shares and s after the date such distributions are made. The Company will allocate the purchased shares among the DRIP participants based on the ipant, as reflected on the Company s books.

estment only with respect to 100% of shares registered in your name on the records of the Company. Distributions on all shares purchas mber of shares purchased for you as a participant in the DRIP will depend on the amount of your distributions on these shares (less any e credited with the number of shares, including fractions computed to four decimal places, equal to the total amount invested divided by

ss and until determined otherwise by the Company, DRIP participants may not make additional cash payments for the purchase of Com

n the DRIP

in the DRIP (less any required withholding tax) will be credited to your DRIP account. Distributions will be paid on both full and fract

our account within 90 days after the end of the fiscal year. The statements will contain a report of all transactions with respect to your a
istributions reinvested during the year, the number of shares purchased during the year, the per share purchase price for such shares, the
on your behalf and the total number of shares purchased on your behalf pursuant to the DRIP. In addition, tax information with respec
e account statements. These statements are your continuing record of the cost of your purchase and should be retained for income tax p

ed under the DRIP will be noted in book-entry form. The number of shares purchased will be shown on your statement of account. This
t or destruction of stock certificates and reduces the costs of the DRIP.

nt of distributions under the DRIP with respect to all, but not less than all, of your shares (including shares held for your account in the
r in writing no less than 10 days prior to the next Investment Date. A notice of termination received by the DRIP Administrator after su
Participants who terminate their participation in the DRIP may thereafter rejoin the DRIP by notifying the Company and completing all

rator of your termination of participation in the DRIP or if your participation in the DRIP is terminated by the Company, the stock owne
DRIP account. For any fractional shares of stock in your DRIP account, the DRIP Administrator may either (i) send you a check in payn
ownership account with any such fractional shares.

her address must promptly notify the DRIP Administrator. If a participant moves his or her residence to a state where shares offered pu
pplicable securities laws, the Company may deem the participant to have terminated participation in the DRIP.

to prohibit certain employee benefit plans from participating in the DRIP if such participation could cause the underlying assets of the C

of the DRIP

rs (the Board) may, in its sole discretion, terminate the DRIP or amend any aspect of the DRIP without the consent of DRIP particip
t is sent to DRIP participants at least 10 days prior to the effective date thereof and provided that we may not amend the DRIP to termi
DRIP is terminated or materially amended. The Board also may terminate any participant s participation in the DRIP at any time by n
of the Board, jeopardize the status of the Company as a real estate investment trust under the Internal Revenue Code.

he DRIP

s of Common Stock (including fractional shares) credited to your account under the DRIP at the same time that you vote the shares regi

nd Rights Offerings

ded to reflect the effect of any stock dividends, splits, reverse splits or other combinations or recapitalizations by the Company on share

o additional shares, such rights will be issued to you based on your total share holdings, including shares held in your DRIP account.

ministrator and the Company Under the DRIP

t be liable for any claim based on an act done in good faith or a good faith omission to act. This includes, without limitation, any claim o
ticipant s death, the prices at which shares are purchased, the times when purchases are made, or fluctuations in the market price of Co

nistrator to a participant will be mailed to the participant at his or her last address of record with the DRIP Administrator, which will sat
romptly notify the DRIP Administrator of any change in address.

r the Company nor the DRIP Administrator can provide any assurance of a profit or protection against loss on any shares purchased und

of the DRIP

without notice to DRIP participants, to interpret and regulate the DRIP as it deems necessary or desirable in connection with its operati

nces of Participation in the DRIP

rizes the principal federal income tax consequences, under current law, of participation in the DRIP. It does not address all potentially r
subject to special provisions of federal income tax law (such as tax-exempt organizations, insurance companies, financial institutions,
lings of the IRS regarding several types of distribution reinvestment plans. No ruling, however, has been issued or requested regarding t
nd you must consult your own tax advisor to determine the particular tax consequences (including the effects of any changes in law) tha
shares purchased pursuant to the DRIP.

holders subject to federal income taxation who elect to participate in the DRIP will incur a tax liability for distributions allocated to them
but rather to have their distributions reinvested pursuant to the DRIP. Specifically, DRIP participants will be treated as if they received
hase the shares in the DRIP. To the extent that a stockholder purchases shares through the DRIP at a discount to fair market value, the st
on equal to the amount of such discount. A stockholder designating a distribution for reinvestment will be taxed on the amount of such d
or accumulated earnings and profits, unless the Company has designated all or a portion of the distribution as a capital gain dividend. In
pital gain. To the extent that the Company makes a distribution in excess of the Company s current or accumulated earnings and profits
g the tax basis in your common stock, and then the distribution in excess of such basis will be taxable as a gain realized from the sale o

Cash. You will not realize any income if you receive certificates for whole shares credited to your account under the DRIP. Any cash
unt realized on the sale of the fractional share. You therefore will recognize gain or loss equal to any difference between the amount of

cipating stockholders whose distributions are subject to withholding of federal income tax, distributions will be reinvested less the amou

ENROLLMENT FORM

GRUBB & ELLIS HEALTHCARE REIT, INC.

DISTRIBUTION REINVESTMENT PLAN

estment Plan:

nrollment form. Be sure to include your signature below in order to indicate your participation in the Distribution Reinvestment Plan.

Healthcare REIT, Inc. (the Company) (or any designee or successor), acting as DRIP Administrator, as my agent to receive cash distr
of the Company registered in my name as set forth below, and authorize the Company to apply such distributions to the purchase of full

will be made under the terms and conditions of the Distribution Reinvestment Plan as described in the Prospectus and that I may revoke
of my desire to terminate my participation.

participate in the Distribution Reinvestment Plan. You must participate with respect to 100% of your shares.

Date:

Date:

ved the share repurchase plan below. The plan became effective on September 20, 2006 and was amended effective July 17, 2007. We h
during distributions with respect to our share repurchase plan. However, our board of directors could choose to amend the provisions of

GRUBB & ELLIS HEALTHCARE REIT, INC.

SHARE REPURCHASE PLAN

ard) of Grubb & Ellis Healthcare REIT, Inc., a Maryland corporation (the Company), has adopted and elected, effective September
an (the Repurchase Plan) by which shares of the Company s Common Stock (Shares) may be repurchased by the Company from
Repurchase Plan is to provide limited interim liquidity for stockholders (under the conditions and limitations set forth below) until a liqu
Plan.

mpany may, at its sole discretion, repurchase Shares presented to the Company for cash to the extent it has sufficient proceeds to do so.
will have the status of authorized but unissued Shares. Shares acquired by the Company through the Repurchase Plan will not be reissue
ssion under the Securities Act of 1933 and other appropriate state securities laws or otherwise issued in compliance with such laws.

e period during which the Company is engaged in a public offering of Shares (the Offering), the repurchase price for Shares will be $

he twelve-month period immediately following the termination of the Offering (the First Period), the repurchase price for Shares will
e termination of the First Period (the Second Period), the repurchase price for Shares will be $9.50 per Share. During the twelve-mon
Period), the repurchase price per Share will be $9.75 per Share. After the termination of the Third Period, the repurchase price per Sh
he Company s funds available for distribution per weighted average Share outstanding for the prior calendar year.

e to be repurchased in connection with a stockholder s death or qualifying disability as provided in Section 4, the repurchase price shal
0.00 per Share, or (2) after the 36-month period following the Offering, the greater of (a) $10.00 per Share or (b) a price equal to 10 tin
ge Share outstanding for the prior calendar year. If any Shares that are to be repurchased in connection with a stockholder s death or qu
quivalent discount will be applied to the repurchase price for the Shares. Appropriate legal documentation will be required for repurchas

Funds available for distribution means generally the operating cash flow available to pay distributions to the Company s stockholders

urchase Plan. The Company may make purchases under the Repurchase Plan quarterly, at its sole discretion, on a pro rata basis. Subje
chased during any calendar year to five percent (5%) of the weighted average number of Shares outstanding during the prior calendar ye
received from the sale of Shares under the Company s Distribution Reinvestment Plan.

y stockholder may request a repurchase with respect to all or a designated portion of this Shares, subject to the following conditions and

at have been held by the presenting stockholder for at least one (1) year are eligible for repurchase by the Company, except as follows. S
Shares held for less than the one-year holding period upon the death of a stockholder who is a natural person, including Shares held by
retirement or profit-sharing plan, after receiving written notice from the estate of the stockholder, the recipient of the Shares through bec
e of such trust, who shall have the sole ability to request redemption on behalf of the trust. The Company must receive the written notic
registered holders of Shares, the request to redeem the shares may be made if either of the registered holders dies. This waiver of the one
person, such as a trust other than a revocable grantor trust, partnership, corporation or other similar entity.

onditions and limitations described below, the Board will redeem Shares held by a stockholder who is a natural person, including Share
A or other retirement or profit-sharing plan, with a qualifying disability, as determined by the Board, after receiving written notice fro
s after such stockholder s qualifying disability. This waiver of the one-year holding period will not apply to a stockholder that is not a
ip, corporation or other similar entity.

older must present for repurchase a minimum of 25%, and a maximum of 100%, of the Shares owned by the stockholder on the date of
he stockholder is presenting 100% of his Shares.

resented for repurchase must be owned by the stockholder(s) making the presentment, or the party presenting the Shares must be author
erable and not subject to any liens or other encumbrances.

esentment of Shares must be accompanied by a completed Share Repurchase Request form, a copy of which is attached hereto as *Exhib*

Company will repurchase Shares on or about the last day of each calendar quarter. All Shares presented and all completed Share Repurc
low) on or before the last day of the second month of each calendar quarter in order to have such Shares eligible for repurchase in that s

. You may withdraw your repurchase request upon written notice to the Company at any time prior to the date of repurchase.

ses will be effected on behalf of the Company by a registered broker dealer (the Repurchase Agent), who shall contract with the Com
to be performed in connection with the Repurchase Plan will be performed by the Repurchase Agent.

pension of Plan. The Repurchase Plan will terminate and the Company will not accept Shares for repurchase in the event the Shares of
the subject of bona fide quotes on any inter-dealer quotation system or electronic communications network or are the subject of bona fi
mpany, in its sole discretion, may terminate, amend or suspend the Repurchase Plan if it determines to do so is in the best interest of the
o terminate, amend or suspend the Repurchase Plan will require the affirmative vote of a majority of the directors, including a majority
he Repurchase Plan, the Company will provide stockholders with 30 days advance notice and the Company will disclose the changes in
ssion.

to the Company, Grubb & Ellis Healthcare REIT Advisor, LLC, shall not be permitted to participate in the Repurchase Plan.

nor the Repurchase Agent shall have any liability to any stockholder for the value of the stockholder s Shares, the repurchase price of th presentation of his Shares or the repurchase of the Shares under this Repurchase Plan, except as result from the Company s or the Rep ded, however, that nothing contained herein shall constitute a waiver or limitation of any rights or claims a stockholder may have under

omplete responsibility for payment of all taxes, assessments, and other applicable obligations resulting from the Company s repurchas

Repurchased in Connection with Death or Disability. If there are insufficient funds to honor all repurchase requests, preference will be lity.

EXHIBIT A
SHARE REPURCHASE REQUEST

Grubb & Ellis Healthcare REIT, Inc. (the Company) hereby requests that, pursuant to the Company s Share Repurchase Plan, the Co
Shares) indicated below.

:

STOCKHOLDER:

NTED FOR REPURCHASE:

d for repurchase must be equal to or exceed 25% of total shares owned.)

rm, the undersigned hereby acknowledges and represents to each of the Company and the Repurchase Agent the following:

duly authorized agent of the owner) of the Shares presented for repurchase, and thus is authorized to present the Shares for repurchase.

ase are eligible for repurchase pursuant to the Repurchase Plan. The Shares are fully transferable and have not been assigned, pledged,

fies and holds harmless the Company, the Repurchase Agent, and each of their respective officers, directors and employees from and ag
fees, arising out of or in connection with any misrepresentation made herein.

presented for repurchase (if applicable) are enclosed, properly endorsed with signature guaranteed.

e Repurchase Request and any attached stock certificates be sent to the Repurchase Agent, at the address below, via overnight courier, c

NNN Capital Corp.
Grubb & Ellis Healthcare REIT, Inc. Repurchase Agent
4 Hutton Centre Drive, Suite 700
Santa Ana, California 92707
(877) 888-7348

GRUBB & ELLIS HEALTHCARE REIT, INC.

Maximum Offering of
$2,200,000,000 in Shares
of Common Stock

Minimum Offering of
$2,000,000 in Shares
of Common Stock

PROSPECTUS

December 14, 2007

ormation contained in this prospectus. No dealer, salesperson or other person is authorized to make any representations other t
ized by Grubb & Ellis Healthcare REIT, Inc. and referred to in this prospectus, and, if given or made, such information and re
l nor is it seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. The information co
s, regardless of the time of delivery of this prospectus or any sale of these securities. You should not assume that the delivery of t
plies that the information contained in this prospectus will remain fully accurate and correct of any time subsequent to the date

GRUBB & ELLIS HEALTHCARE REIT, INC.

SUPPLEMENT NO. 1 DATED JANUARY 4, 2008
TO THE PROSPECTUS DATED DECEMBER 14, 2007

should be read in conjunction with, our prospectus dated December 14, 2007, relating to our offering of 221,052,632 shares of commo

ial public offering;

n of Highlands Ranch Healthcare Plaza in Highlands Ranch, Colorado;

n of an 80.0% interest in certain real property and improvements in Chesterfield, Missouri pursuant to a joint

n of Park Place Office Park in Dayton, Ohio;

ition of G&E Healthcare REIT Medical Portfolio 1, comprised of four medical properties in Florida and one
Kansas; and

ima Medical Office Portfolio and the Tucson Medical Office Portfolio as further security under our secured
dit with LaSalle and KeyBank.

Status of Our Initial Public Offering

d received and accepted subscriptions in our offering for 20,814,842 shares of our common stock, or approximately $207,900,000, excl

Acquisition of Highlands Ranch Healthcare Plaza

ugh our subsidiary, G&E Healthcare REIT County Line Road, LLC, acquired a fee simple interest in Highlands Ranch Healthcare Plaz
om an unaffiliated third party for a total purchase price of $14,500,000, plus closing costs.

with a secured loan of $8,853,000 from Wachovia Bank, National Association, or Wachovia, $2,901,000 in borrowings under our secure
and KeyBank National Association, or KeyBank, as disclosed in our prospectus, and the remaining balance from funds raised through
as paid to Grubb & Ellis Healthcare REIT Advisor, LLC, our advisor, and its affiliate.

ugh G&E Healthcare REIT County Line Road, LLC, obtained a secured loan, or the Highlands loan, with Wachovia. The Highlands loa
amount of $8,853,000, or the Highlands note. The Highlands note is secured by a Deed of Trust, Assignment, Security Agreement and
anty by which we unconditionally and irrevocably guarantee the obligations as listed in the Repayment Guaranty. The loan matures on
ls, each subject to satisfaction of certain conditions, including payment of an extension fee equal to 0.125% of the principal balance the
terest-only payments due on the first day of each calendar month, beginning on January 1, 2008. At our option, the loan bears interest a
e, as announced by Wachovia from time to time. If any monthly installment that is due is not received by Wachovia on or before the 15

t. In the event of a default, the loan also provides for a default interest rate of 4.0% per annum plus the greater of the LIBOR Rate or the

EIT County Line Road, LLC, entered into an interest rate swap agreement dated December 21, 2007, as amended on December 24, 2007 e Highlands loan with Wachovia. As a result of the Highlands swap agreement, the Highlands loan bears interest at a fixed rate of 5.52% provides for monthly interest-only payments due on the first business day of each calendar month commencing on January 2, 2008.

onsists of two multi-tenant medical office buildings in Highlands Ranch, Colorado. The property is located within three quarters of a mi l Center, two major hospitals in the Denver area, but is not part of the campuses of the hospital facilities. The Highlands Ranch property t of gross leasable area located on approximately 6.6 acres of land.

ng the buildings are healthcare providers. No single tenant leases 10.0% or more of the gross leasable area. As of December 2007, the H

., or Realty, serves as the property manager and provides services and receives certain fees and expense reimbursements in connection w

aces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with ver, Colorado market area.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F ds Ranch property will be approximately $11.9 million. We calculate depreciation for income tax purposes using the straight line metho For 2006, the Highlands Ranch property paid real estate taxes of approximately $232,000 at a rate of approximately 9.52%.

e lease expirations of the Highlands Ranch property for the next 10 years, including the number of tenants whose leases will expire in th ercentage of gross annual rent represented by such leases:

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
10	12,000	$ 287,000
7	11,000	$ 267,000
4	6,000	$ 161,000
6	15,000	$ 371,000
2	9,000	$ 227,000
5	10,000	$ 257,000
2	6,000	$ 135,000
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for the Highlands Ranch property for the last four yea

	A
Average Occupancy Rate	
78%	
83%	
90%	
82%	

Acquisition of Interest in Joint Venture

ugh Grubb & Ellis Healthcare REIT Holdings, L.P., or our operating partnership, executed a limited liability company agreement, or th
ouis, a subsidiary of Duke Realty Corporation, or Duke. Pursuant to the operating agreement, we acquired an 80.0% membership interes
JV Company, a joint venture company formed with BD St. Louis, and BD St. Louis acquired a 20.0% membership interest in the JV Co
at from January 1, 2010 to March 31, 2010, our operating partnership has the right and option to purchase the 20.0% membership interes
he operating agreement further provides, that from January 1, 2011 to March 31, 2011, BD St. Louis has the right and option to sell all,
ur operating partnership at the greater of $10.00 or the fair market value as determined in accordance with the operating agreement.

as the manager of the joint venture. As manager of the JV Company, our operating partnership determines the amount of net cash flow
est in the JV Company for the first 36-month period following the date of the operating agreement. After the first 36-month period follo
, 20.0% to BD St. Louis and 80.0% to our operating partnership until each member has received an amount equal to a 6.0% cumulative
nd 70.0% to our operating partnership until each member has received an amount equal to an 8.0% cumulative return on its capital cont
operating partnership.

any was $11,552,000, which we financed through borrowings of $12,800,000 under our secured revolving line of credit with LaSalle ar
the JV Company was certain real property and improvements located in Chesterfield, Missouri, or the Chesterfield property, for which
ny.

ained additional financing from a loan in the amount of $22,000,000 from National City Bank, or National City. The loan is secured by
and Fixture Filing on the Chesterfield property, and Limited Guarantees provided by both Duke and us. The loan matures on December
ach subject to satisfaction of certain conditions, including payment of an extension fee. The loan bears interest at a per annum rate equal
should our operating partnership exercise its right to purchase the 20.0% membership interest held by BD St. Louis. If any monthly payn
o 5.0% of the unpaid portion of the regularly scheduled payment. In the event of a default, the loan also provides for a default interest ra
missory note for the loan. The loan may be prepaid in whole or in part, without paying a prepayment premium.

, or 3.0% of the $36,440,000 purchase price, was paid to our advisor and its affiliate.

ree-story, 50-bed inpatient rehabilitation hospital in Chesterfield, Missouri. The Class A property was built in 2007 and consists of a tot proximately seven acres of land. The property is located five miles from St. John s Mercy Medical Center, or Mercy Medical Center, a ouis area. Mercy Medical Center has a Heart Hospital, a Cancer Center, an inpatient women s health services department, a Burn Cent rsing Center. Mercy Medical Center is undergoing the construction of a new nine-story, 300,000 square foot patient tower.

% leased to St. John s Mercy Rehabilitation, LLC, or St. John s, a 49.5%/50.5% joint venture between St. John s Mercy Health Syste habilitation Hospital. St. John s 20-year lease expires in 2027, with two five-year extension options at the same terms as the current lea and Centerre Healthcare based on their respective ownership interests in St. John s. The rental rate per annum for St. John s is approx

Hospital is a not-for-profit hospital that offers a full range of rehabilitative services, including brain injury and spinal cord injury depart oblems, including stroke, brain injury, spinal cord injury, burns, traumatic injuries and hip, knee and orthopedic problems.

nager and receives a 1.0% oversight fee in connection with the operation and management of the Chesterfield property.

competition from other nearby hospitals that provide comparable services. Most of the hospitals with which the Chesterfield property co

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F eld property will be approximately $33.8 million. We calculate depreciation for income tax purposes using the straight line method. We For 2007, the Chesterfield property will pay real estate taxes of approximately $424,000 at a rate of approximately 9.11%.

Acquisition of Park Place Office Park

ugh our wholly owned subsidiary, G&E Healthcare REIT Lincoln Park Boulevard, LLC, acquired a fee simple interest in Park Place Of ffiliated third party for a total purchase price of $16,200,000, plus closing costs.

with a secured loan of $10,943,000 from Wachovia Financial Services, Inc., or Wachovia Financial, $500,000 in borrowings under our s balance from funds raised through this offering. An acquisition fee of $486,000, or 3.0% of the purchase price, was paid to our advisor

ugh G&E Healthcare REIT Lincoln Park Boulevard, LLC, entered into a secured loan, or the Park Place loan, with Wachovia Financial

ry note in the principal amount of $10,943,000, or the Park Place note. The Park Place note is secured by a Open-End Mortgage, Assign
Repayment Guaranty by which we unconditionally and irrevocably guarantee the obligations as listed in the Repayment Guaranty. The
utive 12-month periods, each subject to satisfaction of certain conditions, including payment of an extension fee equal to 0.125% of the
y payments due on the first day of each calendar month. At our option, the loan bears interest at per annum rates equal to: (a) 30-day LI
al from time to time. If any monthly installment that is due is not received by Wachovia Financial on or before the 15th day of each mo
ent. In the event of a default, the loan also provides for a default interest rate of 4.0% per annum plus the greater of the LIBOR Rate or

EIT Lincoln Park Boulevard, LLC, entered into an interest rate swap agreement, dated December 21, 2007, as amended on December 21
hovia in connection with the Park Place loan with Wachovia Financial. As a result of the Park Place swap agreement, the Park Place loa
through December 31, 2010 and provides for monthly interest-only payments due on the first business day of each calendar month com

of three multi-tenant medical office buildings adjacent to Kettering Medical Center, Kettering Breast Evaluation Center and Kettering
ark Place III were built in 1987, 1988 and 2002, respectively. The Park Place property consists of a combined total of approximately 13

ng the buildings are healthcare providers. No single tenant leases 10.0% or more of the gross leasable area. As of December 2007, the P

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

mpetition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with which
et area.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F
e property will be approximately $13.9 million. We calculate depreciation for income tax purposes using the straight line method. We
the Park Place property paid real estate taxes of approximately $214,000 at a rate of approximately 6.94%.

e lease expirations of the Park Place property for the next ten years, including the number of tenants whose leases will expire in the appl
ercentage of gross annual rent represented by such leases:

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
3	6,000	$ 116,000
6	13,000	$ 267,000
8	10,000	$ 183,000
6	27,000	$ 467,000
		$
1	3,000	$ 71,000
1	2,000	$ 45,000
		$
1	3,000	$ 53,000
4	31,000	$ 438,000

verage occupancy rate and the average effective annual rental rate per square foot for the Park Place property for the last five years:

Average Occupancy Rate
79%
79%
79%
94%
83%

Proposed Acquisition of G&E Healthcare REIT Medical Portfolio 1

d of directors approved the acquisition of four medical properties in Florida and one medical property in Kansas which we collectively
olio 1 property. The Medical Portfolio 1 property consists of approximately 149,000 square feet of gross leasable area and is approximat
either on the campus of or otherwise affiliated with Hospital Corporation of America. The principal businesses occupying the medical

dical Portfolio 1 property for a total purchase price of $34,350,000, plus closing costs, from an unaffiliated third party. We intend to fin
g. We expect to pay our advisor and its affiliate an acquisition fee of $1,031,000, or 3.0% of the purchase price, in connection with the a

ll occur in the first quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we

Addition of Properties as Further Security for LaSalle and KeyBank Line of Credit

eptember 10, 2007, we, through our operating partnership, entered into a loan agreement with LaSalle to obtain a secured revolving cre
, or the LaSalle line of credit. Also as previously disclosed, on December 12, 2007, we, along with our subsidiaries, entered into a Modi
y notes with each of LaSalle and KeyBank to increase the aggregate maximum principal amount available under the LaSalle line of cred
he LaSalle line of credit, or our secured revolving line of credit with LaSalle and KeyBank.

ugh NNN Healthcare/Office REIT Lima, LLC, our subsidiary, entered into an Open-End Revolving Mortgage, Security Agreement, As
easehold Revolving Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing to further secure, our secured re
Office Portfolio that we acquired on December 7, 2007 for $25,250,000, plus closing costs. We also entered into a Joinder Agreement
olving line of credit with LaSalle and KeyBank.

ugh NNN Healthcare/Office REIT Tucson Medical Office, LLC, our subsidiary, entered into a Leasehold and Fee Deed of Trust, Assig
oinder Agreement and Environmental Indemnity Agreement with LaSalle to also further secure the LaSalle line of credit with the Tucso
50,000, plus closing costs.

erms of the loan agreements entered into in connection with our secured revolving line of credit with LaSalle and KeyBank apply to the
. Our secured revolving line of credit with LaSalle and KeyBank is also secured by our Triumph Hospital Portfolio and 2750 Monroe B

GRUBB & ELLIS HEALTHCARE REIT, INC.

SUPPLEMENT NO. 2 DATED JANUARY 30, 2008
TO THE PROSPECTUS DATED DECEMBER 14, 2007

should be read in conjunction with, our prospectus dated December 14, 2007, as supplemented by Supplement No. 1, dated January 4, tock. The purpose of this Supplement No. 2 is to disclose:

ial public offering;

ition of the Fort Road Medical Building in St. Paul, Minnesota;

ition of 6770 Cincinnati-Dayton Road in Liberty Township, Ohio;

ition of an additional building with respect to G&E Healthcare REIT Medical Portfolio 1;

our dealer manager, NNN Capital Corp., to Grubb & Ellis Securities, Inc.;

e Chairman of the Board of our sponsor; and

disclosure regarding the reimbursement of acquisition fees and expenses.

Status of Our Initial Public Offering

eceived and accepted subscriptions in our offering for 22,090,382 shares of our common stock, or approximately $220,641,000, exclud

Proposed Acquisition of the Fort Road Medical Building

of directors approved the acquisition of the Fort Road Medical Building, or the Fort Road property. The Fort Road property is a multi-te n St. Paul, Minnesota. Built in 1981, the Fort Road property consists of approximately 50,000 square feet of gross leasable area and is a businesses occupying the building are healthcare providers.

t Road property for a purchase price of $8,650,000, plus closing costs, from an unaffiliated third party. We intend to finance the purcha pay our advisor and its affiliate an acquisition fee of $260,000, or 3.0% of the purchase price, in connection with the acquisition.

ll occur in the first quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we

Proposed Acquisition of 6770 Cincinnati-Dayton Road

of directors approved the acquisition of 6770 Cincinnati-Dayton Road, or the 6770 Cincinnati property. The 6770 Cincinnati property is y 3.0 acres of land in Liberty Township, Ohio. The construction of this two story medical office building is scheduled to be completed f of approximately 40,000 square feet of gross leasable area and is currently 95.0% leased for a minimum

executed leases. The principal businesses which will occupy the building are healthcare providers.

70 Cincinnati property for a total purchase price of $7,750,000, plus closing costs, from an unaffiliated third party. We intend to finance
g. We expect to pay our advisor and its affiliate an acquisition fee of $233,000, or 3.0% of the purchase price, in connection with the ac

ll occur in the first quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we

Update to Proposed Acquisition of G&E Healthcare REIT Medical Portfolio 1

d of directors approved the acquisition of four medical properties in Florida and one medical property in Kansas, which we refer to as C
The proposed acquisition consisted of approximately 149,000 square feet of gross leasable area. On January 22, 2008, our board of dir
ing of approximately 13,000 square feet of gross leasable area that is adjacent to one of the Florida properties. As a result of the propos
sists of approximately 162,000 square feet of gross leasable area and is 94.6% leased as of January 22, 2008.

e Medical Portfolio 1 property for a total purchase price of $36,950,000, plus closing costs, from an unaffiliated third party, an increase
We intend to finance the purchase through debt financing and proceeds raised from this offering. We expect to pay our advisor and its a
nnection with the acquisition, an increase from the initially disclosed acquisition fee of $1,031,000.

Name Change of NNN Capital Corp. to Grubb & Ellis Securities, Inc.

lty Advisors, Inc., which previously served as our sponsor, merged with and into a wholly owned subsidiary of Grubb & Ellis Company
on with the merger, NNN Capital Corp., which serves as our dealer manager and is an indirect wholly owned subsidiary of our sponsor

Resignation of the Chairman of the Board of our Sponsor

r Grubb & Ellis Company announced that Anthony W. Thompson resigned as Chairman of the Board and as a director, effective Febru
ecutive Chairman of the Board of Grubb & Ellis Company, effective February 8, 2008.

Clarification to Prior Disclosure Regarding the Reimbursement of Acquisition Fees and Expenses

reimbursement of acquisition expenses related to the selection, evaluation, acquisition and investment in properties will not exceed 0.5
xpenses paid to our advisor or its affiliates. The reimbursement of our total acquisition fees and expenses, including those paid to unaff
price or total development cost of a property, unless fees in excess of the 6.0% limit are approved by a majority of our disinterested inde

GRUBB & ELLIS HEALTHCARE REIT, INC.

SUPPLEMENT NO. 3 DATED FEBRUARY 12, 2008
TO THE PROSPECTUS DATED DECEMBER 14, 2007

should be read in conjunction with, our prospectus dated December 14, 2007, as supplemented by Supplement No. 1, dated January 4, offering of 221,052,632 shares of common stock. The purpose of this Supplement No. 3 is to disclose:

ial public offering;

edical Portfolio 1 in Florida and Kansas; and

the managing member of our advisor, Triple Net Properties, LLC, to Grubb & Ellis Realty Investors, LLC.

Status of Our Initial Public Offering

eceived and accepted subscriptions in our offering for 22,886,033 shares of our common stock, or approximately $228,591,000, exclud

Acquisition of Medical Portfolio 1

h our subsidiary, G&E Healthcare REIT Medical Portfolio 1, LLC, acquired a ground lease interest in certain real property known as La known as Doctors Medical Building, West Bay Surgery Center, Brandon Medical Plaza and Central Florida SurgiCenter, located in F d parties for a total purchase price of $36,950,000, plus closing costs.

with a secured loan of $22,000,000 from Wachovia Bank, National Association, or Wachovia, and $16,000,000 in borrowings under our aSalle, and KeyBank National Association, or Key Bank, as disclosed in our prospectus. An acquisition fee of $1,109,000, or 3.0% of th our advisor, and its affiliate.

h G&E Healthcare REIT Medical Portfolio 1, LLC, obtained a secured loan, or the Medical Portfolio 1 loan, with Wachovia. The Medi te in the principal amount of $22,000,000, or the Medical Portfolio 1 note. The Medical Portfolio 1 note is secured by an Open-End Mo dical Portfolio 1 properties and a Repayment Guaranty by which we unconditionally and irrevocably guarantee the obligations as listed uary 28, 2011. The Medical Portfolio 1 loan provides for monthly principal and interest payments due on the first day of each calendar oan bears interest at per annum rates equal to: (a) 30-day LIBOR plus 1.68% per annum; or (b) the Prime Rate, as announced by Wacho ived by Wachovia on or before the 15th day of each month, the Medical Portfolio 1 loan provides for a late charge equal to 4.0% of suc oan also provides for a default interest rate of 4.0% per annum plus the greater of the LIBOR Rate or the Prime Rate. The Medical Portf nt premium.

EIT Medical Portfolio 1, LLC, entered into an interest rate swap agreement, dated February 1, 2008, as amended February 8, 2008, or th tfolio 1 loan with Wachovia. As a result of the ISDA Agreement, the Medical Portfolio 1 loan bears interest at an effective fixed rate of rovides

t payments due on the first business day of each calendar month commencing on March 3, 2008.

ve medical office buildings: Doctors Medical Building, Largo Medical Arts Center, West Bay Surgery Center, Brandon Medical Plaza
d Kansas, consists of approximately 163,000 square feet of gross leasable area. The buildings are either situated on the campuses of, or
gest for-profit health systems in the United States. Medical Portfolio 1 has a combined parking ratio of 6.24 spaces per 1,000 square feet

Building, a five-story building consisting of approximately 63,000 square feet of gross leasable area, is located on the main campus of
sas. Doctors Medical Building is approximately 96.3% leased, largely by OPRMC, which occupies approximately 40,000 square feet,

ts Center is a four-story medical office building in Largo, Florida. The property is located on the campus of Largo Medical Center, or LM
ble area. Largo Medical Arts Center is approximately 96.4% leased, and LMC is the largest tenant, occupying approximately 6,500 squa

990, West Bay Surgery Center is a single-story, medical office building consisting of approximately 15,000 square feet of gross leasable
nd is 100% leased. Largo Surgery, LLC is the largest tenant, occupying approximately 89.3% of the gross leasable area.

Plaza is a single-story medical office building in Brandon, Florida that consists of approximately 42,000 square feet of gross leasable are
RH, and is approximately 96.5% leased. The major tenant is BRH, which currently occupies approximately 46.0% of the gross leasable

rgiCenter is a single-story medical office building consisting of approximately 10,000 square feet of gross leasable area in Lakeland, Fl
orida, Ltd.

., or Realty, serves as the property manager and provides services and receives certain fees and expense reimbursements in connection w
contracts certain property management services of Medical Portfolio 1 to Grubb & Ellis Management Services, Inc., a subsidiary of our

parable properties located in the surrounding markets that might compete with Medical Portfolio 1.

novation plans for Medical Portfolio 1 and believes that it is suitable for its intended purpose and adequately covered by insurance. For
be approximately $33.9 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildi
folio 1 paid real estate taxes of approximately $306,000 at a rate of 3.68%.

e lease expirations of Medical Portfolio 1 for the next ten years, including the number of tenants whose leases will expire in the applicab
e of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
8	13,000	$ 246,000
4	5,000	$ 116,000
2	13,000	$ 380,000
5	13,000	$ 256,000
8	19,000	$ 339,000
2	33,000	$ 606,000
5	16,000	$ 331,000
		$
2	15,000	$ 370,000
5	29,000	$ 695,000

verage occupancy rate and the average effective annual rental rate per square foot for Medical Portfolio 1 for the last three years:

A

Average Occupancy Rate
96.7%
92.3%
86.7%

Name Change of Triple Net Properties, LLC to Grubb & Ellis Realty Investors, LLC

lty Advisors, Inc., which previously served as our sponsor, merged with and into a wholly owned subsidiary of Grubb & Ellis Company
on with the merger, Triple Net Properties, LLC, which is the managing member of our advisor and is an indirect wholly owned subsidia
LLC.

GRUBB & ELLIS HEALTHCARE REIT, INC.

SUPPLEMENT NO. 4 DATED FEBRUARY 27, 2008
TO THE PROSPECTUS DATED DECEMBER 14, 2007

should be read in conjunction with, our prospectus dated December 14, 2007, as supplemented by Supplement No. 1 dated January 4, 2
d February 12, 2008, relating to our offering of 221,052,632 shares of common stock. The purpose of this Supplement No. 4 is to disclo

ial public offering;

nsylvania prospectus with the Securities and Exchange Commission;

erts section of our prospectus;

anizational chart;

ents of (1) Highlands Ranch Healthcare Plaza, (2) Park Place Office Park, (3) Chesterfield Rehabilitation Center
tfolio 1; and

orma condensed consolidated financial statements reflecting the acquisitions of (1) Highlands Ranch Healthcare
e Office Park, (3) Chesterfield Rehabilitation Center and (4) Medical Portfolio 1.

Status of Our Initial Public Offering

received and accepted subscriptions in our offering for 23,909,042 shares of our common stock, or approximately $238,817,000, exclu

Filing of Pennsylvania prospectus with the Securities and Exchange Commission

with the Securities and Exchange Commission, or SEC, pursuant to Rule 424(b)(3) of the Securities Act of 1933, as amended, a prospec
Commonwealth of Pennsylvania, or the Pennsylvania prospectus. The Pennsylvania prospectus omits certain information that is included
mendment No. 6 to Form S-11 filed with the SEC on the date hereof, in response to comments we received from the Division of Corpor

Experts

ectus dated December 14, 2007, is hereby amended by adding the following:

ertain expenses of (1) Highlands Ranch Healthcare Plaza for the year ended December 31, 2006; (2) Park Place Office Park for the year
cember 31, 2007, included in this prospectus have been audited by KMJ | Corbin & Company LLP, an independent audit firm, as indica
reliance upon the authority of said firm as experts in accounting and auditing.

Our Structure

9 of our prospectus dated December 14, 2007 is hereby amended as follows:

INDEX TO FINANCIAL STATEMENTS

OF REAL ESTATE PROPERTIES ACQUIRED:

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ondensed Consolidated Financial Statements	F-22

INDEPENDENT AUDITORS REPORT

Inc.

ng statement of revenues and certain expenses of Highlands Ranch Healthcare Plaza, or the Property, for the year ended December 31,
he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
za for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

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HIGHLANDS RANCH HEALTHCARE PLAZA

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Nine Months Ended September 30, 2007 (Unaudited)
	$	1,120,000
		70,000
		194,000
		171,000
s		164,000
		87,000
		24,000
		28,000
		738,000
penses	$	382,000

The accompanying notes are an integral part of the statements of revenues and certain expenses.

HIGHLANDS RANCH HEALTHCARE PLAZA

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

ATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Highlands Ranch Healthcare Plaza, or the Property, located in Highlands Ranc
able area and was 95% leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the periods presented, as certain expenses that may no
althcare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

e expensed as incurred, while significant improvements, renovations and replacements are capitalized.

acted with a related party to manage the Property. For the year ended December 31, 2006 and the nine months ended September 30, 20
0, respectively, related to property management fees.

ments in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

HIGHLANDS RANCH HEALTHCARE PLAZA

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the nine months ended September 30, 2007 is unaudited. In the opinion of management, such financial statement refl
interim period. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2014 and are subject to fixed increases in base rent. The aggre
non-cancelable operating leases as of December 31, 2006 are as follows:

$	1,517,000
	1,396,000
	1,220,000
	973,000
	656,000
	718,000
$	6,480,000

ement of the tenants proportional share of common area expenses, real estate taxes and other expenses, which are not included in the a

CONCENTRATION

mber 30, 2007 (unaudited), the Property had two tenants occupying 16% of the gross leaseable area which accounted for 22% of rental

	Date of Lease Expiration		Aggregate Rental Income for the Nine Months Ended September 30, 2007
er	June 30, 2012	$	142
ne	June 30, 2014	$	96

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006, the Property had two tenants occupying 16% of the gross leaseable area which accounted for 20% of total rental income.

	Date of Lease	Aggregat

	Expiration	Rental
er	June 30, 2012	$
ne	June 30, 2014	$

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

HIGHLANDS RANCH HEALTHCARE PLAZA

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

ENT EVENT

Ellis Healthcare REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $14,500,000, plus closing costs.

INDEPENDENT AUDITORS REPORT

Inc.

ng statement of revenues and certain expenses of Park Place Office Park, or the Property, for the year ended December 31, 2006. This s
s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit.

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
ar ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

P
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PARK PLACE OFFICE PARK

STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

		Nine Months Ended September 30, 2007 (Unaudited)
	$	1,502,000
		69,000
		106,000
		208,000
s		200,000
		88,000
		11,000
		81,000
		763,000
penses	$	739,000

The accompany notes are an integral part of the statements of revenues and certain expenses.

PARK PLACE OFFICE PARK

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Nine Months Ended September 30, 2007 (Unaudited) and
for the Year Ended December 31, 2006

ATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Park Place Office Park, or the Property, located in Dayton, Ohio. The Property % leased as of December 31, 2006.

revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M sults of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete pres of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses are not representative of the actual operations for the periods presented, as certain expenses that may no althcare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb le costs are recognized in the period that the expenses are incurred.

e expensed as incurred, while significant improvements, renovations and replacements are capitalized.

, 2006 and the nine months ended September 30, 2007 (unaudited), the Property incurred expenses of $114,000 and $88,000, respective

ments in conformity with accounting principles generally accepted in the United States of America requires management to make estim expenses during the reporting period. Actual results could differ materially from those estimates.

PARK PLACE OFFICE PARK

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

ertain expenses for the nine months ended September 30, 2007 is unaudited. In the opinion of management, such financial statement refl
interim period. All such adjustments are of a normal recurring nature.

erating lease agreements with tenants that expire at various dates through 2019 and are subject to fixed increases in base rent. The aggre
non-cancelable operating leases as of December 31, 2006 are as follows:

$	1,777,000
	1,703,000
	1,483,000
	1,274,000
	878,000
	4,204,000
$	11,319,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other expenses, which are not included in the a

NTRATION

mber 30, 2007 (unaudited), the Property had one tenant occupying 16% of the gross leaseable area which accounted for 14% of rental i

	Date of Lease Expiration	Aggregate Rental Income For the Nine Months Ended September 30, 2007
ciates	February 28, 2017	$ 215

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

, 2006, the Property had one tenant occupying 16% of the gross leaseable area which accounted for 14% of total rental income.

	Date of Lease Expiration	Aggregate Annual Rental Income

ciates	February 28, 2017	$	286,0

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

PARK PLACE OFFICE PARK

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES (Continued)

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

ENT EVENT

Ellis Healthcare REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $16,200,000, plus closing costs.

CHESTERFIELD REHABILITATION CENTER

STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Two Months Ended September 30, 2007 (Unaudited)

		Two Months Ended September 30, 2007 (Unaudited)
	$	496,000
penses	$	496,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

CHESTERFIELD REHABILITATION CENTER

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Two Months Ended September 30, 2007 (Unaudited)

ATION AND BASIS OF PRESENTATION

evenues and certain expenses include the operations of Chesterfield Rehabilitation Center, or the Property, located in Chesterfield, Mis
ccupancy occurred in late July 2007. As such the accompanying financial statements represent the operations from August 1, 2007 throu
et of gross leaseable area and is 100% leased as of September 30, 2007.

evenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X p
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of rev
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses are not intended to be a complete prese
of interest expense, depreciation and amortization and federal and state income taxes.

ith its tenant, whereby the tenant directly pays for the buildings operating expenses, including but not limited to maintenance, real est
rative expenses. As a result the accompanying statement of revenues and certain expenses do not include these operating expenses.

evenues and certain expenses are not representative of the actual operations for the periods presented, as certain expenses that may not
ncare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays).

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

rtain expenses for the two months ended September 30, 2007 is unaudited. In the opinion of management, such financial statement refl
interim period. All such adjustments are of a normal recurring nature.

CHESTERFIELD REHABILITATION CENTER

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

erating lease agreements with a tenant that expires in 2027 and is subject to fixed increases in base rent. The aggregate annual future mi
ating leases as of September 30, 2007 are as follows:

	$ 1,234,000
	2,987,000
	3,047,000
	3,108,000
	3,170,000
	58,432,000
	$ 71,978,000

CONCENTRATION

mber 30, 2007 (unaudited), the Property had one tenant occupying 100% of the gross leaseable area which accounted for 100% of rental

	Date of Lease Expiration	Aggregate Rental Income for the Two Months Ended September 30, 2007
LLC	August 31, 2027	$ 496,0

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

ncies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

ENT EVENT

Ellis Healthcare REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $36,440,000, plus closing costs.

INDEPENDENT AUDITORS REPORT

Inc.

ng statement of revenues and certain expenses of Medical Portfolio 1, or the Property, for the year ended December 31, 2007. This state
management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit.

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

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MEDICAL PORTFOLIO 1

STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

	Year Ended December 31, 2007
	$ 3,307,000
	27,000
	258,000
	299,000
s	203,000
	111,000
	73,000
	251,000
	1,222,000
penses	$ 2,085,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

MEDICAL PORTFOLIO 1

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

ATION AND BASIS OF PRESENTATION

evenues and certain expenses include the operations of Medical Portfolio 1, or the Property, located in Overland, Kansas and Largo, Bi
000 square feet of gross leaseable area and is 89% leased as of December 31, 2007.

evenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

evenues and certain expenses is not representative of the actual operations for the periods presented, as certain expenses that may not b
ncare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

e expensed as incurred, while significant improvements, renovations and replacements are capitalized.

contracted with a related party to manage the Property. For the year ended December 31, 2007, the Property incurred expenses of $95,0
he Property contracted with a third party to manage the Property s building improvements. For the year ended December 31, 2007, the
fees.

ment in conformity with accounting principles generally accepted in the United States of America requires management to make estima
expenses during the reporting period. Actual results could differ materially from those estimates.

MEDICAL PORTFOLIO 1

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

erating lease agreements with tenants that expire at various dates through 2017 and are subject to fixed increases in base rent. The aggre
non-cancelable operating leases as of December 31, 2007 are as follows:

	$ 2,921,000
	2,747,000
	2,601,000
	2,197,000
	1,943,000
	5,087,000
	$ 17,496,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other expenses, which are not included in the a

CONCENTRATION

, 2007**,** the Property had four tenants occupying 39% of the gross leaseable area which accounted for 49% of total rental income.

Date of Lease Expiration	Aggregate Annual Rental Income
June 30, 2017	$ 562,000
December 31, 2013	$ 383,000
October 31, 2010	$ 327,000
December 31, 2016	$ 343,000

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

ENT EVENT

llis Healthcare REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $36,950,000, plus closing costs.

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Financial Statements
As of September 30, 2007 and for the Nine Months Ended September 30, 2007 and
for the Period from April 28, 2006 (Date of Inception) through December 31, 2006

sed consolidated financial statements (including notes thereto) are qualified in their entirety by reference to and should be read in conju
ated financial statements included elsewhere in this prospectus. In management s opinion, all adjustments necessary to reflect the trans

o forma condensed consolidated balance sheet as of September 30, 2007 is presented as if we acquired Northmeadow Medical Center, o
Tucson Medical property and Lima Medical Office Portfolio, or the Lima Medical property, or collectively the Q4 2007 Previously Rep
ds Ranch property, Park Place Office Park, or the Park Place property, Chesterfield Rehabilitation Center, or the Chesterfield property a
. Collectively, these properties were acquired using a combination of debt financing and proceeds, net of offering costs, received from o
are. In some cases, we secured debt financing on the property subsequent to acquisition. However, the pro forma adjustments assume th

o forma condensed consolidated statements of operations for the nine months ended September 30, 2007 and for the period from April 2
d as if we acquired Southpointe Office Parke and Epler Parke I, or the Southpointe property, Crawfordsville Medical Office Park and At
al Building, or the Gallery property, Lenox Office Park, Building G, or the Lenox property, Commons V Medical Office Building, or th
nter, or the Peachtree property, Thunderbird Medical Plaza, or the Thunderbird property, Triumph Hospital Northwest and Triumph Ho
the Gwinnett property, 1 and 4 Market Exchange, or the 1 and 4 Market property, Kokomo Medical Office Park, or the Kokomo prope
Boulevard, or the 2750 Monroe property, East Florida Senior Care Portfolio, or the EFSC property, the Northmeadow property, the Tu
roperty, the Park Place property, and the Medical 1 property, or collectively the Properties, and secured the LaSalle Bank National Asso
of credit, on April 28, 2006 (Date of Inception), and as if we acquired the Chesterfield property on August 1, 2007 when operations co
and proceeds, net of offering costs, received from our initial public offering through the acquisition date at $10.00 per share. In some ca
n. However, the pro forma adjustments assume that the debt proceeds and offering proceeds were raised as of April 28, 2006 (Date of I

o forma condensed consolidated financial statements are unaudited and are subject to a number of estimates, assumptions, and other unc
or financial position that would have occurred had the acquisitions reflected therein in fact occurred on the dates specified, nor do such
ancial position that may be achieved in the future. In addition, the unaudited pro forma condensed consolidated financial statements inc
n preliminary estimates of the fair value of the assets acquired and liabilities assumed in connection with the acquisitions and are subjec

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2007

	Company Historical(A)	Q4 2007 Previously Reported Transactions(B)	Acquisition of Highlands Ranch Property(C)	Acquisition of Park Place Property(D)	Acquisition c Chesterfield Property(E)
			ASSETS		
	$ 248,066,000	$ 48,753,000	$ 12,636,000	$ 13,156,000	$ 32,871,00
	4,512,000	898,000			110,00
et	1,419,000	10,000			
	4,875,000				
	41,232,000	11,698,000	2,451,000	3,986,000	4,779,00
	2,981,000	168,000	83,000	81,000	127,00
	$ 303,085,000	$ 61,527,000	$ 15,170,000	$ 17,223,000	$ 37,887,00
			LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS EQUITY		
	$ 123,331,000	$ 8,000,000	$ 8,853,000	$ 10,943,000	$ 22,000,00
	35,700,000	52,400,000	2,901,000	500,000	12,800,00
abilities	5,720,000	435,000	254,000	325,000	84,00
s	1,890,000		3,000		
t	617,000	390,000	118,000	159,000	104,00
et	1,315,000	302,000	73,000	98,000	
	168,573,000	61,527,000	12,202,000	12,025,000	34,988,00
ners	200,000				2,899,00
200,000,000 shares tanding					
1,000,000,000 shares ued and outstanding	160,000		3,000(G)	6,000(G)	
	141,868,000		2,965,000(G)	5,192,000(G)	
	(7,716,000)				
	134,312,000		2,968,000	5,198,000	

s and stockholders	$ 303,085,000	$ 61,527,000	$ 15,170,000	$ 17,223,000	$ 37,887,00

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations
for the Nine Months Ended September 30, 2007

	Company Historical(H)	Q1, Q2 and Q3 2007 Transactions(I)	Q4 2007 Previously Reported Transactions(J)	Acquisition of Highlands Ranch Property(K)	Acquisition of Park Place Property(L)	Acquisition of Chesterfield Property(M)
	$ 8,711,000	$ 13,893,000	$ 4,909,000	$ 1,131,000(O)	$ 1,420,000(O)	$ 496,000(O)
	3,065,000	3,321,000	2,192,000	704,000(P)	701,000(P)	5,000(P)
	1,957,000	1,558,000	451,000	113,000(Q)	128,000(Q)	47,000(Q)
	5,252,000	7,359,000	2,233,000	730,000(O)	820,000(O)	174,000(O)
	10,274,000	12,238,000	4,876,000	1,547,000	1,649,000	226,000
ne	(1,563,000)	1,655,000	33,000	(416,000)	(229,000)	270,000
g						
	(84,000)	(465,000)				
age	(2,218,000)	(5,488,000)	(3,073,000)	(541,000)(R)	(496,000)(R)	(367,000)(R)
	196,000					
						(12,000)
	(2,106,000)	(5,953,000)	(3,073,000)	(541,000)	(496,000)	(379,000)
	$ (3,669,000)	$ (4,298,000)	$ (3,040,000)	$ (957,000)	$ (725,000)	$ (109,000)
per	$ (0.53)					
sic	6,939,820					

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations
for the Period from April 28, 2006 (Date of Inception) through December 31, 2006

Company Historical(T)	Q1, Q2 and Q3 2007 Transactions(U)	Q4 2007 Previously Reported Transactions(V)	Acquisition of Highlands Ranch Property(W)	Acquisition of Park Place Property(X)	Acquisition of Chesterfield Property (Y)	
$	$ 18,838,000	$ 3,691,000	$ 1,068,000**(AA)**	$ 1,258,000**(AA)**	$	$
	5,291,000	1,686,000	551,000**(BB)**	619,000**(BB)**		
242,000	2,678,000	426,000	106,000**(CC)**	121,000**(CC)**		
	11,271,000	2,264,000	741,000**(AA)**	798,000**(AA)**		
242,000	19,240,000	4,376,000	1,398,000	1,538,000		
ne (242,000)	(402,000)	(685,000)	(330,000)	(280,000)		
g						
	(520,000)					
age	(7,054,000)	(2,821,000)	(496,000)**(DD)**	(455,000)**(DD)**		
	(7,574,000)	(2,821,000)	(496,000)	(455,000)		
$ (242,000)	$ (7,976,000)	$ (3,506,000)	$ (826,000)	$ (735,000)	$	$
per $ (149.03)						
ommon luted 1,622						

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

Forma Condensed Consolidated Balance Sheet as of September 30, 2007.

heet as of September 30, 2007 included in this prospectus.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Northmeadow property, the T
eported. The purchase price allocations are preliminary and are subject to change.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Highlands Ranch property. W
nd acquisition fees, was financed through a secured mortgage loan payable of $8,853,000 on the property with Wachovia Bank, Nation
e of credit and the net proceeds from the issuance of approximately 335,421 shares of common stock from our initial public offering. A
dvisor and its affiliate. We allocated the purchase price, plus closing costs, to the fair value of the assets acquired and liabilities assume
1,034,000 to in place leases, $1,388,000 to tenant relationships, $29,000 to above market leases and $(73,000) to below market leases. T

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Park Place property. The purc
d through a secured mortgage loan payable of $10,943,000 on the property with Wachovia borrowings of $500,000 under the LaSalle li
13 shares of common stock from our initial public offering. An acquisition fee of $486,000, or 3.0% of the purchase price, was paid to o
s, to the fair value of the assets acquired and liabilities assumed as follows: $1,987,000 to land, $11,169,000 to building and improveme
to above market leases and $(98,000) to below market leases. The purchase price allocations are preliminary and are subject to change.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of our 80.0% interest in the Chesterf
g costs and acquisition fees, was financed through a secured mortgage loan payable of $22,000,000 on the property with National City
uisition fee of $1,093,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. We allocated the purchase price, plus
as follows: $4,313,000 to land, $28,558,000 to building and improvements, $2,860,000 to in place leases and $1,919,000 to tenant relati
ange.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Medical 1 property. We have a
fees, was financed through a secured mortgage loan payable of $22,000,000 on the property with Wachovia and borrowings of $16,00
3.0% of the purchase price, was paid to our advisor and its affiliate. We allocated the purchase price, plus closing costs, to the fair valu
o land, $28,282,000 to building and improvements, $2,225,000 to in place leases, $2,085,000 to tenant relationships, $884,000 to above
e allocations are preliminary and are subject to change.

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

ty and the Park Place property were acquired using proceeds, net of offering costs, received from our initial public offering through the oceeds were raised as of September 30, 2007.

Forma Condensed Consolidated Statement of Operations for the Nine Months ended September 30,

of operations for the nine months ended September 30, 2007 included in this prospectus.

ted operations, including pro forma adjustments, based on historical operations from January 1, 2007 through the acquisition date of the e Lenox property, the Commons V property, the Peachtree property, the Thunderbird property, the Triumph property, the Gwinnett pro property, the 2750 Monroe property and the EFSC property (properties acquired during the nine months ended September 30, 2007) as i).

ted operations, including pro forma adjustments, based on historical operations from January 1, 2007 through September 30, 2007 of th Medical property (properties acquired during the three months ended December 31, 2007 that were previously reported) as if these assets

ated operations, including pro forma adjustments, based on historical operations of the Highlands Ranch property for the nine months e

ated operations, including pro forma adjustments, based on historical operations of the Park Place property for the nine months ended S

ated operations, including pro forma adjustments, based on historical operations of the Chesterfield property for the two months ended mpleted in July 2007. Initial occupancy occurred in late July 2007.

ated operations, including pro forma adjustments, based on historical operations of the Medical 1 property for the nine months ended S

portion of the purchase price allocated to building is recognized using the straight-line method and a 39 year life. Depreciation expense mated useful life between 1 and 236 months. Amortization expense on the identified intangible assets excluding, above and below mark life between 1 and 296 months.

market leases are included in identified intangible assets and below market lease values are included in identified intangible liabilities in sheet and are amortized to rental income over the remaining term of the acquired leases with each property which range between 9 and

nd therefore depreciation and amortization expense, are preliminary and subject to change.

ement, our advisor or its affiliates are entitled to receive, for services in managing our properties, a monthly property management fee c ied. As a result, the pro forma amount shown is reflective of our current advisory agreement.

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

an incremental property tax expense assuming the acquisition price and historical property tax rate.

eement, our advisor or its affiliates are entitled to receive a monthly asset management fee calculated at one-twelfth of 1.0% of average
month, subject to our stockholders receiving annualized distributions in an amount equal to at least 5.0% per annum on average invested
ark Place property, the Chesterfield property and the Medical 1 property, the stockholders had received annualized distributions greater
urred for the nine months ended September 30, 2007, except for the Chesterfield property, for which we assumed an asset management

vere financed using various debt instruments as noted above in notes (C) through (F). As such, this amount represents interest expense, a
ts. Some mortgage loan payables bear interest at a variable rate. In all such cases, we have entered into fixed rate interest swap agreeme
ap agreements. The LaSalle Line of credit bears interest at a variable rate. If rates increase 0.125%, interest expense would increase $30

rage number of shares of common stock from our initial public offering required to generate sufficient offering proceeds to fund the pur
quired on April 28, 2006 (Date of Inception) except for the Chesterfield property which was assumed purchased on August 1, 2007.

Forma Condensed Consolidated Statement of Operations for the Period from April 28, 2006 (Date of
mber 31, 2006.

of operations for the period from April 28, 2006 (Date of Inception) through December 31, 2006 included in this prospectus.

ated operations, including pro forma adjustments, based on historical operations for the period from April 28, 2006 (Date of Inception)
ordsville property, the Gallery property, the Lenox property, the Commons V property, the Peachtree property, the Thunderbird property
perty, the Kokomo property, the St. Mary property, the 2750 Monroe property and the EFSC property (properties acquired during the ni
of April 28, 2006 (Date of Inception).

ated operations, including pro forma adjustments, based on historical operations for the period from April 28, 2006 (Date of Inception)
on Medical property and the Lima Medical property (properties acquired during the three months ended December 31, 2007 that were p
06 (Date of Inception).

nated operations, including pro forma adjustments, based on historical operations of the Highlands Ranch property for the period from A

ated operations, including pro forma adjustments, based on historical operations of the Park Place property for the period from April 28

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

hesterfield property was completed in July 2007. Initial occupancy occurred in late July 2007. As such there were no operations for the , 2006.

ated operations, including pro forma adjustments, based on historical operations of the Medical 1 property for the period from April 28,

e portion of the purchase price allocated to building is recognized using the straight-line method and a 39 year life. Depreciation expens mated useful life between 1 and 236 months. Amortization expense on the identified intangible assets excluding, above and below mark life between 1 and 296 months.

market leases are included in the identified intangible assets and below market lease values are included in identified intangible liabilitie sheet and are amortized to rental income over the remaining term of the acquired leases with each property which range between 9 and

nd therefore depreciation and amortization expense, are preliminary and subject to change.

reement, our advisor or its affiliates are entitled to receive, for services in managing our properties, a monthly property management fee varied. As a result, the pro forma amount shown is reflective of our current advisory agreement.

an incremental property tax expense assuming the acquisition price and historical property tax rate.

reement, our advisor or its affiliates are entitled to receive a monthly asset management fee calculated at one-twelfth of 1.0% of averag month, subject to our stockholders receiving annualized distributions in an amount equal to at least 5.0% per annum on average invested ark Place property and the Medical 1 property, the stockholders had received annualized distributions greater than 5.0% per annum. As April 28, 2006 (Date of Inception) through December 31, 2006.

were financed using various debt instruments as noted above in notes (C) through (F). As such, amount represents interest expense, an ome mortgage loan payables bear interest at a variable rate. In all such cases, we have entered into fixed rate interest swap agreements. ap agreements. The LaSalle Line of credit bears interest at a variable rate. If rates increase 0.125%, interest expense would increase $28

erage number of shares of common stock from our initial public offering required to generate sufficient offering proceeds to fund the pu quired on April 28, 2006 (Date of Inception) except for the Chesterfield property which was assumed purchased on August 1, 2007.

GRUBB & ELLIS HEALTHCARE REIT, INC.

SUPPLEMENT NO. 5 DATED MARCH 17, 2008
TO THE PROSPECTUS DATED DECEMBER 14, 2007

should be read in conjunction with, our prospectus dated December 14, 2007, as supplemented by Supplement No. 1, dated January 4, ebruary 12, 2008, and Supplement No. 4, dated February 27, 2008, relating to our offering of 221,052,632 shares of common stock. Th

ial public offering;

ort Road Medical Building in St. Paul, Minnesota;

posed acquisition of Liberty Falls Medical Plaza in Liberty Township, Ohio;

ition of Cypress Station Medical Building in Houston, Texas;

ition of Epler Parke Building B in Indianapolis, Indiana;

ition of Senior Care Portfolio 1 in California and Texas; and

ition of Vista Professional Center in Lakeland, Florida.

Status of Our Initial Public Offering

eived and accepted subscriptions in our offering for 25,476,980 shares of our common stock, or approximately $254,481,000, excluding

Acquisition of Fort Road Medical Building

ur subsidiary, G&E Healthcare REIT Fort Road Medical, LLC, acquired a fee simple interest in Fort Road Medical Building located in rd party, for a purchase price of $8,650,000, plus closing costs.

f the Fort Road property with a secured loan of $5,800,000 from LaSalle Bank National Association, or LaSalle, $3,000,000 in borrowi National Association, or KeyBank, as disclosed in our prospectus, and funds from this offering. An acquisition fee of $260,000, or 3.0 LLC, our advisor, and its affiliate.

G&E Healthcare REIT Fort Road Medical, LLC, obtained a secured loan, or the Fort Road loan, with LaSalle. The Fort Road loan is evi t Road note. The Fort Road note is secured by a Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, or ment by which we guarantee payment of an amount up to $2,900,000, plus interest at an interest rate equal to the default interest rate, de nt. The Fort Road loan matures on March 6, 2011, but may be extended for two consecutive 12 month periods, each subject to satisfact 5% of the principal balance then outstanding. The loan provides for monthly principal and interest payments due on the first day of each rest at per annum rates equal to: (a) LIBOR plus 1.65%; or (b) a floating rate equal to the Prime Rate, as defined in the Fort Road note.

lays after such payment is due, the loan provides for a late charge equal to 4.0% of such payment. In the event of a default, the loan also Subject to certain conditions, the loan may be prepaid in whole or in part, without

The loan documents contain certain customary representations, warranties, covenants and indemnities.

EIT Fort Road Medical, LLC, entered into an ISDA interest rate swap confirmation letter agreement dated March 10, 2008, or the Letter
ve, pursuant to the terms of the Fort Road note in favor of LaSalle, the Fort Road loan bears interest, at our option, at a per annum rate
me Rate, as defined in the Fort Road note. As a result of the Letter Agreement, the Fort Road loan bears interest at an effective fixed ra
ides for monthly principal and interest payments due on the first business day of each calendar month commencing on April 1, 2008.

of one medical office building in St. Paul, Minnesota. The property is located on the United Hospital and Children s Hospitals and Clin
her medical office buildings in the area by underground tunnels. The Fort Road property is also connected to a 140-unit, twelve floor ap
onsists of approximately 50,000 square feet of gross leaseable area, or GLA, located on approximately 1.0 acre of land. As of March 20

ng the building are healthcare providers. Tenants of the Fort Road property typically require proximity to the United Hospital and Child
rvice hospital, and also typically have a direct affiliation with the hospital campus. The two largest tenants, Allina Health System and C
the property since 1988 and 2008, respectively.

roximately 12,000 square feet, or approximately 24% of the Fort Road property, pursuant to four leases that expire between 2008 and 20
ther healthcare services that provides such services to communities throughout Minnesota and western Wisconsin. Allina Health System
The rental rate per annum for Allina Health System is approximately $161,000, or $13.41 per square foot, which depicts a blended rate

of Minnesota leases approximately 7,400 square feet, or approximately 15% of the property, pursuant to a lease that expires in 2018. C
care system and the seventh-largest children s health care organization in the United States. The rental rate per annum for Children s
00 per square foot.

, or Realty, serves as the property manager and provides services and receives certain fees and expense reimbursements in connection w

faces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings wi
ed Hospital and Children s Hospitals and Clinics Minnesota St. Paul campus.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F
d Medical property will be approximately $8.0 million. We calculate depreciation for income tax purposes using the straight line metho
s. For 2007, the Fort Road property will pay real estate taxes of approximately $133,000 at a rate of 2.83%.

e lease expirations of the Fort Road property for the next ten years, including the number of tenants whose leases will expire in the appl
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
3	8,000	$ 250,000
4	8,000	$ 217,000
1	7,000	$ 147,000
2	7,000	$ 217,000
1	3,000	$ 78,000
1	5,000	$ 134,000
1	2,000	$ 73,000
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for the Fort Road property for the last four years:

A
Average Occupancy Rate
70%
70%
75%
75%*

anuary 1, 2007 through October 31, 2007

Update to Proposed Acquisition of Liberty Falls Medical Plaza

dated January 30, 2008, to our prospectus dated December 14, 2007, or Supplement No. 2, on January 22, 2008, our board of directors
ls property. We previously referred to this property as 6770 Cincinnati-Dayton Road, or the 6770 Cincinnati property. Supplement No.
pproximately 40,000 square feet of GLA, and that we anticipated purchasing the Liberty Falls property for a purchase price of $7,750,0

y Falls property neared completion, the seller determined that the property consists of approximately 44,000 square feet of GLA, with c
the purchase price of the Liberty Falls property has been increased by $400,000 to $8,150,000 to reflect the additional rent to be paid by
ent, the acquisition fee of 3.0% of the purchase price that we expect to pay to our advisor and its affiliates also increased, from $233,00

g will occur in the first quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance tha

Proposed Acquisition of Cypress Station Medical Building

f directors approved the acquisition of Cypress Station Medical Building, or the Cypress Station property. The Cypress Station property
es of land in Houston, Texas. Built in 1981 and renovated between 2004 and 2006, the Cypress Station property consists of approximat
ncipal tenants occupying the building are healthcare providers.

press Station property for a purchase price of $11,200,000, plus closing costs, from an unaffiliated third party. We intend to finance the
g. We expect to pay our advisor and its affiliate an acquisition fee of $336,000, or 3.0% of the purchase price, in connection with the ac

ll occur in the first quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we

Proposed Acquisition of Epler Parke Building B

f directors approved the acquisition of Epler Parke Building B, or the Epler B property. The Epler B property is a multi-tenant medical c
Indiana. Built in 2004, the Epler B property consists of approximately 34,000 square feet of GLA and is approximately 95.0% leased a
ncare providers and an insurance provider.

er B property for a purchase price of $5,850,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase
pay our advisor and its affiliate an acquisition fee of $176,000, or 3.0% of the purchase price, in connection with the acquisition.

ll occur in the first quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we

Proposed Acquisition of Senior Care Portfolio 1

f directors approved the acquisition of two skilled nursing facilities in California and four skilled nursing and assisted living facilities in
enior Care Portfolio 1 property. The Senior Care Portfolio 1 property consists of approximately 226,000 square feet of GLA and is 100.
re senior living operators with geographic concentrations in California and Texas.

nior Care Portfolio 1 property for a total purchase price of $39,600,000 plus closing costs, from an unaffiliated third party. We intend to
fering. We expect to pay our advisor and its affiliate an acquisition fee of $1,188,000, or 3.0% of the purchase price, in connection with

ll occur in the first quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we
rty.

Proposed Acquisition of Vista Professional Center

f directors approved the acquisition of Vista Professional Center, or the Vista Professional property. The Vista Professional property is c
ely 4.6 acres of land in Lakeland, Florida. The Vista Professional property was constructed in two separate phases, with the first phase c
ofessional property consists of approximately 32,000 square feet of GLA and is approximately 95.0% leased as of March 2008. The prin
are-related service providers.

sta Professional property for a total purchase price of $5,250,000, plus closing costs, from an unaffiliated third party. We intend to finan
g. We expect to pay our advisor and its affiliate an acquisition fee of $158,000, or 3.0% of the purchase price, in connection with the ac

ll occur in the first quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we

GRUBB & ELLIS HEALTHCARE REIT, INC.

SUPPLEMENT NO. 6 DATED APRIL 7, 2008
TO THE PROSPECTUS DATED DECEMBER 14, 2007

should be read in conjunction with, our prospectus dated December 14, 2007, as supplemented by Supplement No. 1, dated January 4, ebruary 12, 2008, Supplement No. 4, dated February 27, 2008, and Supplement No. 5, dated March 17, 2008, relating to our offering of 6 is to disclose:

ial public offering;

berty Falls Medical Plaza in Liberty Township, Ohio;

pler Parke Building B in Indianapolis, Indiana;

ypress Station Medical Office Building in Houston, Texas;

ista Professional Center in Lakeland, Florida; and

e Texas properties of Senior Care Portfolio 1 in Arlington, Galveston, Port Arthur and Texas City, Texas and our
of the California properties of Senior Care Portfolio 1 in El Monte and Lomita, California.

Status of Our Initial Public Offering

ceived and accepted subscriptions in our offering for 26,428,251 shares of our common stock, or approximately $263,986,000, excludi

Acquisition of Liberty Falls Medical Plaza

our subsidiary, G&E Healthcare REIT Liberty Falls Medical Plaza, LLC, acquired a fee simple interest in Liberty Falls Medical Plaza naffiliated third party for a purchase price of $8,150,000, plus closing costs.

f the Liberty Falls property with $7,600,000 in borrowings under our secured revolving line of credit with La Salle National Bank Asso losed in our prospectus. An acquisition fee of $245,000, or 3.0% of the purchase price, was paid to Grubb & Ellis Healthcare REIT Adv

sts of a Class A multi-tenant medical office building in Liberty Township, Ohio. The construction of this two story medical office buildi ly 44,000 square feet of gross leasable area, or GLA, located on approximately 2.2 acres of land. The Liberty Falls property is approxim

usinesses which will occupy the building will be healthcare providers. The largest tenant, Mercy Hospital Fairfield, occupies approxim rty, pursuant to a lease that expires on January 31, 2018, with one five-year renewal option. Mercy Hospital Fairfield is part of the Merc

are Partners. Mercy Hospital Fairfield s main hospital campus is approximately nine miles east of the Liberty Falls property. Mercy Ho

ated physicians. The first year rental rate for Mercy Hospital Fairfield is approximately $351,000, or $16.00 per square foot.

s executed a three year lease for approximately 18,000 square feet, or approximately 41.0% of the Liberty Falls property, during which

, or Realty, serves as the property manager and provides services and receives certain fees and expense reimbursements in connection v

mparable properties located in the surrounding market that might compete with the Liberty Falls property.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F
Falls property will be approximately $7.6 million. We calculate depreciation for income tax purposes using the straight line method. We
, the Liberty Falls property paid real estate taxes of approximately $19,000 at a rate of 1.81%.

e lease expirations of the Liberty Falls property for the next ten years, including the number of tenants whose leases will expire in the ap
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
		$
		$
		$
1	18,000	$ 243,000
		$
		$
		$
		$
		$
		$

ewly constructed building, therefore there are no historical figures related to the property s average occupancy rate or average effective

Acquisition of Epler Parke Building B

our subsidiary, G&E Healthcare REIT Epler Parke Building B, LLC, acquired a fee simple interest in Epler Parke Building B located i
rd party for a purchase price of $5,850,000, plus closing costs.

f the Epler B property with $6,100,000 in borrowings under our secured revolving line of credit with La Salle and KeyBank. An acquis
dvisor and its affiliates.

a multi-tenant medical office building in Indianapolis, Indiana. The property is approximately four miles north of Community Hospital
94 and consists of approximately 34,000 square feet of GLA, located on approximately 4.0 acres of land. The Epler B property is approx

ng the building are healthcare providers and an insurance provider. The four largest tenants, IU Medical Group-Primary Care, or IU Me
l State Farm Mutual Automobile Insurance Company, or State Farm, have been occupants of the property since 2007, 2004, 2007 and 2

mately 10,000 square feet, or approximately 29.2% of the Epler B property, pursuant to a lease that expires in March 2017. The rental r
00 per square foot.

s approximately 6,000 square feet, or approximately 17.7% of the Epler B property, pursuant to a lease that expires in July 2015. The re
95,000, or $17.27 per square foot.

ses approximately 5,000 square feet, or approximately 14.7% of the Epler B property, pursuant to a lease that expires in October 2012.
$97,000, or $19.25 per square foot.

4,000 square feet, or approximately 11.4% of the Epler B property, pursuant to a lease that expires in June 2009. The rental rate per ann

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

petition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with which th
ity Hospital South.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F
property will be approximately $4.7 million. We calculate depreciation for income tax purposes using the straight line method. We depr
Epler B property paid real estate taxes of approximately $76,000 at a rate of 2.15%.

e lease expirations of the Epler B property for the next ten years, including the number of tenants whose leases will expire in the applica
e of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
		$
1	4,000	$ 55,000
		$
1	1,000	$ 10,000
1	5,000	$ 97,000
2	5,000	$ 81,000
		$
1	6,000	$ 105,000
1	2,000	$ 24,000
1	10,000	$ 140,000

verage occupancy rate and the average effective annual rental rate per square foot for the Epler B property for the last four years:

A	Average Occupancy Rate
	27%
	29%
	37%
	72%

Acquisition of Cypress Station Medical Office Building

our subsidiary, G&E Healthcare REIT Cypress Station, LLC, acquired a fee simple interest in Cypress Station Medical Office Building
ated third party for a purchase price of $11,200,000, plus closing costs. We previously referred to this property as the Cypress Station M

f the Cypress Station property with a secured loan of $7,300,000 from National City Bank, or National City, and $4,500,000 in borrow
. An acquisition fee of $336,000, or 3.0% of the purchase price, was paid to our advisor and its affiliates.

G&E Healthcare REIT Cypress Station, LLC, obtained a secured loan, or the Cypress Station loan, with National City. The Cypress St
,000, or the Cypress Station note. The Cypress Station note is secured by a Deed of Trust, Security Agreement, Assignment of Leases a
Limited Guaranty of Payment by which we guarantee payment of up to $730,000 plus all accrued interest and enforcement costs. The Cy
vo consecutive 12-month periods, each subject to satisfaction of certain conditions, including payment of an extension fee equal to fiftee
e loan provides for monthly principal and interest payments due on the first day of each calendar month, beginning on May 1, 2008. The
the Cypress Station note, plus 1.75%. If any monthly payment that is due is not received by National City

4

nt is due, the loan provides for a late charge equal to 5.0% of such payment. In the event of a default, the loan also provides for a default
% over National City s corporate market rate, as described in the Cypress Station note. Subject to certain conditions, the loan may be pr
documents contain certain customary representations, warranties, covenants and indemnities.

nsists of a multi-tenant medical office building in Houston, Texas. The property is adjacent to Houston Northwest Medical Center, the la
ion property was built in 1981 and renovated between 2004 and 2006, and consists of approximately 52,000 square feet of GLA, locate
leased.

ng the building are healthcare providers. Tenants of the Cypress Station property typically require proximity to the Houston Northwest
an affiliation with the hospital campus. The largest tenants, Northwest Diagnostic Clinic, P.A., North Houston Gastroenterology Clinic
005, 2006 and 2005, respectively.

es approximately 34,000 square feet, or approximately 65.4% of the Cypress Station property, pursuant to a lease that expires in Decem
c is an imaging center that provides comprehensive outpatient diagnostic services, including magnetic resonance imaging/magnetic res
lear medicine, ultrasound and plain film radiography (XRAY). Northwest Diagnostic Clinic also features virtual colonoscopy, an im
ificant clinical information for screening for pre-cancerous lesion of the colon. The Northwest Diagnostic Clinic has joined with Housto
rmaceutical trials in a controlled and academic setting. The Northwest Diagnostic Clinic employs more than 20 persons and 10 physicia
00 per square foot.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

mparable properties located in the surrounding market that might compete with the Cypress Station property. Most of the medical office
ocated in proximity to Houston Northwest Medical Center.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F
Station property will be approximately $10.1 million. We calculate depreciation for income tax purposes using the straight line method.
s. For 2007, the Cypress Station property paid real estate taxes of approximately $67,000 at a rate of 6.0%.

e lease expirations of the Cypress Station property for the next ten years, including the number of tenants whose leases will expire in the ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
		$
		$
3	8,000	$ 132,000
3	10,000	$ 190,000
		$
		$
		$
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for the Cypress Station property for the last five years:

Average Occupancy Rate	A
66%	
95%	
100%	
100%	
100%	

Acquisition of Vista Professional Center

our subsidiary, G&E Healthcare REIT Vista Professional Center, LLC, acquired a fee simple interest in Vista Professional Center locat naffiliated third party for a purchase price of $5,250,000, plus closing costs.

of the Vista Professional property with $5,300,000 in borrowings under our secured revolving line of credit with La Salle and KeyBank tion fee of $158,000, or 3.0% of the purchase price, was paid to our advisor and its affiliates.

consists of four multi-tenant medical office buildings in Lakeland, Florida. The property is located in close proximity to Lakeland Regio was constructed in two separate phases, with the first phase completed in 1996 and the second phase completed in 1998. The Vista Prof s located on approximately 4.6 acres of land. The Vista Professional property is approximately 95.0% leased.

ng the building are healthcare providers and healthcare-related service providers. Five tenants, First Service Administrators, Inc., or Fir

e, The Center for Retina & Macular Disease, Inc., and Laboratory Corporation of America, have been occupants of the property since 2

y 11,000 square feet, or approximately 34.7% of the Vista Professional property, pursuant to a lease that expires in February 2014, with
inistrator that specializes in offering private and public employers employee benefit consulting, benefits administration, cost containme
rvice is approximately $161,000, or $14.50 per square foot.

pproximately 6,000 square feet, or approximately 17.5% of the Vista Professional property, pursuant to a lease that expires in Decembe
children with short-term, intermittent and/or complex chronic care needs, either in the home or in an ambulatory care center. The rental
.70 per square foot.

ly 4,000 square feet, or approximately 13.1% of the Vista Professional property, pursuant to a lease that expires in November 2008. Se
e of Florida, including treatment of medical or surgical conditions, medical condition observation and education, medication education a
nnum for Senior Home is approximately $60,000, or $14.32 per square foot.

r Disease, Inc. leases approximately 4,000 square feet, or approximately 12.5% of the Vista Professional property, pursuant to a lease th
ons. The Center for Retina & Macular Disease, Inc. assists patients with a variety of eye ailments, including low vision evaluation and r
ental rate per annum for The Center for Retina & Macular Disease, Inc. is approximately $58,000, or $14.50 per square foot.

ica leases approximately 3,000 square feet, or approximately 10.0% of the Vista Professional property, pursuant to a lease that expires i
rgest clinical laboratories, with over $4.1 billion in annual revenues in 2007 and approximately 26,000 employees. The company is liste
c tests. The rental rate per annum for Laboratory Corporation of America is approximately $53,000, or $15.50 per square foot.

nager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of

faces competition from approximately seven other nearby medical office buildings that provide comparable services. Most of the medic
re similarly located in proximity to Lakeland Regional Medical Center.

novation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. F
ofessional property will be approximately $4.9 million. We calculate depreciation for income tax purposes using the straight line metho
s. For 2007, the Vista Professional property paid real estate taxes of approximately $63,000 at a rate of 1.87%.

e lease expirations of the Vista Professional property for the next ten years, including the number of tenants whose leases will expire in t
he percentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
1	4,000	$ 60,000
1	6,000	$ 77,000
1	2,000	$ 34,000
		$
1	4,000	$ 58,000
1	3,000	$ 53,000
1	11,000	$ 161,000
		$
		$
		$

verage occupancy rate and the average effective annual rental rate per square foot for the Vista Professional property for the last five yea

A
Average Occupancy Rate
93%
100%
100%
96%
84%

Acquisition of Senior Care Portfolio 1

our subsidiary, G&E Healthcare REIT Senior Care Portfolio 1, LLC, entered into a Purchase and Sale Agreement and Escrow Instructi
third party, for a purchase price of $39,600,000. Senior Care Portfolio 1 consists of six properties, four of which are located in Texas, or
fornia properties. The purchase price of Senior Care Portfolio 1 is allocated as $29,900,000 for the Texas properties and $9,700,000 for
both the Texas properties and the California properties shall have occurred on or before March 31, 2008. However, the Agreement furt
s pertaining to one of the California properties, the closing date of the Texas properties shall remain the same, but the closing date for th
ound lease documents, but not earlier than April 23, 2008 and not later than May 30, 2008.

a fee simple interest in the Texas properties of Senior Care Portfolio 1 for a purchase price of $29,900,000, plus closing costs. The Tex
s City, Texas.

of the Texas properties with an advance of $18,000,000 under a $24,800,000 secured loan with Red Mortgage Capital, Inc. and $14,800
alle and KeyBank. An acquisition fee of $897,000, or 3.0% of the purchase price, was paid to our advisor and its affiliates.

G&E Healthcare REIT Senior Care Portfolio 1, LLC, obtained a secured loan, or the Senior Care loan, with Red Mortgage Capital, Inc
Care loan agreement, and a Secured Promissory Note in the principal amount of $24,800,000, or the Senior Care note. The Senior Care l
l amount of $18,000,000 if we subsequently do not acquire the California properties. The Senior Care note is currently secured by a De
anty by which we guarantee the full, prompt and complete repayment of the Senior Care note, and a Security Agreement of Membership
lthcare REIT Senior Care Portfolio 1, LLC. Upon the closing date of the California properties, we are required to secure the remaining
Care loan matures on March 31, 2010, but may be extended for one 12-month period, subject to satisfaction of certain conditions, inclu
incipal balance of the loan. The loan provides for monthly interest-only payments due on the first day of each calendar month, beginnin
he loan provides for monthly principal and interest payments due on the first day of each calendar month, beginning on April 1, 2010. T
plus 2.0%. In no event and at no time shall the interest rate be less than 4.75%. If any monthly payment that is due is not received by Re
Care loan provides for a late charge equal to 4.0% of such payment. In the event of a default, the Senior Care loan also provides for a de
onditions, the loan may be prepaid in whole or in part, after the first 12 months, without paying a prepayment premium. The Senior Care
portion of the Senior Care loan or at the maturity date, in an amount equal to 0.75% of the loan amount. The entire exit fee or a proport
e loan is refinanced by Red Mortgage Capital, Inc. or its affiliates, or in the event a corporate debt placement or a secured or unsecured
The loan documents contain certain customary representations, warranties, covenants and indemnities.

tfolio 1

of one assisted living facility located in Arlington, Texas, three skilled nursing facilities located in Galveston, Port Arthur and Texas Cit
California. The Texas properties were constructed between 1993 and 1994, and the California properties were constructed in 1959 and
of 749 Licensed Beds/Units and approximately 226,000 square feet of GLA located on approximately 18.0 acres of land.

d and master-leased by Southwest LTC, a Texas-based operator of 18 skilled nursing facilities and one assisted living facility. The mast
piring in June 2016. The primary focus of Southwest LTC, is to provide skilled nursing and rehabilitative care, as well as traditional lon
est LTC is approximately $2,650,000, or $17.10 per square foot.

tition from other nearby senior care facilities that provide comparable services. Most of the senior care facilities with which the Texas p
n metropolitan area as well as the Arlington-Dallas-Fort Worth metropolitan area.

rated and leased by subsidiaries of North American Health Care, Inc., a California-based operator of skilled nursing facilities. The two
n July 2017. The primary focus of North American Health Care is to provide skilled nursing and rehabilitative care to its residents. Add
ement services, accounting services and other services for owners and/or operators of long-term health care facilities, as well as sub-acu
American Health Care is approximately $814,000, or $11.41 per square foot.

mpetition from other nearby senior care facilities that provide comparable services. Most of the senior care facilities with which the Sen
os Angeles metropolitan area.

nager and receives certain fees and expense reimbursements in connection with the operation and management of Senior Care Portfolio

novation plans for Senior Care Portfolio 1 and believes that Senior Care Portfolio 1 is suitable for its intended purpose and adequately c
n Senior Care Portfolio 1 will be approximately $24.4 million. We calculate depreciation for income tax purposes using the straight line
s. For 2007, Senior Care Portfolio 1 paid real estate taxes of approximately $335,000 at a rate of 1.80%.

e lease expirations of Senior Care Portfolio 1 for the next ten years, including the number of tenants whose leases will expire in the appl
ercentage of gross annual rent represented by such leases.

No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases
		$
		$
		$
		$
		$
		$
		$
		$
1	155,000	$ 2,650,000
2	71,000	$ 814,000

verage occupancy rate and the average effective annual rental rate per square foot for the Senior Care Portfolio 1 for the last five years:

Average Occupancy Rate	A
100%	
100%	
100%	
100%	
100%	

GRUBB & ELLIS HEALTHCARE REIT, INC.

SUPPLEMENT NO. 7 DATED APRIL 24, 2008
TO THE PROSPECTUS DATED DECEMBER 14, 2007

should be read in conjunction with, our prospectus dated December 14, 2007, as supplemented by Supplement No. 1, dated January 4, ebruary 12, 2008, Supplement No. 4, dated February 27, 2008, Supplement No. 5, dated March 17, 2008, and Supplement No. 6, dated tock. The purpose of this Supplement No. 7 is to disclose:

public offering;

rts section of our prospectus;

on agreement;

mance Summary disclosure in our prospectus;

ance tables;

ussion and Analysis of Financial Condition and Results of Operations as of December 31, 2007 and 2006 and for ber 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006;

cial statements and consolidated financial statement schedules as of December 31, 2007 and 2006, together with ns and cash flows for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of cember 31, 2006;

ts of (1) Fort Road Medical Office Building; (2) Cypress Station Medical Office Building; (3) Epler Parke Professional Center; (5) Senior Care Portfolio 1 Texas; and (6) Senior Care Portfolio 1 California; and

na condensed consolidated financial statements reflecting the acquisitions of (1) Fort Road Medical Office Falls Medical Plaza; (3) Cypress Station Medical Office Building; (4) Epler Parke Building B; (5) Vista 6) Senior Care Portfolio 1 Texas; and (7) Senior Care Portfolio 1 California.

Status of Our Initial Public Offering

ived and accepted subscriptions in our offering for 28,032,885 shares of our common stock, or approximately $279,991,000, excluding

Experts

of our prospectus dated December 14, 2007, is hereby amended by replacing the first paragraph with the first paragraph below and add

ments and financial statement schedules of Grubb & Ellis Healthcare REIT, Inc. and subsidiaries as of December 31, 2007 and 2006 and 6 (Date of Inception) through December 31, 2006, included in Supplement No. 7 to this prospectus dated December 14, 2007, have bee counting firm, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their autho

ertain expenses of: (1) Fort Road Medical Office Building; (2) Cypress Station Medical Office Building; (3) Epler Parke Building B; (4) or Care Portfolio 1 California for the year ended December 31, 2007,

1

this prospectus dated December 14, 2007, have been audited by KMJ Corbin & Company LLP, an independent audit firm, as indicated
ance upon the authority of said firm as experts in accounting and auditing.

Subscription Agreement

greement is attached to this supplement. The revised form supersedes and replaces the form included in the prospectus as Appendix C.

Updated Prior Performance Summary Disclosure

ry section of the prospectus is hereby updated by the following:

PRIOR PERFORMANCE SUMMARY

Prior Performance Summary, or Summary, represents the historical experience of real estate and notes programs managed by NNN Re
current sponsor, Grubb & Ellis, and Grubb & Ellis Realty Investors, an indirect wholly owned subsidiary of Grubb & Ellis, or collectiv
our company should not assume that they will experience returns, if any, comparable to those experienced by investors in these prior re

er 31, 2007, Grubb & Ellis Group served as an advisor, sponsor or manager to 206 real estate investment programs formed for the purpo
ies, primarily consisting of retail, office, industrial and medical office buildings, healthcare-related facilities and apartment properties. T
ports with the SEC, or (2) private programs that have no public reporting requirements. From inception through December 31, 2007, the
Grubb & Ellis Group has also served as sponsor and manager of four private notes programs.

er 31, 2007, the public real estate programs raised gross offering proceeds of $858,125,000 from 26,395 investors. From inception throu
95 real estate properties amounting to an investment of $1,963,199,000 (the public programs aggregate share of the purchase price). O
in each of Georgia and Arizona, three each in Ohio, Missouri, Indiana, Florida and Colorado, two each in Virginia, Pennsylvania, Nort
Utah, Tennessee, Oregon, Minnesota, Maryland and Delaware. Of the 95 properties purchased, based on share of purchase price, 11.6%
healthcare related facilities, 2.3% were retail, 0.4% were industrial and 0.1% were land. As of December 31, 2007, 54 of these interests

er 31, 2007, the private programs raised gross offering proceeds of $2,210,201,000 from 9,354 investors. From inception through Decem
tate properties amounting to an investment of $5,647,190,000 (the private programs aggregate share of the purchase price). Of the 212
ach in Colorado, Georgia and North Carolina, six in Kansas, five each in Arizona and Tennessee, four each in Ohio, Wisconsin, Illinois
gon, Pennsylvania, South Carolina, Hawaii and South Dakota and one each in Arkansas, Delaware, Indiana, Louisiana, Maryland, Minn
based on share of purchase price, 11.2% were residential, 75.4% were office, 6.8% were medical office, 5.7% were retail, 0.8% were in
nterests in real estate properties had been sold.

ograms, other than Western Real Estate Investment Trust, began with the formation of a limited liability company, or LLC, to acquire th
purchase membership units thus acquire an indirect interest in the property through their equity interest in the LLC. Simultaneously wi
common interests, or TIC interests, directly in the property. A TIC interest is not an interest in any entity, but rather a direct real proper
ompany. Typically, the TICs are involved in tax-deferred exchanges structured to comply with the requirements of Section 1031 of the
its does not meet the requirements of Section 1031, although the LLC s interest in the underlying real property interest will also be a T

bears the same name as the respective LLC formed to acquire the property and may include both the sale of interests in the LLC and the
e program and may acquire either an entire or a partial interest in a property. When a private program owns 100.0% of a property and a
eferred to by Grubb & Ellis Group as a Simple Ownership Structure. Conversely, if the program only owns a partial interest in the p
ms which are advised or managed by Grubb & Ellis Group, it is referred to by Grubb & Ellis Group as a Complex Ownership Structur

ur corporations: (i) G REIT, Inc. (as of January 28, 2008, G REIT Liquidating Trust became the successor of G REIT, Inc.) which was
g Trust became the successor of T REIT, Inc.), which was qualified as a REIT through July 20, 2007; (iii) Grubb & Ellis Apartment RE
REIT, Inc., which intends to qualify as a REIT, and two limited liability companies, NNN 2002 Value Fund, LLC and NNN 2003 Valu
rtial interests in real estate properties. However, G REIT Liquidating Trust, T REIT Liquidating Trust and NNN 2002 Value Fund, LLC
additional interests in real estate properties. When a public program purchases a partial interest in a property that is also partially owned
private program (by investing in the LLC or by purchasing a TIC interest) or outside of the private program by purchasing an interest in
ent REIT, Inc. and Grubb & Ellis Healthcare REIT, Inc. will not participate in tenant-in-common syndications or transactions.

Ownership Structure, the LLC may or may not retain an interest in the property after the program is closed, depending on whether the p
LLC retains an ownership interest in the program, it does so as one of the TICs and generally sells its ownership interest to a number of

e day-to-day accounting for the LLC and maintains the books and records for the property. In addition, Grubb & Ellis Group is required
responsible for the timely filing of the LLC s income tax return as well as providing year-end tax basis income and expense informatio

wns an entire property, as in a Simple Ownership Structure, and the entire operation of the property is attributable to the program. In ot
ated ownership within the program, as in a Complex Ownership Structure, further allocations and disclosure are required to clarify the a
arious ownership interests.

e data in Prior Performance Table III for each program on either a GAAP basis or an income tax basis depending on the reporting
ng requirements, the Table III presentation of Revenues, Expenses and Net Income for the public programs has been prepared and prese
ally accepted in the Unites States of America, or GAAP, which incorporates accrual

Group presents Table III for all private programs on an income tax basis (which can in turn be presented on either a cash basis or accrua
ax information provided to each investor. The Table III data for all private programs (which are generally formed using LLCs) are prepa
of accounting for income tax purposes. This is because most, if not all, of the investors in these private programs are individuals requir
ting for income tax purposes, and the LLCs are required to report on this basis when more than 50% of their investors are taxpayers that
GAAP-basis affiliates invest in a private program, as in a Complex Ownership Structure, the ownership presentation in the tables is mad
ses. This presentation is made for consistency and to present results meaningful to the typical individual investor that invests in an LLC

allow Grubb & Ellis Group to record and report results for its private programs on an income tax basis, investors should understand tha
on a GAAP basis. Some of the major differences between GAAP accounting and income tax accounting (and, where applicable, betwe
unting for investments in real estate are described in the following paragraphs:

nce between the cash methods of accounting and accrual methods (both GAAP and the accrual method of
me tax purposes) is that the cash method of accounting generally reports income when received and expenses when
al method generally requires income to be recorded when earned and expenses recognized when incurred.

when reporting lease revenue, the minimum annual rental revenue be recognized on a straight-line basis over the
ease, whereas the cash method of accounting for income tax purposes requires recognition of income when cash
ly received from tenants, and the accrual method of accounting for income tax purposes requires recognition of
come is earned pursuant to the lease contract.

when an asset is considered held for sale, depreciation ceases to be recognized on that asset, whereas for income
iation continues until the asset either is sold or is no longer in service.

when a building is purchased, certain intangible assets and liabilities (such as above-and below-market leases,
and in-place lease costs) are allocated separately from the building and are amortized over significantly shorter
iation recognized on the building. These intangible assets and liabilities are not recognized for income tax
t allocated separately from the building for purposes of tax depreciation.

an asset is considered impaired when the carrying amount of the asset is greater than the sum of the future
lows expected to be generated by the asset, and an impairment loss must then be recognized to decrease the value
r value. For income tax purposes, losses are generally not recognized until the asset has been sold to an unrelated
isposed of in an arm s length transaction.

m owns 100.0% of the property and the entire fund is raised from TICs and LLC members investing directly in the private program, 10
ant years.

m directly invests in and owns a partial interest in the property (as an example, 75.0%) and the remaining interest of the property (25.0
g results relating to the private program ownership in the property (75.0%) are presented for the relevant years. The allocation is based

m acquires a 100.0% interest in the property but is jointly owned by a public entity investing directly in the private program, 100.0% of
s on a cash income tax basis. The affiliated ownership portion of the equity is eliminated in aggregation of all private programs reportin
presents the unaffiliated equity for informational purposes only.

, NNN 2005 Notes Program, LLC, NNN 2006 Notes Program LLC, and NNN Collateralized Senior Notes, LLC, or the Notes Programs
the purpose of making secured and unsecured loans to affiliates of Grubb & Ellis Group for the sole purpose of acquiring and holding r
oans to the LLC. Grubb & Ellis Realty Investors is the sole member and manager of each of the notes programs LLC and caused the L
eal estate investments by making secured and unsecured loans. Grubb & Ellis Realty Investors, as the sole member and manager of the
units.

ummary to our Reorganization refer to the acquisition by NNN Realty Advisors in the fourth quarter of 2006 of
ership interests of Grubb & Ellis Realty Investors, NNN Capital Corp. and Realty. As a result of the
N Realty Advisors became our sponsor until December 7, 2007, at which time Grubb & Ellis became our sponsor
rger with NNN Realty Advisors.

ummary to unaffiliated members and to unaffiliated TICs refer to investors that hold membership units in a
IC interest in a program property, as applicable, but that are not otherwise affiliated with Grubb & Ellis Group.

ummary to Mr. Thompson refer to Anthony W. Thompson, who served as the Chairman of the Board of Grubb &
8, 2008 and currently owns approximately 13.3% of Grubb & Ellis.

ummary to loans from affiliates of Grubb & Ellis Group refer to loans from Cunningham Lending Group, LLC
owned by Mr. Thompson until it was acquired by NNN Realty Advisors in September 2007), NNN 2004 Notes
NN 2005 Notes Program, LLC. Loans made by these entities are unsecured loans which were not negotiated at
erest rates ranging from 8.0% to 12.0%.

ummary to shareholders of Grubb & Ellis Realty Investors refer to individuals or entities that owned a membership
Ellis Realty Investors of less than 7.0% prior to the Reorganization.

ummary table headings to GLA of a property indicate the gross leasable area of the property, which is expressed
ty even where the relevant program owns less than a 100.0% interest in the property.

ubb & Ellis Group-sponsored programs acquired 152 properties, for which the property type, location and method of financing are sum

	No. of Properties
	1
	79
	27
	37
	3
	3
	2
	152

	7
	1
	12
	7
	1
	11
	14
	3
	4
	1
	1
	1
	2
	2
	5
	2
	2
	12
	7
	4
	3
	3
	4
	33
	1
	5
	4
	152

No. of Properties
5
8
139
152

dating Trust

rmed as a Virginia corporation in December 2001, reincorporated as a Maryland corporation in September 2004 and was qualified as a
terests in office, industrial and service properties anchored by government-oriented tenants such as federal, state and local government
rubb & Ellis Realty Investors has served as the advisor of G REIT since January 2002. The initial public offering of G REIT s common
G REIT s second public offering commenced on January 23, 2004 and terminated on April 30, 2004. As of December 31, 2007, G REI
fferings from the issuance of 43,865,000 shares of its common stock to 13,853 investors. As of December 31, 2007, G REIT had purcha
REIT of $878,955,000 (G REIT s aggregate share of the purchase price, including G REIT s aggregate share of debt financing at acq
) were in Texas and one each (3.7%) was in Arizona, Colorado, Delaware, Florida, Illinois, Maryland, Missouri, Nebraska, Nevada, Pe
nterests in real estate properties had been sold. The properties, which are described below, are all commercial office buildings, except f
% of the property interests acquired by G REIT were commercial office buildings, one of our company s focus. None of the property in
ated facilities, the other focuses of our company. On February 27, 2006, G REIT stockholders approved a plan of liquidation. On Janua
ities were assumed by, G REIT Liquidating Trust in accordance with G REIT s plan of liquidation and liquidating trust agreement. Ad
nding was converted automatically into a beneficial interest in G REIT Liquidating Trust and G REIT, Inc. was dissolved.

IT owned interests in the following properties:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
30.0%	office	01/09/03	$ 40,832,000	$ 28,763,000
100.0%	office/ retail	10/28/03	$ 8,240,000	$ 4,024,000
100.0%	office	05/26/04	$ 29,900,000	$
78.5%	office	07/23/04	$ 26,298,000	$ 18,840,000
100.0%	office	08/06/04	$ 14,000,000	$

ities, NNN 2002 Value Fund, LLC and T REIT Liquidating Trust, own 12.3% and 10.3% of the property,
d entities own 47.4% of the property.

n 21.5% of the property.

IT had sold its interests in the following properties:

	Date of Purchase	Date of Sale	
	06/14/04	08/10/05	
	03/18/03	12/20/05	
	06/14/04	07/18/06	
	04/20/04	09/14/06	
	01/20/04	09/29/06	
	04/05/04	10/06/06	
	12/30/03	10/17/06	
	09/13/02	11/14/06	
ilies Campus	04/25/03	11/15/06	
	02/13/04	11/22/06	
	01/31/03	12/15/06	
	05/02/03	12/29/06	
	11/27/02	01/11/07	
	12/05/03	03/22/07	
	08/06/04	03/30/07	
	10/10/03	06/29/07	
	04/08/04	06/29/07	
	09/12/05	07/23/07	
	03/31/04	08/02/07	
	10/21/05	09/14/07	
	08/11/03	09/14/07	
	07/31/03	11/06/07	

1, 2002 and 2005, G REIT had returns of capital from cash distributions of $170,000 and $13,865,000, respectively. The source of cash
T s securities. The source of cash to fund the distributions in 2005 was excess historical cash flows from operations.

dating Trust

rmed as a Virginia corporation in December 1998 and was qualified as a REIT for federal income tax purposes through July 20, 2007. T
ail properties located primarily in tax free states. Grubb & Ellis Realty Investors has served as the advisor of T REIT since February 200
ebruary 22, 2000. As of May 31, 2002, when the offering was terminated, T REIT had issued 4,720,000 shares of common stock and rai
T had 1,992 investors and had purchased interests in 20 real estate properties amounting to an investment by T REIT of $125,786,000 (
hare of debt financing at acquisition). Of the 20 properties purchased by T REIT, four (20.0%) were in Nevada, four (20.0%) were in Ca
d one (5.0%) was in Illinois. As of December 31, 2007, 19 of these interests in real estate properties had been sold. The properties, whi
s. Based on share of purchase price, 62.3% of the property interests acquired by T REIT were commercial office buildings, one of our c
ical office buildings or healthcare-related facilities, the other focuses of our company. On July 27, 2005, T REIT shareholders approved
assets to, and its remaining liabilities were assumed by, T REIT Liquidating Trust in accordance with T REIT s

g trust agreement. Additionally, on July 20, 2007, each share of T REIT s common stock outstanding was converted automatically into

T Liquidating Trust owned an interest in the following property:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortg Debt at Purcha
10.3%	office	01/09/03	$ 14,019,000	$ 9,8

entities, NNN 2002 Value Fund, LLC and G REIT, own 12.3% and 30.0% of the property, respectively.
wn 47.4% of the property.

T Liquidating Trust had sold its interests in the following properties:

	Date of Purchase	Date of Sale
	09/26/00	11/13/01
	11/22/00	08/12/02
	11/17/00	09/23/02
nter	10/26/00	01/11/03
	12/06/00	08/11/03
ng Center	05/11/01	09/25/03
	01/29/03	03/18/04
	02/27/04	09/09/04
	09/25/02	12/27/04
	09/28/01	04/19/05
	03/15/02	07/28/05
	06/14/04	11/10/05
	03/25/02	12/28/05
	09/04/01	01/23/06
	04/02/04	01/24/06
	08/22/02	01/31/06
	01/20/04	06/15/06
	04/17/02	07/21/06
	12/22/03	06/14/07

1, 2001, 2002, 2003 and 2004 and the period from January 1, 2005 through June 30, 2005, T REIT had returns of capital from cash distr
tively. $130,000 of the source of cash to fund distributions in 2001 was from excess historical cash flows from operations, with the rem
of cash to fund distributions in 2002 was the collection of two notes receivable, one from Western Real Estate Investment Trust, Inc. ar
Investors, and profit recognized on the sale of properties. The source of cash to fund distributions in 2003 was profit recognized on the
005 was the collection of notes receivables from unaffiliated parties and profit recognized on the sale of properties.

2003 Value Fund, is a Delaware limited liability company formed on June 19, 2003 to purchase, own, operate and subsequently sell all
0 units were sold to 855 investors in a private placement offering which began on July 11, 2003 and ended on October 14, 2004 and rais
as served as the manager of 2003 Value Fund since June 2003.

1934, as amended, or the Exchange Act, requires that, within 120 days following the end of the fiscal year in which an entity exceeds 50
y file a registration statement pursuant to the requirements of the Exchange Act. As of December 31, 2004, 2003 Value Fund had more t
on to file a registration statement with the SEC no later than May 2, 2005. The required Form 10 registration statement for 2003 Value
e Act, the Form 10 went effective by lapse of time on July 1, 2005.

Value Fund had purchased interests in 18 real estate properties, amounting to an investment by 2003 Value Fund of $261,072,000 (2003
d s aggregate share of debt financing at acquisition). Of the 18 interests in real estate properties, six (33.3%) were in Texas, four (22.2%
on, Utah, Colorado, North Carolina, Missouri and Georgia. As of December 31, 2007, ten of these interests in real estate properties had
cial office building properties, except for one land parcel. Based on share of purchase price, 99.7% of the property interests acquired by
focus. None of the property interests acquired by 2003 Value Fund were in medical office buildings or healthcare-related facilities, the

Value Fund owned interests in the following properties:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
41.1%	office	08/01/03	$ 10,111,000	$ 6,144,000
100.0%	office	12/30/03	$ 8,178,000	$ 4,500,000
8.5%	office	05/07/04	$ 5,211,000	$ 3,103,000
96.9%	office	04/24/06	$ 14,677,000	$
14.8%	office	07/03/06	$ 10,730,000	$ 8,110,000
100.0%	office	11/15/06	$ 11,052,000	$
100.0%	office	03/07/07	$ 23,664,000	$ 21,150,000
100.0%	office	10/25/07	$ 29,098,000	$ 23,500,000

n 58.9% of the property.

n 91.5% of the property.

vns 3.1% of the property.

n 85.2% of the property.

Value Fund had sold its interests in the following properties:

Date of Purchase	Date of Sale
11/29/04	02/24/05
10/29/04	04/13/05
03/31/04	08/26/05
06/14/04	11/10/05
10/27/04	12/19/05
04/02/04	01/24/06
12/27/05	10/31/06

01/26/05	03/14/07
10/14/05	03/30/07
09/30/05	12/31/07

, 2007, 2003 Value Fund had returns of capital from cash distributions of $4,143,000, which includes distributions of $53,000 to minori
Fund had returns of capital from cash distributions of $9,179,000, which includes distributions of $3,182,000 to minority interest holde
capital from cash distributions of $4,657,000, which includes distributions of $1,164,000 to minority interest holders. Pursuant to 2003
s are first treated as a return of capital. The source of cash to fund distributions in 2007 and 2006 was the profit recognized on the sale
from excess historical cash flows from operations, with the remainder from profit recognized on the sale of properties.

2002 Value Fund, is a Virginia limited liability company formed on May 15, 2002 to purchase, own, operate and subsequently sell all
estors in a private placement offering which began on May 15, 2002 and ended on July 14, 2003 and raised $29,799,000 of gross offerin
2 Value Fund since May 2002.

within 120 days following the end of the fiscal year in which an entity exceeds 500 security holders and has more than $10,000,000 in
he Exchange Act. As of December 31, 2003, 2002 Value Fund had more than 500 investors and assets of more than $10,000,000 and ha
han April 29, 2004. The required Form 10 registration statement for 2002 Value Fund was not filed until December 30, 2004. Pursuant
of time on February 28, 2005. Subsequent to that date, 2002 Value Fund has filed all reports required to be filed by Sections 13 or 15(d
ended December 31, 2004 was not timely filed.

Value Fund had purchased interests in three real estate properties amounting to an investment by 2002 Value Fund of $57,141,000 (200
d s aggregate share of debt financing at acquisition). Of the three interests in real estate properties, one (33.3%) was in Nevada, one (33
7, two of these interests in real estate properties had been sold. The properties, which are described below, are all commercial office bui
erests acquired by 2002 Value Fund were commercial office buildings, one of our company s focus. None of the property interests acq
ated facilities, the other focuses of our company.

Value Fund owned an interest in the following property:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortg Debt at Purcha
12.3%	office	01/09/03	$ 16,741,000	$ 11,7

entities, G REIT, Inc. and T REIT Liquidating Trust own 30.0% and 10.3% of the property, respectively.
wn 47.4% of the property.

Value Fund had sold its interests in the following properties:

Date of Purchase	Date of Sale
09/20/02	03/15/05
06/03/03	09/30/05

1, 2003 and 2004 and the period from January 1, 2005 through August 31, 2005, 2002 Value Fund had returns of capital from cash distr

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alue Fund s Operating Agreement, cash proceeds from capital transactions are first treated as a return of capital. The source of cash to f
d s securities. The source of cash to fund distributions in 2004 was prior years proceeds from the sale of 2002 Value Fund s securitie
e of cash to fund the distributions in 2005 was profit recognized on the sale of properties.

Inc.

Inc., or Apartment REIT, was formed as a Maryland corporation in December 2005 and is qualified as a REIT for federal income tax pu
folio of apartment communities with strong and stable cash flow and growth potential in select U.S. metropolitan areas. Apartment REI
served as the sponsor of Apartment REIT from the Reorganization in the fourth quarter of 2006 to its merger with Grubb & Ellis in the
ommon stock commenced on July 19, 2006. As of December 31, 2007, Apartment REIT had issued 8,365,946 shares of common stock
d under the distribution reinvestment plan. As of December 31, 2007, Apartment REIT had 2,808 investors and had purchased interests
of $226,838,000 (Apartment REIT s aggregate share of purchase price, including Apartment REIT s aggregate share of debt financing
are in Texas, two (22.2%) are in Virginia and one (11.1%) is in North Carolina. As of December 31, 2007, none of these interests in re
REIT as of December 31, 2007, which are described below, are all apartment communities. None of the property interests acquired by A
gs or healthcare-related facilities, the primary focuses of our company.

ment REIT owned interests in the following properties:

	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
s	100.0%	apartment	10/31/06	$ 31,673,000	$ 26,860,000
	100.0%	apartment	12/28/06	$ 32,991,000	$ 31,718,000
	100.0%	apartment	06/12/07	$ 17,098,000	$
	100.0%	apartment	06/29/07	$ 15,450,000	$ 13,022,000
	100.0%	apartment	08/02/07	$ 34,248,000	$ 35,212,000
	100.0%	apartment	08/29/07	$ 22,248,000	$ 20,766,000
	100.0%	apartment	11/02/07	$ 18,540,000	$ 16,795,000
	100.0%	apartment	12/21/07	$ 17,510,000	$ 16,888,000
	100.0%	apartment	12/21/07	$ 37,080,000	$ 33,680,000

, Inc.

Inc., or Healthcare REIT, was formed as a Maryland corporation in April 2006 and intends to elect to qualify as a REIT for federal inco
otential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical off
ties that produce current income. Healthcare REIT may also invest in real estate related securities. NNN Realty Advisors served as the s
ter of 2006 until its merger with Grubb & Ellis in the fourth quarter of 2007. The initial public

ommon stock commenced on September 20, 2006. As of December 31, 2007, Healthcare REIT had issued 21,130,370 shares of commo
issued under the distribution reinvestment plan. As of December 31, 2007, Healthcare REIT had 6,338 investors and had purchased int
REIT of $413,407,000 (Healthcare REIT s aggregate share of purchase price, including Healthcare REIT s aggregate share of debt fina
ate properties had been sold. Of the 20 properties purchased by Healthcare REIT, three (15.0%) are in Indiana, three (15.0%) are in Ohi
(5.0%) is in each of Minnesota, Tennessee, Texas, California, Pennsylvania, Florida, Colorado and Missouri.

ncare REIT owned interests in the following properties:

	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
ler Parke I	100.0%	medical office	01/22/07	$ 15,244,000	$ 14,261,000
ark and					
	100.0%	medical office	01/22/07	$ 7,107,000	$ 6,649,000
g	100.0%	medical office	03/09/07	$ 9,064,000	$ 7,000,000
	100.0%	office	03/23/07	$ 19,055,000	$ 12,000,000
lding	100.0%	medical office	04/24/07	$ 14,523,000	$
nakerag					
	100.0%	medical office	05/02/07	$ 22,145,000	$ 13,530,000
	100.0%	medical office	05/15/07	$ 25,750,000	$
Triumph		healthcare-related			
	100.0%	facility	06/08/07	$ 37,595,000	$ 4,000,000
	100.0%	medical office	07/27/07	$ 9,579,000	$ 5,734,000
	100.0%	medical office	08/15/07	$ 22,557,000	$
	100.0%	medical office	08/30/07	$ 13,751,000	$ 1,300,000
	100.0%	medical office	09/05/07	$ 14,214,000	$ 14,380,000
	100.0%	office	09/10/07	$ 27,501,000	$ 27,900,000

	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
o	100.0%	healthcare-related facility	09/28/07	$ 53,560,000	$ 37,000,000
	100.0%	medical office	11/15/07	$ 12,206,000	$ 12,400,000
	100.0%	medical office	11/20/07	$ 21,682,000	$ 22,000,000
	100.0%	medical office	12/07/07	$ 26,008,000	$ 26,000,000
	100.0%	medical office	12/19/07	$ 14,935,000	$ 11,754,000
	100.0%	medical office	12/20/07	$ 16,686,000	$ 11,443,000
er	80.0%	healthcare-related facility	12/20/07	$ 30,245,000	$ 30,400,000

December 31, 2007, Grubb & Ellis Group has advised 200 private real estate investment programs and four private notes programs. Ea
perties acquired and sold through December 31, 2007 are described below. Please see Tables III, IV and V under Prior Performance T
ng results of the prior funds sponsored by Grubb & Ellis Group, information regarding the results of the completed programs and infor

vate programs, including three private notes programs, have gone full term. Further information regarding the results of the sales and op

or Conditions

ms detailed below and as noted in Prior Performance Table III, in some circumstances, Grubb & Ellis Group-sponsored programs had c
ns of capital because the distributions were in excess of cash generated from operations, sales and refinancings. Cash deficiencies after
Table III occur for a variety of reasons, most of which are the result of either (a) the loss of a major tenant and/or a reduction in leasing r
b) the program held multiple properties or buildings, some of the properties or buildings were sold and distributions were made that we
he operations of the remaining properties. Operating cash flow available after distributions may be affected by timing of rent collection
distributions for a given period. In addition, excess operating cash flow after distributions may be retained by the program as reserves t
ns in cash flow resulting from the anticipated or unanticipated loss of a tenant.

entre, LLC lost a major tenant in its property and leasing rates were reduced. For that year, Market Centre, LLC showed a cash deficienc
ber 31, 2002, the program reduced its distributions from 8.0% to 0.0%. Thus, in 2002, it did not incur a cash deficiency because there w

which in August 2003, lost a major tenant in its property. This program reduced its distributions to investors in February 2004. For the y
ficiency and a distribution to investors as a return of capital. The source of the distributions in excess of cash flows was distributions of

ciencies were the result of sales of properties for programs either owning multiple properties or multiple buildings constituting a single
00 Value Fund, LLC and Western Real Estate Investment Trust, Inc. own either multiple properties or a multi-building property. When
may be a cash deficiency shown because proceeds are distributed in excess of cash generated by operations.

NNN Highbrook, LLC, equity raised is ear-marked to pay for certain future expenses during the operating period of the program. This o
m investors equity to pay for designated repairs when cash from operations is insufficient to pay for them. Deficit cash flow after distr
her circumstances, such as NNN 300 Four Falls, LLC, it is anticipated that all equity will not be raised by the time a property is acquired
he of closing. The estimated fees and interest on the mezzanine financing are factored into the equity raise. As expenses related to the m
distributions, resulting in deficit cash flow and return of capital. In both of these scenarios, deficit cash flow after distributions and retu
erves.

t exceed the cash flow generated from operations of the programs, the distributions are made either from cash reserves held by the prog
f properties, distributions of prior years excess cash flows or, loans from Grubb & Ellis Group or its affiliates. In cases where there are
s, the reductions or termination in distributions have been noted below.

fering period began June 1, 1998 and ended December 16, 1998. The offering raised $1,619,500, or 100.0% of the offering amount. The
p of eight unaffiliated members, three members who were unit holders of Grubb & Ellis Realty Investors at the time of the investment a
three unaffiliated TICs investing in the program. The program owned an 87.0% interest in the property. Mr. Thompson purchased a 13

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purch
87.0%	shopping center	05/01/98	$ 4,002,000	$ 3,00

1, 1999 and 2000, the program had deficit cash flow after distributions of $74,000 and $12,000, respectively, which were covered by ex
02, the program experienced deficit cash flow after distributions of $20,000 which was covered by the previous year s excess cash flow
o the program to fund operating shortfalls due to the timing of rent collections, which was repaid in full in 2001. In 2002, an affiliate of
capital improvements. In February 2003, the property was sold for a loss of $166,000. Grubb & Ellis Realty Investors received no fees
s forgave the $102,000 loan previously made to the program.

Trust, Inc.: Western Real Estate Investment Trust, Inc., or WREIT, was formed in July 1998 as a private real estate investment trust and
closed its best efforts private placement of its common stock in which it raised $14,051,000 from 345 investors. A total of nine affiliate

of the investment and entities controlled by Mr. Thompson, purchased 1.65% of the total offering. WREIT was formed to acquire offic
United States. Grubb & Ellis Realty Investors manages the properties owned by WREIT. The 31.5% of the Brookings Mall that is not o
ram.

T had no interests in any properties. As of December 31, 2007, WREIT had sold the following properties:

	Date of Purchase	Date of Sale
	07/07/98	01/31/06
nter	11/03/98	02/13/04
	10/16/98	12/20/02
	12/24/98	09/05/02
	03/31/99	04/14/00
	07/29/99	08/29/00
	05/01/00	09/11/07

flow after distributions of $344,000. The deficit cash flow was funded by prior years excess cash flow after distributions and cash pro
66,000 gain and WREIT paid $4,740,000 in special distributions representing return of capital of $3,100,000 following the sales. In 200
& Ellis Realty Investors, and a $404,000 loan from a private entity managed by Grubb & Ellis Realty Investors. In 2002, WREIT sold
in 2002, WREIT repaid the $480,000 loan from T REIT and $259,000 of the loan from a private entity managed by Grubb & Ellis Real
nvestors to supplement capital funds. In 2002, WREIT sold two properties and paid Triple Net Properties Realty, Inc., or Realty, a disp
advised by Grubb & Ellis Realty Investors generating a $105,000 net loss for tax purposes and paid special distributions of $2,000,000
Investors in the amount of $8,000, which was used to repay a portion of a $58,000 loan from a private entity managed by Grubb & Ell
ns of $97,000. The deficit cash flow was funded by prior years excess cash flow after distributions and cash proceeds from the sale of
loans of $29,000 from prior years. In 2004, WREIT sold Century Plaza East Shopping Center and paid Realty a disposition fee of $104
tion fee of $21,000. In 2007, WREIT sold its interest in Brookings Mall at a loss of $208,000. Realty received a disposition fee of $27,0
lis Realty Investors received reimbursement for deferred expenses totaling $69,000.

: The offering period began August 21, 1998 and ended July 15, 1999. The offering raised $5,550,000, or 100.0% of the offering amou
mbership of 59 unaffiliated members, four members who were unit holders of Grubb & Ellis Realty Investors at the time of the investm
six unaffiliated TICs and a company controlled by one of Grubb & Ellis Realty Investors shareholders investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/01/98	$ 16,030,000	$ 12,000,000

2000, the program had distributions in excess of operating cash flows of $89,000, which was covered by excess cash flows after distrib

old for a loss of $1,531,000. Realty received a disposition fee of $175,000 after the sale.

: The offering period began December 15, 1998 and ended August 3, 1999. The offering raised $1,625,000, or 100.0% of the offering a
ffiliated members. The remaining 92.25% is owned by seven unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	shopping center	03/08/99	$ 4,422,000	$ 3,316

1, 1999 and 2000, the program experienced a cash flow deficit after distributions and return of capital of $16,000 and $26,000, respectiv
ered by the prior year s cash flow excess after distributions. For the years ended 2003 and 2004, the program had a cash flow deficit af

vestors loaned $6,000 to the program to cover distributions, which was repaid in 2000. In 2001 and 2002, an affiliate of Grubb & Ellis
ns. In 2004, these loans were repaid in full.

s sold for a gain of $462,000. Realty received a disposition fee of $82,000 and Grubb & Ellis Realty Investors received deferred manag

ing period began February 22, 1999 and ended March 7, 2000. The offering raised $8,000,000, or 100.0% of the offering amount. The p
nd various TIC interests investing in each of the properties. The LLC retained a 32.75% interest in Palm Court, a 32.24% interest in Bel
ip of 91 unaffiliated members, three members who were unit holders of Grubb & Ellis Realty Investors at the time of the investment an
m Court was owned by 11 unaffiliated TICs, Mr. Thompson and an entity owned by Grubb & Ellis Realty Investors investing in the pro
e unaffiliated TICs investing in the program. The remaining 52.75% interest in Village Fashion Center was owned by seven unaffiliated

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	shopping center	06/11/99	$ 3,550,000	$ 2,840
100.0%	shopping center	06/18/99	$ 8,800,000	$ 6,600
100.0%	shopping center	08/03/99	$ 8,988,000	$ 8,500

Center was sold resulting in a gain of $1,344,000. Realty received a disposition fee of $345,000 and Grubb & Ellis Realty Investors rec
sale proceeds, an affiliate of Grubb & Ellis Realty Investors received repayment of a $400,000 loan made to the property in 2001 for ca

ng Center was sold resulting in a gain of $1,805,000. Realty received a disposition fee of $17,000 and Grubb & Ellis Realty Investors r
eds. Grubb & Ellis Realty Investors received $356,000 and an affiliate of Grubb & Ellis Realty Investors received $303,000 from sale p
nd costs relating to a legal settlement in 2001 which allowed Grubb & Ellis Realty Investors to expand non-retail leasing/ownership of i
subject to a redevelopment agreement with adjoining owners.

was sold resulting in a gain of $208,000. Realty received a disposition fee of $130,000 from sale proceeds.

1, 2000 and 2001, the program had deficit cash flow after distributions of $690,000 and $142,000, respectively. The sources of distribut tributions and return of capital of $475,000 and $202,000, respectively. Cash flow deficits were caused primarily by the timing differen ement of these charges from the tenants at all three properties. In 2002, the program had deficit cash flow after distributions of $37,000 , 2003, the program had an overall positive cash flow after distributions, but return of capital relating to the Belmont property of $91,00 om operating cash flows due to post sale expenses with no offsetting operating income as all the properties had been sold. Excess cash f

vestors loaned $239,000 to the program to cover the cost of a legal settlement relating to the Palm Court property. In 2001, Grubb & El ee properties. In 2002 and 2003, all loans from Grubb & Ellis Realty Investors were repaid from the sale proceeds of Village Fashion C oaned $594,000 to the program to cover leasing and capital costs incurred at Palm Court and Village Fashion Center. In 2001, $365,000 29,000 were made for Palm Court leasing costs. In 2003, all loans from affiliates were paid in full from the sale proceeds of Palm Cour

Center, LLC: The offering period began May 10, 1999 and ended March 29, 2000. The offering raised $7,200,000, or 100.0% of the o 30.25% ownership interest in the property. The remaining 69.75% of the property was owned by nine unaffiliated TICs investing in the

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
ng Center	100.0%	shopping center	07/01/99	$ 23,800,000	$ 21,339,000

ns to investors during 2000 from 8.0% to 5.0% due to reduced available operating cash flow. The property experienced reduced operati luded the relocation of certain tenants within the shopping center and a higher than projected interest rate on the variable rate mortgage 4,000,000 loan at a lower, fixed interest rate with a 10-year term. From refinance proceeds, Grubb & Ellis Realty Investors and affiliate 0. With the refinance in place and redevelopment largely complete, cash flow improved and distributions were subsequently increased t property was sold at a price of $44,410,000. From sale proceeds, Realty received a disposition fee of $444,000 and Realty and Grubb & ees of $1,175,000. The property was sold for a gain of $1,797,000.

, 2000, the program had a cash deficiency after distributions of $645,000 and return of capital of $513,000. The cash deficiency was cau an tied to LIBOR. For the year ended December 31, 2003, the program had a cash deficiency after distributions of $363,000, which wa

Realty Investors loaned $508,000 and $747,000, respectively, to cover tenant repositioning costs and tenant improvements related to th Investors loaned $113,000 to cover additional tenant improvement costs. Grubb & Ellis Realty Investors loans from prior years were r nd an affiliate of Grubb & Ellis Realty Investors loaned $75,000 and $12,000,

ments and Grubb & Ellis Realty Investors loaned $5,000 to the program for the LLC s tax return cost. All 2003 loans from Grubb & El

e offering period began August 10, 1999 and ended February 12, 2001. The offering raised $2,500,000, or 100.0% of the offering amou
est in the property. The remaining 80% is owned by 12 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgag at Purc
100.0%	shopping center	11/03/99	$ 7,075,000	$ 5,3

cash flow after distributions of $65,000. Prior years excess cash flow after distributions covered the deficit. In 2004, the program had
$51,000. During 2004, Grubb & Ellis Realty Investors terminated distributions to investors in order to conserve cash flow for operations

vestors loaned $13,000 and an affiliate of Grubb & Ellis Realty Investors loaned $15,000 to cover a portion of leasing costs of $90,000.
er a portion of distributions of $23,000 and capital expenditure and leasing costs of $118,000. In 2003, Grubb & Ellis Realty Investors
,000 to cover a portion of distributions of $33,000 and capital and leasing costs of $111,000. In 2003, an affiliate of Grubb & Ellis Real
ich was treated as income for tax purposes but was excluded in cash generated from operations in the Prior Performance Tables, resultin
b & Ellis Realty Investors loaned $75,000 and $8,000, respectively to cover distributions and $15,000 of capital expenditures. In 2004
s of $48,000 and $276,000, respectively. For tax purposes, the forgiveness of indebtedness was treated as income but was excluded fro
ere suspended. No distributions were made in 2006 or 2007.

LLC: The offering began August 27, 1999 and ended June 5, 2000. The offering raised $7,378,778, or 92.2% of the offering amount fr
of Grubb & Ellis Realty Investors at the time of the investment. The program owns 100.0% of the White Lakes property and 94.5% of t
le the program by Mr. Thompson as a TIC.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GI (Sq
94.5%	office	11/22/99	$ 8,250,000	$ 7,645,000	12
100.0%	shopping center	03/15/00	$ 14,688,000	$ 12,200,000	43

Shopping Center was sold for $2,600,000. The sale generated net cash proceeds of $399,000 after payment of selling costs and a partia
reserves for subsequent capital expenditures. Realty received a $25,000 disposition fee from the sale.

e Building was refinanced. The refinancing generated net proceeds to the fund of $462,000 which were distributed to investors during t
d capital improvements for both projects. In 2002, Grubb & Ellis Realty Investors and affiliates of Grubb & Ellis Realty Investors loane
d leasing costs. In 2003, Grubb & Ellis Realty Investors loaned an additional $457,000 to the program and affiliates of Grubb & Ellis R

Ellis Realty Investors forgave $399,000 of prior loans. In August 2003, Grubb & Ellis Realty Investors reduced the distribution rate fro

e Lakes Shopping Center were sold for $1,250,000 and $225,000. The net proceeds after selling costs were used to reduce mortgage deb
nt less than the previously existing loan. In order to extend the loan on the Bank One Building, the program was required to pay additio
nd the financing and continuing leasing requirements for both properties, Grubb & Ellis Realty Investors loaned $507,000 to the progra

5,000 of loans from Grubb & Ellis Realty Investors relating to White Lakes Shopping Center. Grubb & Ellis Realty Investors and affilia
000 and $711,000, respectively. A parcel of the White Lakes property was sold for $950,000 and the net proceeds were used to reduce p
h a mortgage of $8,000,000. Grubb & Ellis Realty Investors did not receive a financing fee and the transaction produced net proceeds o
06, Grubb & Ellis Realty Investors advanced $335,000 to White Lakes Shopping Center to fund operations. In 2007, no distributions we

luced operating cash flow primarily as a consequence of reduced leasing rates and increased vacancy resulting from the depressed local
a markets.

The offering began September 15, 1999 and ended May 31, 2000. The offering raised $6,300,000, or 100.0% of the offering amount. Th
d the remaining 91.75% is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	shopping center	12/15/99	$ 15,850,000	$ 12,035,0

cash flow after distributions of $56,000 and return of capital of $31,000. In June 2001, distributions to investors were reduced from 8.0
flow after distributions of $78,000 resulting in return of capital of $59,000. In 2004, deficit cash flow after distributions of $1,000 was

vestors loaned $34,000 to cover capital improvements of $90,000. In 2004, Grubb & Ellis Realty Investors loaned $149,000 and an affi
cover distributions and property management fees paid to a third party management company. In 2005, an affiliate of Grubb & Ellis R

Realty Investors and affiliates forgave $83,000 and $331,000, respectively, of the program s indebtedness. In April 2004, Grubb & El
or operations and future capital and leasing requirements.

r a loss of $3,011,000. Realty did not receive a disposition fee from the sale.

ffering period began February 21, 2000 and ended June 20, 2000. The offering raised $3,698,750, or 100.0% of the offering amount. Th
erest in the property. The remaining 80.75% was owned by 15 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	retail, office and industrial	06/16/00	$ 11,600,000	$ 8,425,000

r funded $329,750 less than the amount planned for in the offering memorandum. The program received a loan from Grubb & Ellis Rea
was refinanced with a new loan of $9,750,000 and $289,067 of the loan from Grubb & Ellis Realty Investors was repaid. Also in 2001
000. The sale produced net cash proceeds of $1,207,000 that were used to pay down the new loan on the property.

Ellis Realty Investors loaned $25,000, which was used to repay a part of Grubb & Ellis Realty Investors loan.

of the property was sold resulting in an overall gain of $2,314,000 from the two sales. From the proceeds of the 2005 sale, Realty receiv
eferred management fees and incentive fees of $962,000 and $362,000 respectively, and the loans from Grubb & Ellis Realty Investors
s or Realty from the 2001 sale.

LLC: The offering period began April 26, 2000 and ended February 7, 2001. The offering raised $3,278,250, or 99.3% of the offering
ership interest in the property. The remaining 68.25% is owned by 16 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgag at Purc
100.0%	shopping center	08/09/00	$ 9,550,000	$ 7,1

cash flow after distributions of $44,000. The deficit cash flow was funded from prior years excess cash flow after distributions.

ough 2004, the program received loans from Grubb & Ellis Realty Investors and its affiliates to fund capital improvements and leasing c
s Realty Investors for capital improvements. In 2002, the program received a $61,000 loan from an affiliate of Grubb & Ellis Realty Inv
ate of Grubb & Ellis Realty Investors loaned an additional $28,000 for leasing costs. In 2003, the program received loans totaling $69,0
m Grubb & Ellis Realty Investors for tenant improvements. In 2004, the program received $271,000 in loans from Grubb & Ellis Realty
provements.

Ellis Realty Investors advanced $28,000 to the program to cover distributions. In October 2005, distributions to investors were suspende
lis Realty Investors and affiliates forgave $223,000 of the program s indebtedness. For the year ended 2007, an affiliate of Grubb & El
in order to cure a loan default with the mortgage lender. As a result of the curing the default, the program incurred additional expenses
of legal, title and other fees. In 2007, the program had deficit cash flow before distributions of $281,000 which is fully attributable to c
tors in 2006 or 2007.

ing began June 9, 2000 and ended February 4, 2001. The offering raised $2,681,352, or 95.8% of the offering amount. The LLC retaine
3% was owned by 11 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	shopping center	07/14/00	$ 8,200,000	$ 6,500

1, 2000 and 2001, the program had deficit cash flow after distributions and return of capital of $36,000 and $36,000, respectively. In 20

as repaid in 2002. In 2002, the property was refinanced resulting in net proceeds of $477,000, which was held in reserve for future leas
ulted in a gain of $1,409,000. Grubb & Ellis Realty Investors and Realty received no fees from the sale of the property.

he offering began July 15, 2000 and ended February 27, 2001. The offering raised $4,816,000, or 100.0% of the offering amount. The L
roperty with a membership of 123 unaffiliated members and two members who were unit holders of Grubb & Ellis Realty Investors at th
y controlled by Mr. Thompson, acquired a 19.0% interest in the property, investing outside of the program.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
81.0%	7 office buildings	12/27/00	$ 12,960,000	$ 9,955,000

ngs in the Bowling Green Financial Park were sold resulting in a cumulative gain of $1,120,000. As a result of the sales, Realty receive
n incentive fee of $250,000 from the program.

LLC: The offering period began July 25, 2000 and ended February 15, 2001. The offering raised $2,670,000, or 100.0% of the offerin
the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pur
100.0%	office	11/30/00	$ 7,225,000	$ 5,

uced its distribution to investors from 8.50% to 4.25% as a result of the loss of a major tenant. In 2003, the program had deficit cash flo
ears excess cash flow after distributions. In 2003 and 2004, weak local market conditions and tenant downsizing resulted in reduced oc
00 resulting in return of capital of $66,000. The deficit cash flow was funded from prior years excess cash flow after distributions and
te of Grubb & Ellis Realty Investors forgave $40,000 of this loan in 2004. In 2002, 2003 and 2004, Grubb & Ellis Realty Investors loan
d deficit cash flow. In 2004, Grubb & Ellis Realty Investors forgave all of these loans and terminated distributions.

old to Grubb & Ellis Realty Investors for a loss of $326,000. In connection with the sale, Grubb & Ellis Realty Investors and Realty did
orgave $183,000 of loans made to the program.

The offering period began August 29, 2000 and ended August 14, 2001. The offering raised $5,000,000, or 100.0% of the offering am
ugh its unsecured notes offering. The program was formed for the purpose of making unsecured loans to one or more borrowers, likely
acquiring and holding real estate. An investor in this program was making a loan to the LLC. Grubb & Ellis Realty Investors was the so
from the offering to support its efforts in sponsoring real estate investments by making unsecured loans to affiliated entities. Grubb & E
the payment of all principal and interest on the note units.

repaid $2,000,000, $1,500,000 and $1,500,000 of note unit principal, respectively. In 2005, all remaining accrued interest was paid to

offering period began September 1, 2000 and ended November 17, 2000. The offering raised $1,330,000, or 100.0% of the offering amo
in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purch
100.0%	office certified historic building	11/01/00	$ 3,400,000	$ 2,0

debt and $1,000,000 in Note Units assumed at close.

LC offered and sold $1,000,000 of 11.0% participating note units to supplement capital funds for capital improvements and to provide v
rofit generated from sale of the property or a prepayment fee. Investors in the program assumed these notes and $1,070,000 in mortgage

cash flow after distributions of $47,000, representing return of capital of $14,000. The deficit cash flow was funded from working capit
te of Grubb & Ellis Realty Investors and the $1,000,000 in note units was repaid. The program also received a $91,000 loan from Grubb
g capital. In 2001, the program had deficit cash flow after distributions of $175,000 representing return of capital of $98,000. The defic
Realty Investors. In 2002, the program received loans of $112,000 from affiliates of Grubb & Ellis Realty Investors and a $35,000 loan
vide additional working capital. In August 2002, distributions were reduced from 8.0% to 0.0% due to unfavorable market conditions in
deficit cash flow after distributions of $10,000 representing return of capital of the same amount. In 2003, the program received an $8,
n affiliate of Grubb & Ellis Realty Investors forgave $124,000 in accrued interest owed by the program. In 2004, the program received
made from August 2002 through December 2007.

ced with $1,000,000 in mortgage debt. There were no proceeds generated from the refinancing and Grubb & Ellis Realty Investors did
lis Realty Investors and affiliates forgave $695,000 of secured and unsecured indebtedness. Grubb & Ellis Realty Investors made an un
$1,561,000 from an affiliate in conjunction with the refinancing. In 2007, an affiliate of Grubb & Ellis Realty Investors advanced $12,0

The offering period began September 15, 2000 and ended March 13, 2001. The offering raised $2,300,000, or 38.3% of the $6,000,00
hrough its secured notes offering. The program was formed for the purpose of making secured loans to one or more borrowers, likely to
acquiring and holding real estate. An investor in this program was making a loan to the LLC. Grubb & Ellis Realty Investors was the so
f the offering to support its efforts in sponsoring real estate investments by making secured loans to affiliated entities. Grubb & Ellis Re
the payment of all principal and interest on the note units.

anding note unit principal and accrued interest to the note unit holders, and the program was completed.

ter, LLC: The offering period began November 8, 2000 and ended May 21, 2001. The offering raised $12,000,000, or 100.0% of the o
te program sponsored by Grubb & Ellis Realty Investors retained a 17.5%

y. The remaining 82.5% is owned by 16 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	03/12/01	$ 31,000,000	$ 22,250,000

$202,000 loan from Grubb & Ellis Realty Investors and a $95,000 loan from TICs for capital improvements. In 2004, TICs loaned the p
00 was repaid to Grubb & Ellis Realty Investors. In 2005, the program repaid loans of $8,000 to Grubb & Ellis Realty Investors.

r a gain of $7,364,000. From the proceeds of the sale, Grubb & Ellis Realty Investors received a disposition fee of $1,825,000, an incen
ll loans from Grubb & Ellis Realty Investors and the TICs were repaid after the sale.

he offering period began November 15, 2000 and ended January 31, 2001. The offering raised $3,500,000, or 100.0% of the offering an
hip interest in the property. The remaining 98.0% is owned by 15 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	01/31/01	$ 11,100,000	$ 8,350,000

flow deficiency due to the timing of property tax reimbursements. The deficiency was covered by existing reserves which were replenis
collected. In 2004, the program had deficit cash flow after distributions of $47,000 covered by the prior years excess cash flow after di

cash flow after distributions of $105,000 which was covered by prior years cumulative excess cash flow after distributions. An affiliat
ements not covered by lender reserves. In April 2005, distributions were suspended due to increased vacancy and a lower rental rate on

ad deficit cash flow before distributions of $81,000 and $57,000, respectively, which was covered by prior years cumulative excess ca
nd 2007.

he offering began March 12, 2001 and ended June 30, 2002. The offering raised $10,992,321, or 99.9% of the offering amount, from 26
& Ellis Realty Investors at the time of the investment. The program acquired 100.0% of two properties, 1840 Aerojet Way and Western
porate Park. The remaining 60% was owned by a private program, NNN Pacific Corporate Park I, LLC as a TIC interest.

2001 Value Fund, LLC owned interests in the following property:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
100.0%	shopping center	07/31/01	$ 5,000,000	$ 4,250,000

2001 Value Fund, LLC had sold the following properties:

					Date of

	Purchase	Date of Sale
	09/27/01	09/27/05
	03/25/02	12/28/05

1, 2001 and 2002, the program had deficit cash flow after distributions and return of capital of $18,000 and $130,000, respectively. For
er distributions of $287,000 which was covered by excess cash flow from the previous year of $165,000 resulting in a return of capital

vestors loaned $675,000 to the program. The loan was used for a required $1,000,000 pay down of third party mortgage debt for Weste
program, and an affiliate of Grubb & Ellis Realty Investors loaned $30,000 to the program and $80,000 to Pacific Corporate Park ($32,
o fund a shortfall of refinance proceeds for Western Plaza along with capital and tenant improvements at Western Plaza.

rest in Pacific Corporate Park was sold for a gain of $1,135,000. From the proceeds of the sale, Realty received a disposition fee of $13
ees of $3,000 from the program. In 2005, the program sold 1840 Aerojet for a gain of $489,000. Realty did not receive a disposition fee
gement fees and lease commissions totaling $43,000. Proceeds from the sale were used to pay down $1,000,0000 of the mortgage on W
72,000 of loans made to the program. In 2006, Grubb & Ellis Realty Investors advanced $150,000 to the program that was in turn inves
dvanced $527,000 to the program that was in turn invested in Western Plaza, and no distributions were made to investors.

enter, LLC: The offering period began March 30, 2001 and ended December 3, 2001. The offering raised $2,400,000, or 100.0% of the
vesting in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	shopping center	08/01/01	$ 6,350,000	$ 4,128,000

t the property but agreed to pay rent through the end of its lease term. As a result, the lender required new loan terms including a lower
space combined with weak local market conditions and the accelerated principal repayment has had a continuing adverse impact on the
es have funded the initial loan proceeds shortfall and accelerated principal repayment during Grubb & Ellis Realty Investors leasing a
liate of Grubb & Ellis Realty Investors made $36,000 and $278,000 loans to the program, respectively. In 2002, an affiliate of Grubb &
Grubb & Ellis Realty Investors forgave $100,000 of its loan. In 2004, an affiliate of Grubb & Ellis Realty Investors loaned $155,000 to

cash flow after distributions of $82,000 representing return of capital of $65,000. The deficit cash flow and return of capital was funded
ogram had deficit cash flow after distributions of $57,000 resulting return of capital of the same amount. The deficit cash flow and retur
Investors. In 2003, the program had deficit cash flow after distributions and return of capital of $71,000. In 2004, the program s distrib

efinanced with two loans totaling $3,375,000 generating net proceeds of $35,000. Grubb & Ellis Realty Investors did not receive a fina
spended in order to conserve cash flow. During 2005, an affiliate of Grubb & Ellis Realty Investors advanced $93,000 to the program.
rgave indebtedness of the program totaling $276,000. In 2006, an affiliate of Grubb & Ellis Realty Investors was repaid $40,000 and no

erty s in-line shops resulted in a loss of $2,152,000, leaving the Walgreen s pad as the program s remaining investment. A disposition
b & Ellis Realty Investors and its affiliates of $18,000 and $151,000, respectively, were repaid from proceeds of the sale. In addition, G
e sale. Investors received a distribution of $1,429,000 from the sale proceeds. No distributions were made to investors from operations
ons of $99,000.

LLC: The offering period began May 1, 2001 and ended November 21, 2001. The offering raised $3,000,000, or 100.0% of the offeri
in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	shopping center	10/16/01	$ 7,263,000	$ 4,890,000

cash flow after distributions of $50,000 representing return of capital of $22,000. The deficit cash flow was funded from prior years e
of Grubb & Ellis Realty Investors.

2004, the program received loans from Grubb & Ellis Realty Investors and affiliates to fund return of capital as well as lender reserves a
n of the return of capital distribution of $22,000. In 2003, the program received a loan of $98,000 from Grubb & Ellis Realty Investors f
& Ellis Realty Investors. In 2004 and 2005, the program received advances of $40,000 and $2,000, respectively from an affiliate of Gru
s. In April 2006, the distribution rate was decreased from 8.0% to 5.0%. In 2007, the property was sold resulting in a gain of $1,340,000

e loans of $98,000 from Grubb & Ellis Realty Investors and $42,000 from an affiliate of Grubb & Ellis Realty Investors were repaid. Re

e offering period began May 30, 2001 and ended September 26, 2001. The offering raised $3,850,000, or 100.0% of the offering amoun
ting in the program. T REIT owned the remaining 40% of the property, which was purchased directly from the seller outside of the prog

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Sh Mortg At P
60.0%	office/industrial	09/04/01	$ 4,378,000	$

$49,000 loan from an affiliate of Grubb & Ellis Realty Investors to provide the program with sufficient funds to meet the reserves requi
,620,000 loan was replaced with a $4,600,000 loan. After refinancing of the property, there was a special distribution of $1,092,000 to
from an affiliate of Grubb & Ellis Realty Investors and received a loan of $19,000 from Grubb & Ellis Realty Investors to assist with y
,000 loan from Grubb & Ellis Realty Investors.

r a gain of $2,568,000. The program s share of the gain was $1,541,000. From the sale proceeds, Grubb & Ellis Realty Investors receiv

The offering period began June 8, 2001 and ended September 25, 2001. The offering raised $4,197,500, or 99.9% of the offering amou

est in the property. The remaining 98.75% is owned by 10 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GI (Sq
100.0%	office	07/30/01	$ 12,550,000	$ 9,375,000	11

t cash flow after distributions of $266,000 which was covered by the prior years excess cash flow after distributions. In 2007, the rate

: The offering period began July 26, 2001 and ended August 31, 2001. The offering raised $2,000,000, or 100.0% of the offering amou the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office/industrial	08/31/01	$ 5,067,000	$ 3,625,000

$32,000 loan from Grubb & Ellis Realty Investors to cover unanticipated lender holdbacks of $200,000 at acquisition. In 2002, the prog Investors to supplement capital funds due to the timing of certain repairs. In 2003, the program received a $31,000 loan from Grubb & cash flow after distributions of $1,000. The deficit cash flow was funded from prior years excess cash flow after distributions. In 2004 nd a $5,000 loan from an affiliate of Grubb & Ellis Realty Investors.

r a gain of $380,000. Prior advances from Grubb & Ellis Realty Investors were repaid from proceeds of the sale. Additionally, Grubb & disposition fee was paid to Realty. All loans were repaid from proceeds of the sale.

er, LLC: The offering period began July 31, 2001 and ended November 27, 2001. The offering raised $3,695,375, or 99.9% of the offeri hip interest in the property. The remaining 99.0% is owned by 13 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	shopping center	11/27/01	$ 9,180,000	$ 6,3

Ellis Realty Investors loaned $66,000 to the program for acquisition related costs.

r a gain of $1,567,000. The loan totaling $66,000 from an affiliate of Grubb & Ellis Realty Investors was repaid from proceeds of the sa t fees and leasing commissions and Realty received a disposition fee of $354,000 from the proceeds of the sale.

The offering period began August 16, 2001 and ended April 2, 2002. The offering raised $3,650,000, or 100.0% of the offering amoun erest in the property. The remaining 94.875% is owned by 10 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purch

	100.0%	office	10/31/01	$	10,500,000	$ 7,75

ced its distributions to investors from 8.0% to 0% as a result of the loss of a major tenant. In 2003, the program received a $40,000 loan
sh flow of $217,000. The deficit cash flow was funded from prior years

ns and a $37,000 loan from an affiliate of Grubb & Ellis Realty Investors in 2004. There were no distributions made in 2004, 2005, 200

vestors and an affiliate loaned $64,000 and $102,000, respectively. The loans were used to cover a 2005 operating cash flow deficit of $
2005, Grubb & Ellis Realty Investors and affiliates forgave loans to the program in the amount of $104,000 and $139,000, respectively

vestors loaned $548,000 and TIC investors funded a $200,000 cash call to cover a 2006 operating cash flow deficit of $223,000 and fur
Investors advanced the program $765,000, primarily to fund tenant improvement costs for a new lease. The program had deficit cash fl

The offering period began September 18, 2001 and ended February 6, 2002. The offering raised $3,125,000, or 100.0% of the offering
ber retained a 1.0% ownership interest in the property. The remaining 99.0% is owned by 17 unaffiliated TICs, T REIT, an entity contro
nvesting as TICs in the program.

Ownership Interest	Type of Property distribution/	Purchase Date	Share of Purchase Price	Share of Mortgage D at Purchas
84.0%	distribution/ warehouse/office	09/28/01	$ 4,532,000	$ 2,696,

cash flow after distributions of $45,000. The deficit cash flow was funded from prior years excess cash flow.

Ellis Realty Investors loaned $14,000 and Grubb & Ellis Realty Investors loaned $59,000 to the program primarily to fund lender requir
2,000 for the same purpose.

r a gain. The program s share of the gain was $932,000. From the sale proceeds, loans from Grubb & Ellis Realty Investors and affiliat
eferred management fees of $122,000 and Realty received a disposition fee of $158,000.

: The offering period began October 31, 2001 and ended June 15, 2002. The offering raised $8,200,000, or 100.0% of the offering amo
ership interest in the property. The remaining 99.085% is owned by 16 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	01/23/02	$ 20,800,000	$ 14,650,000

ster lease guaranteed by an affiliate of Grubb & Ellis Realty Investors.

r a gain of $10,269,000. From the sale proceeds, Grubb & Ellis Realty Investors and Realty received deferred management related fees
fee of $1,458,000.

, LLC: The offering period began February 11, 2002 and ended June 20, 2002. The offering raised $4,000,000, or 100.0% of the offeri
p interest in the property. The remaining 95% is owned by 19 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase

100.0%	office/flex complex	04/19/02	$	8,038,000	$	5,000,00

cash flow after distributions of $33,000. The deficit cash flow resulted from a special distribution of $100,000 in addition to the progra
w after distributions.

r a gain of $2,659,000. From the proceeds, Realty received a disposition fee of $230,000.

: The offering period began February 12, 2002 and ended March 15, 2002. The offering raised $1,237,803, or 35.4% of the offering a
in the program and 89.125% of the property is owned by T REIT, which purchased its interest as a TIC in the property outside of the p

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
10.9%	office	03/15/02	$ 2,362,000	$ 1,417,000

cash flow after distributions of $4,000 representing return of capital of $2,000. In 2004, the program had deficit cash flow after distribu

r a gain. The program s share of the gain was $612,000. The program paid Realty a disposition fee of $102,000 and Grubb & Ellis Rea

C: The offering began February 18, 2002 and ended May 28, 2002. The offering raised $2,219,808, or 88.8% of the original offering a
st in the property. The remaining 48.5% was purchased outside of the program by T REIT as a TIC.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
51.5%	office	04/17/02	$ 4,721,000	$ 3,090,000

efinanced with a $6,900,000 loan which produced net proceeds of $74,000. Grubb & Ellis Realty Investors did not receive a financing f

r a gain. The program s share of the gain was $1,487,000. From its share of the sale proceeds, the program paid Realty a disposition fe
0,000.

LLC: The offering began March 11, 2002 and ended June 25, 2002. The offering raised $5,800,000, or 100.0% of the offering amount.
y from 45 unaffiliated members and T REIT. The remaining 40% is owned by a private program, NNN 2001 Value Fund, LLC. Each p

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
60.0%	6-building office park	03/25/02	$ 14,237,000	$ 9,300,000

cash flow after distributions of $55,000 which was funded by prior years excess cash flow after distributions. In 2004, an affiliate of C
the program s 60% ownership interest in the property) to cover incurred tenant improvements.

were sold resulting in an aggregate gain to the program from all sales of $1,700,000. Realty received a disposition fee from the program

ees and leasing commissions from the program of $41,000 as a result of all sales. The loan from an affiliate of Grubb & Ellis Realty Inv

he offering period began March 31, 2002 and ended June 19, 2002. The offering raised $2,750,000, or 100.0% of the offering amount. T
est in the property. The remaining 98.25% is owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	shopping center	06/19/02	$ 7,200,000	$ 5

oan of $44,000 from Grubb & Ellis Realty Investors to supplement a short-term cash balance deficit. The loan was repaid in 2004.

r a gain of $2,713,000. From the proceeds of the sale, Realty received a disposition fee of $324,000 and Grubb & Ellis Realty Investors

he offering period began April 12, 2002 and ended July 3, 2002. The offering raised $6,550,000, or 100.0% of the offering amount. Th
g of separate investments by an entity controlled by Mr. Thompson, retained a 7.25% ownership interest in the property. The remaining

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	07/03/02	$ 15,360,000	$ 10,250,000

it cash flow after distributions of $445,000 due primarily to payment of two years of property taxes in the current year resulting in an ov
tributions covered the 2005 deficit. In 2007, the property was sold resulting in a gain of $86,000. From the proceeds of the sale, Realty
isting broker, received a real estate commission of $200,000.

The offering period began May 24, 2002 and ended October 23, 2002. The offering raised $1,950,000, or 100.0% of the offering amou
st in the property. The remaining 98.0% is owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase
100.0%	office	09/11/02	$ 3,420,000	$ 1,962,0

acated the property. As a result, in February 2004, the program terminated distributions to investors. In 2003, the program had deficit ca
69,000. The deficit cash flow was funded from prior years excess cash flow after distributions, reserves and a $5,000 loan from an aff
sh flow after distributions of $18,000 representing return of capital of $13,000. In 2004, the $5,000 loan from an affiliate of Grubb & El
tors and the property had a deficit cash flow of $38,000. In 2006, no distributions were made to investors and the property had a positive
curred during the year. In 2007, distributions to investors were reinstated at a rate of 4.0%.

ffering period began June 10, 2002 and ended November 12, 2002. The offering raised $5,000,000, or 100.0% of the offering amount. T
erest in the property. The remaining 97.125% was owned by 20 unaffiliated

30

ed by Mr. Thompson investing as TICs in the program. The property was acquired from WREIT, an entity managed by Grubb & Ellis R

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	shopping center	09/05/02	$ 10,080,000	$ 6,222,000

, 2003, the program had deficit cash flow after distributions of $58,000 which was funded by the previous year s excess cash flow after
3,000,000. From sale proceeds, Realty received a disposition fee of $260,000. The gain was $1,424,000.

The offering period began June 14, 2002 and ended December 27, 2002. The offering raised $2,850,000, or 100.0% of the offering am
ship interest in the property. The remaining 97.37% is owned by 17 unaffiliated TICs investing in the program. The property was acquir

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	09/25/02	$ 5,200,000	$ 3,092,000

vestors loaned $9,000 to the program to cover costs to close the acquisition as all of the offering proceeds had not been raised as of the
on of the offering. In 2004, the program had deficit cash flow after distributions of $127,000 representing return of capital of $84,000.
esenting return of capital of $1,000. In February 2006, distributions were suspended to reserve cash flow after debt service for anticipate
73,000. From proceeds of the sale, Realty received a disposition fee of $123,000 and Grubb & Ellis Company, as the listing broker, rec

offering period began July 1, 2002 and ended October 23, 2002. The offering raised $5,500,000, or 100.0% of the offering amount. The
property. The remaining 99.0% was owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	C (S
100.0%	shopping center	09/24/02	$ 16,220,000	$ 12,265,000	

istributions of $400,000 was due primarily to payment of two years property taxes for 2004 and 2005 causing a one time increase in exp
007, the property was sold resulting in a gain of $2,924,000. From the proceeds of the sale, Realty received a disposition fee of $797,00

offering period began July 18, 2002 and ended October 25, 2002. The offering raised $6,650,000, or 100.0% of the offering amount. Th
st in the property. The remaining 99.0% was owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase
100.0%	shopping center	10/08/02	$ 18,500,000	$ 13,500,0

cash flow after distributions of $141,000. Prior years excess cash flow after distributions covered, in part, the 2004 deficit resulting in

r a gain of $2,960,000. Proceeds from the sale were used to pay Realty a disposition fee of $454,000 and Grubb & Ellis Realty Investor

The offering period began August 1, 2002 and ended May 23, 2003. The offering raised $1,044,881, or 10.4% of the $10,000,000 offe
gh its unsecured note offering. The program was formed for the purpose of making unsecured loans to one or more borrowers, likely to
acquiring and holding real estate. An investor in this program was making a loan to the LLC. Grubb & Ellis Realty Investors is the sole
e offering to support its efforts in sponsoring real estate investments by making unsecured loans to affiliated entities. Grubb & Ellis Rea
the payment of all principal and interest on the note units.

anding note unit principal and accrued interest to the note unit holders, and the program was completed.

: The offering period began August 30, 2002 and ended October 29, 2002. The offering raised $3,865,800, or 100.0% of the offering a
n and 25% of the property was owned by T REIT, which purchased its portion of the property outside of the program. The LLC, with o
n. The remaining 98.33% was owned by seven unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
75.0%	office	09/25/02	$ 8,304,000	$ 5,738,000

cash flow after distributions of $127,000 resulting in return of capital of $46,000. The deficit cash flow was funded in part from prior y
s sold at a price of $15,450,000. Realty was paid a disposition fee of $460,000 from the program s portion of the sale. The program rea

LC: The offering period began August 9, 2002 and ended March 6, 2003. The offering raised $8,140,000, or 100.0% of the offering an
Grubb & Ellis Realty Investors retained a 5% ownership interest in the property. The remaining 95% was owned by 15 unaffiliated TIC

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mor at
100.0%	retail/office	12/20/02	$ 19,400,000	$

r a gain of $4,033,000. Realty received a disposition fee of $765,000 from the sale proceeds.

e offering period began October 10, 2002 and ended March 21, 2003. The offering raised $2,550,000, or 100.0% of the offering amoun
t in the trust that owns the property. Eleven unaffiliated investors own the remaining 96.625% of the beneficial interest in the trust that

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
er	100.0%	shopping center	12/09/02	$ 6,490,000	$ 4,700,000

lis Realty Investors loaned $107,000 to the program to cover costs to close the acquisition as all of the offering proceeds had not been r
e offering in 2003, $65,000 of these loans were repaid. Also, in 2002, the program had deficit cash flow of $4,000 with no return of capi

r a gain of $775,000. From the proceeds of the sale, Realty received a disposition fee of $210,000 and affiliates of Grubb & Ellis Realty

e offering began October 15, 2002 and ended July 14, 2003. The offering raised $36,073,120, or 100.0% of the offering amount. The L
n with 81 unaffiliated members, T REIT and 2002 Value Fund. The remaining 55.2% of the program (35.6% interest in the property) w
64.5% of the property. The remaining 35.5%, which was purchased outside the program, was owned by one unaffiliated TIC (5.5% own
.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share Mortgage at Purc
64.5%	office	01/09/03	$ 87,790,000	$ 61,8

cash flow after distributions of $263,000 which was covered by prior years excess cash flow after distributions. In 2007, the distributi

fering period began October 25, 2002 and ended March 17, 2003. The offering raised $4,953,000, or 100.0% of the offering amount. 95
5% of the property was purchased outside the program by G REIT as a TIC interest. The LLC, with one unaffiliated member owns a 1.7
investors own the remaining 98.29% of the beneficial interest in the trust that owns 95.25% of the property.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
95.25%	5-building office park	03/18/03	$ 11,621,000	$ 8,001,000

vestors loaned $225,000 to the program to cover costs to close the acquisition as all of the offering equity had not been raised as of the
was repaid. In 2004, Grubb & Ellis Realty Investors loaned $44,000 to fund operations. In 2004, the program had deficit cash flow after

r a gain. The program s share of the gain was $1,652,000. From the sale proceeds, the $44,000 loan from Grubb & Ellis Realty Investo
Ellis Realty Investors received deferred lease commissions and management fees totaling $385,000.

The offering period began October 28, 2002 and ended April 23, 2003. The offering raised $7,472,000, or 100.0% of the offering amou
Ellis Realty Investors retained a 13.5% ownership interest in the property. The remaining 86.5% was owned by 10 TICs, nine unaffiliat
rogram.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/31/02	$ 20,436,000	$ 13,922,000

Ellis Realty Investors and Grubb & Ellis Realty Investors loaned $257,000 and $87,000, respectively, to cover costs to close the acquisi
property. Upon completion of the offering in 2003, these loans were repaid. In 2003, an affiliate of Grubb & Ellis Realty Investors loa

ould be put in place. This loan was repaid in 2003.

was sold for $12,700,000 resulting in a gain of $600,000. At the same time, the remaining building was refinanced with an $8,400,000 Grubb & Ellis Realty Investors received management fees totaling $47,000. The refinance resulted in net proceeds of $367,000 and Gru

sold for $13,600,000 resulting in a gain of $1,672,000. From the sale, Realty received a disposition fee of $500,000.

The offering began November 8, 2002 and ended November 4, 2003. The offering raised $4,900,000, or 100.0% of the offering amou bers. The remaining 89.5% was owned by 17 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
Tech	100.0%	2 office buildings	04/01/03	$ 9,550,000	$

er distributions of $120,000 was due to payment of property taxes for two years, 2004 and 2005 causing a one time increase of expenses ficit in 2005 and a $41,000 deficit in 2006. In February 2006 distributions to investors were suspended due to the vacation of a major te fore distributions of $141,000, and no distributions to investors were made.

e offering period began November 18, 2002 and ended August 13, 2003. The offering raised $7,342,575, or 99.9% of the offering amou in the trust that owns the property. Twenty-four unaffiliated investors own the remaining 98.25% of the beneficial interest in the trust th

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	05/09/03	$ 12,450,000	$ 6,000,0

lender funded $1,200,000 less than the amount planned for in the offering memorandum, pending lease-up of vacant space. In 2003, th Investors and a $113,000 loan from Grubb & Ellis Realty Investors to supplement capital funds for tenant improvements and lender-req e loan by the lender. The lender subsequently funded an additional $2,000,000, but required that the majority of this amount be reserve f Grubb & Ellis Realty Investors was repaid and Grubb & Ellis Realty Investors loaned $21,000 to supplement capital needs at the prop

Ellis Realty Investors loaned $51,000 to the program. $21,000 of the loan was used to repay a loan from Grubb & Ellis Realty Investors In 2007, the property was sold resulting in a gain of $1,991,000. From the proceeds of the sale, Realty received a disposition fee of $26 28,000; Grubb & Ellis Realty Investors received deferred expense reimbursements of $63,000; and the loan of $51,000 plus accrued inte

ering period began December 20, 2002 and ended March 25, 2003. The offering raised $3,200,000, or 100.0% of the offering amount. T

property. The remaining 99.0% was owned by 12 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	office	03/25/03	$ 6,983,000	$

cash flow after distributions of $30,000 covered by prior years excess cash flow after distributions. In February 2006 the distributions space. In 2007, the property was sold resulting in a gain of $1,579,000. From the proceeds of the sale, Realty received a disposition fe

The offering period began February 14, 2003 and ended July 29, 2003. The offering raised $20,500,000, or 100.0% of the offering amo erest in the property. The remaining 88.5% was owned by 17 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/16/03	$ 60,500,000	$ 45,375,000

s refinanced with a $49,000,000 loan resulting in net proceeds to the property of $1,918,000. From the refinance proceeds, a special dis eceived a financing fee of $223,000.

sulting in a gain of $9,178,000. From the proceeds of the sale, Realty received a disposition fee of $2,635,000 and Grubb & Ellis Realty

g period began March 18, 2003 and ended September 18, 2003. The offering raised $23,700,000, or 100.0% of the offering amount. Th property. The remaining 95.25% was owned by 22 unaffiliated TICs, 2002 Value Fund and an entity controlled by Mr. Thompson inv

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	06/11/03	$ 47,000,000	$ 31

LLC sold its 50% TIC interest in the property to an affiliated program, NNN Netpark II, LLC for $33,500,000. In connection with the 0,000 was put on the property at the time of the sale. Under the new ownership structure, net proceeds relating to the remaining TIC an NN Netpark II, LLC program funded their share of property reserves from equity. From the refinance, Grubb & Ellis Realty Investors r d Realty received $58,000 for leasing commissions.

cash flow after distributions of $306,000 which was covered by prior years excess cash flow after distributions

ering period began March 28, 2003 and ended September 3, 2003. The offering raised $4,700,000, or 100.0% of the offering amount. T t in the property. The remaining 90% is owned by 19 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purch

	100.0%	office	06/05/03	$	9,270,000	$ 5,85

cash flow after distributions of $89,000. The prior year s excess cash flow after distributions covered the deficit in 2004. In December
rogram for operations. In March 2005, the distribution rate was reduced from

ow for new leasing. In August 2005, distributions were suspended. An affiliate of Grubb & Ellis Realty Investors loaned $66,000 to the
06, $56,000 of the loan from an affiliate of Grubb & Ellis Realty Investors was repaid and no distributions were made to investors. In 2
n repaid the remaining $30,000 advance from an affiliate of Grubb & Ellis Realty Investors.

e offering period began May 1, 2003 and ended August 26, 2003. The offering raised $9,200,000, or 100.0% of the offering amount. Th
est in the property. The remaining 90.0% was owned by 15 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage At Purc
100.0%	office/retail	07/28/03	$ 20,125,000	$ 13,0

r a gain of $4,232,000. From the proceeds, Realty received a disposition fee of $1,080,000 and Grubb & Ellis Realty Investors was paid
0.

LC: The offering period began June 13, 2003 and ended September 3, 2003. The offering raised $3,800,000, or 100.0% of the offering
p interest in the property. The remaining 95.0% was owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	08/11/03	$ 7,988,000	$ 5,200,000

vestors loaned $15,000 to the program relating to costs associated with the acquisition of the property. The loan was repaid in 2004. In
00 and $45,000, respectively, which was covered by prior years excess cash flow after distributions.

: The offering period began June 13, 2003 and ended October 3, 2003. The offering raised $6,292,125, or 99.9% of the offering amou
erest in the property. The remaining 94.875% was owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	08/15/03	$ 16,150,000	$ 11,310,000

cash flow after distributions of $211,000 representing return of capital of $68,000. The deficit cash flow was funded in part from the pr
sulting in a gain of $2,836,000. From the proceeds of the sale, Realty received a disposition fee of $732,000 and Grubb & Ellis Realty I

: The offering period began June 20, 2003 and ended December 10, 2003. The offering raised $6,800,000, or 100.0% of the offering a
ership interest in the property. The remaining 92.375% is owned by 16 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	retail	07/25/03	$ 20,200,000	$

r monthly distributions, a special one time distribution of $625,000 was made to investors resulting in deficit cash flow after distributio
ash flow after distributions.

e offering period began July 11, 2003 and ended December 23, 2003. The offering raised $14,700,000, or 100.0% of the offering amou
alty Investors and an entity controlled by Mr. Thompson retained a 49.625% ownership interest in the property. The remaining 50.375%
led by Mr. Thompson investing as TICs in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	08/01/03	$ 24,600,000	$ 14

t cash flow after distributions of $409,000. The current year deficit was covered by prior years excess cash flow after distributions. In
d capital cost requirements. In December 2005, the property was refinanced with $16,000,000 of mortgage debt. There were no proceed
a financing fee from the transaction. Due to the renewal of a major tenant, $2,000,000 of leasing and capital costs were incurred by the p
lting from the refinancing, an affiliate of Grubb & Ellis Realty Investors advanced $1,445,000 to the property and Grubb & Ellis Realty
d $1,205,000 to the property.

ade to investors and the property had a deficit cash flow after distributions of $746,000 due primarily to the payment of two years of pro
xcess cash flow after distributions from prior years and cash reserves covered the deficit. In 2007, no distributions were made to investo

fering period began July 18, 2003 and ended May 20, 2004. The offering raised $7,900,000, or 100.0% of the offering amount. The LLC
property. The remaining 94.75% is owned by 22 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	10/08/03	$ 15,000,000	$ 9

istributions of $142,000 was covered by prior years excess cash flow after distributions.

fering period began July 25, 2003 and ended December 8, 2003. The offering raised $7,300,000, or 100.0% of the offering amount. The
in the property. The remaining 95.0% is owned by 19 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	10/29/03	$ 13,900,000	$ 8,740,000

38.0% of the building did not renew their lease and distributions were suspended until the space is re-leased. In 2005, the deficit cash f
after distributions. The deficit was due to payment of two years property taxes (2004 and 2005) in the current year resulting in excess p
07.

The offering period began August 8, 2003 and ended June 9, 2004. The offering raised $11,000,000, or 100.0% of the offering amount

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nterest in the property. The remaining 88.625% is owned by 22 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/15/03	$ 23,600,000	$ 15,000,000

vestors loaned $630,000 to the program at acquisition to fund an unanticipated lender imposed holdback related to tenant estoppel issue he program had deficit operating cash flow after distributions of $7,000, covered by the previous year s excess cash flow after distribut 0 to the program to pay for tenant improvements and to repay $46,000 of Grubb & Ellis Realty Investors loan.

e of Grubb & Ellis Realty Investors was repaid when the lender released the remaining $265,000 holdback for tenant estoppels. The pro g in $44,000 of return of capital and the remaining $310,000 deficit was covered by prior years excess cash flow after distributions. In bb & Ellis Realty Investors advanced the program $262,000 to fund tenant improvement costs.

LLC: The offering period began August 15, 2003 and ended June 7, 2004. The offering raised $23,713,346, or 99.6% of the offering a ship interest in the property. The remaining 93.8% is owned by 24 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	11/10/03	$ 63,650,000	$ 45,000,0

he property. Pursuant to the loan agreement, this event allowed the lender to sweep all operating cash flow for a reserve. Grubb & Ellis nding of the reserve and the lender ended the cash flow sweep. The TICs funded their pro rata share of the reserve either directly or in c 058,000 related to the letter of credit. In 2004, Grubb & Ellis Realty Investors was repaid $1,145,000 of the loan.

was refinanced with a loan in the amount of $44,500,000. Grubb & Ellis Realty Investors did not receive a financing fee from the transa o repay $832,000 of the loan from Grubb & Ellis Realty Investors. In 2007, Grubb & Ellis Realty Investors was repaid $41,000.

period began September 3, 2003 and ended May 20, 2004. The offering raised $2,925,000, or 100.0% of the offering amount. The LLC property. The remaining 92.125% is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase
100.0%	office	12/08/03	$ 5,700,000	$ 3,750,0

loan holdback of $300,000, the program received a $100,000 loan from Grubb & Ellis Realty Investors. In 2004, the program had defic us year s excess cash flow after distributions. In 2005, the $100,000 loan from Grubb & Ellis Realty Investors was repaid, and the prog ital of $56,000. In 2006, the program had a deficit cash flow of $83,000 resulting in return of capital of $83,000. In 2007, the property ealty received a disposition fee of $160,000 and deferred property management fees of $8,000; Grubb & Ellis Realty Investors received

penses; and Grubb & Ellis Company, as the listing broker, was paid a real estate commission of $180,000.

he offering began October 15, 2003 and ended May 27, 2004. The offering raised $15,350,000 or 100.0% of the offering amount. The L
alty Investors and T REIT retained a 7.0% ownership interest in the property. The remaining 93.0% of the property is owned by 22 unaf

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	office	12/22/03	$ 34,500,000	$ 23,600

it cash flow of $427,000. The deficit was due to the payment of two years property taxes in the current year resulting in excess payment
fter distributions. In 2007, the property was sold resulting in a gain of $8,333,000. From the proceeds of the sale, Realty received a dispo
dation fee of $38,000.

LLC: The offering began November 21, 2003 and ended January 30, 2004. The offering raised $5,250,000 or 100.0% of the offering a
ership interest in the property. The remaining 94.375% of the property is owned by 13 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	01/29/04	$ 10,100,000	$ 6,500,000

rate was reduced from 8.0% to 4% to reserve excess cash flow after distributions for anticipated leasing requirements.

fering period began December 5, 2003 and ended January 20, 2004. The offering raised $10,070,000, or 100.0% of the offering amount.
vesting as TICs in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	three office buildings	01/20/04	$ 22,965,000	$ 15,0

a price of $32,965,000 resulting in a gain of $6,516,000. Realty received a disposition fee of $1,071,000 and Grubb & Ellis Realty Inve

offering period began December 31, 2003 and ended June 24, 2004. The offering raised $8,000,000, or 100.0% of the offering amount.
est in the property. The remaining 91.5% is owned by 20 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	02/06/04	$ 19,788,000	$ 14

e offering period began January 8, 2004 and ended May 19, 2004. The offering raised $3,230,000, or 100.0% of the offering amount. T
st in the property. The remaining 95.0% is owned by 11 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	office	03/25/04	$ 7,570,000	$

oaned $15,000 to the program to cover costs to close the acquisition as all of the offering equity had not been raised as of the date of the
04, the loan was repaid. In 2007, the program had deficit cash flow after distributions of $50,000 which was covered by prior years exc

fering period began January 28, 2004 and ended March 31, 2004. The offering raised $29,600,000, or 100.0% of the offering amount. T
alty Investors and 2003 Value Fund retained a 21.5% ownership interest in the property. The remaining 78.5% of the property was own

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	03/31/04	$ 65,780,000	$ 41,350,000

oaned $2,292,000 to the program to cover costs to close the acquisition as all the offering equity had not been raised as of the date of the
04, the loan was repaid.

r a gain of $7,759,000. From the sale proceeds, Realty received a disposition fee of $2,550,000 and Grubb & Ellis Realty Investors rece

: The offering period began January 29, 2004 and ended May 28, 2004. The offering raised $6,500,000, or 100.0% of the offering amo
ship interest in the property. The remaining 95.0% is owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	office	03/19/04	$ 15,580,000	$ 10,500

oaned $70,000 to the program to cover costs to close the acquisition as all the offering equity had not been raised as of the date of the ac
was repaid.

er distributions of $293,000 was covered by the prior year s excess cash flow after distributions. The 2005 deficit cash flow resulted fro
ent year causing excess payments of $479,000.

offering period began January 30, 2004 and ended May 7, 2004. The offering raised $32,060,000, or 100.0% of the offering amount. T
6% ownership interest in the property. The remaining 88.4% is owned by 30 unaffiliated TICs investing in the program

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	05/07/04	$ 61,300,000	$ 36,500,000

on rate was reduced from 8.0% to 4.0% as a result of a sluggish leasing market. The 2005 deficit cash flow after distributions of $408,0
007, the program had deficit cash flow after distributions of $552,000 which was covered by the prior years cash flow after distributio

offering period began March 12, 2004 and ended July 23, 2004. The offering raised $4,450,500, or 100.0% of the offering amount, from

40

t in the property. The remaining 78.5% is owned by G REIT as a TIC outside of the program.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
21.5%	office complex	07/23/04	$ 7,203,000	$ 5,160,000

it cash flow after distributions of $79,000 which was covered by prior years excess cash flow after distributions. In 2007, the program $82,000.

The offering period began March 25, 2004 and ended May 19, 2004. The offering raised $8,270,000, or 100.0% of the offering amou T REIT retained 100.0% of the property.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	04/02/04	$ 8,137,000	$ 4,000,000

estors were suspended due to tenant vacancy. In September 2005, the property was refinanced by a $10,605,000 loan with a $6,438,000 t proceeds from the refinance and Grubb & Ellis Realty Investors was paid a financing fee of $107,000 when the property was sold in 2

r $22,250,000, resulting in a gain of $2,637,000. Realty was paid a disposition fee of $668,000 and Grubb & Ellis Realty Investors was

r, LLC: The offering period began April 5, 2004 and ended July 1, 2004. The offering raised $7,130,000, or 100.0% of the offering amo program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/11/04	$ 15,200,000	$ 9,300,000

oaned $35,000 to the program at the close of escrow to cover an unanticipated lender required community development reserve of $82,0 0 which were covered by prior years excess cash flow after distributions.

The offering period began April 9, 2004 and ended October 22, 2004. The offering raised $11,000,000, or 100.0% of the offering amou st in the property. The remaining 99.0% is owned by 17 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgag at Purc
100.0%	office complex	06/30/04	$ 27,050,000	$ 20,0

The offering began April 30, 2004 and closed September 29, 2004. The offering raised $8,650,000, or 100.0% of the offering amount. erest in the property. The remaining 98.875% is owned by 27 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	office	07/12/04	$ 21,850,000	$ 16,000

cit cash flow after distributions of $413,000 which was partially offset by the prior year s excess cash flow after distributions resulting
sh flow after distributions and return of capital of $93,000 and $16,000, respectively.

offering period began May 7, 2004 and ended January 5, 2005. The offering raised $42,800,000, or 100.0% of the offering amount. The
members were shareholders of Grubb & Ellis Realty Investors at the time of the investment, as affiliated members of the LLC, retained
27 unaffiliated TICs and an entity controlled by Mr. Thompson investing as a TIC in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/14/04	$ 100,940,000	$ 68,500,000

r a gain of $16,198,000. From the proceeds of the sale, Realty received a disposition fee of $2,250,000 and Grubb & Ellis Realty Invest

e, LLC: The offering period began June 2, 2004 and ended October 20, 2004. The offering raised $7,010,000, or 100.0% of the offering
ership interest in the property. The remaining 93.375% is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	office	07/22/04	$ 16,200,000	$ 10,530

property taxes in 2007, the program had deficit cash flow after distributions of $242,000 which was covered by prior years excess ca

The offering period began June 10, 2004 and ended September 13, 2004. The offering raised $10,800,000, or 100.0% of the offering a
rship interest in the property. The remaining 93.75% is owned by 23 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
100.0%	office	08/18/04	$ 29,870,000	$ 21,750

cash flow after distributions of $190,000. Excess cash flow after distributions from the prior year covered the current year deficit.

The offering period began June 28, 2004 and ended August 30, 2004. The offering raised $3,624,750, or 100.0% of the offering amou
t in the property. The remaining 77.6% is owned by G REIT as a TIC outside the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
22.4%	office	08/06/04	$ 8,288,000	$ 6,888,0

r a gain. The program s share of the gain was $469,000. From proceeds of the sale, Realty received a disposition fee of $158,000.

ing period began August 2, 2004 and ended December 9, 2004. The offering raised $32,250,000, or 100.0% of the offering amount. The

erest in the property. The remaining 90.625% is owned by 27 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office complex	09/27/04	$ 73,100,000	$ 46,8

er distributions of $291,000 was primarily due to payment of thirteen months interest expense during the year causing a one time overst
m the prior year covered the current year deficit. In 2006, the property was sold for $94,100,000 resulting in a gain of $15,587,000. Fro
l Grubb & Ellis Realty Investors received deferred management fees of $407,000.

offering period began August 6, 2004 and ended January 20, 2005. The offering raised $8,655,000, or 100.0% of the offering amount.
alty Investors retained a 3.75% ownership interest in the property. The remaining 96.25% is owned by 23 unaffiliated TICs investing in

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	10/29/04	$ 17,000,000	$ 9,9

The offering period began August 10, 2004 and ended October 8, 2004. The offering raised $4,700,000, or 100.0% of the offering amou

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	10/07/04	$ 17,850,000	$ 14,800,000

ad deficit cash flow after distributions of $77,000 and $47,000, respectively, which was covered by prior years excess cash flow after

: The offering period began August 16, 2004 and ended May 13, 2005. The offering raised $8,000,000, or 100.0% of the offering amou
Investors and a shareholder of Grubb & Ellis Realty Investors, retained a 2.25% ownership interest in the property. The remaining 97.75

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	11/19/04	$ 18,025,000	$ 11,3

cash flow after distribution of $43,000 which was covered by prior years excess cash flow after distributions. In 2007, Grubb & Ellis

e offering began August 16, 2004 and ended February 17, 2005. The offering raised $19,600,000, or 100.0% of the offering amount. Th
etained a 3.25% ownership interest in the property. The remaining 96.75% is owned by 25 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office complex	10/28/04	$ 51,500,000	$ 36,250,000

er distributions of $168,000 is due primarily to thirteen months of debt service paid in the current year causing a one time overstatement
ns covered the current year deficit. In 2007, the property was sold resulting in a gain of $5,487,000. From the proceeds of the sale, Real

275,000, and Grubb & Ellis Realty Investors received a liquidation fee of $9,000 and repayment of an advance made earlier in 2007 of $

offering began September 1, 2004 and ended December 20, 2004. The offering raised $4,999,425 or 100.0% of the offering amount. The
st in the property. The remaining 95.3% is owned by 14 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	11/29/04	$ 12,256,000	$ 8,5

Ellis Realty Investors advanced $25,000 to the program.

: The offering began September 9, 2004 and ended January 6, 2005. The offering raised $3,500,000 or 100.0% of the offering amount.
st in the property. The remaining 99.0% is owned by 17 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
s	100.0%	apartment	11/12/04	$ 11,513,000	$ 8,750

ad deficit cash flow after distributions and return of capital of $201,000 and $31,000, respectively, which represents utilization of invest
er lease.

ffering began September 22, 2004 and ended May 12, 2005. The offering raised $11,000,000 or 100.0% of the offering amount. The LL
property. The remaining 88.5% is owned by 21 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/08/04	$ 27,350,000	$ 18,900,000

cash flow after distributions of $247,000. The deficit was due to payment of two years property taxes in the current year resulting in e
ss cash flow after distributions.

LC: The offering began September 27, 2004 and ended August 31, 2005. The offering had raised $9,849,925 or approximately 100.0%
ers retained a 3.75% ownership interest in the property. The remaining 96.25% is owned by 19 unaffiliated TICs investing in the progra

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	office	11/12/04	$ 29,149,000	$ 21,800

he offering began October 7, 2004 and ended on January 7, 2005. The offering had raised $10,150,000, or 100.0% of the offering amou
areholders of Grubb & Ellis Realty Investors at the time of the investment, retained an 18.125% ownership interest in the property. The
in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	11/05/04	$ 29,480,000	$ 21,500,000

er distributions of $35,000 was covered by the prior year s excess cash flow after distributions. In 2006, the deficit cash flow after distr tributions. The deficit resulted primarily from the payment of 13 months interest causing excess payments of $97,000 during the year.

LLC: The offering began October 15, 2004 and ended on March 1, 2005. The offering raised $6,450,000, or 100.0% of the offering amo ship interest in the property. The remaining 96.0% of the property is owned by 23 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
nents	100.0%	apartment	12/30/04	$ 16,000,000	$ 11,500,0

ad deficit cash flow after distributions and return of capital of $257,000 and $57,000, respectively, which represents utilization of inves er lease.

C: The offering began November 4, 2004 and ended on May 23, 2005. The offering raised $6,350,000, or 100.0% of the offering amou st in the property. The remaining 94.9% of the property is owned by 28 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
nts	100.0%	apartment	12/30/04	$ 14,338,000	$ 9,300,0

ad deficit cash flow after distributions and return of capital of $261,000 and $25,000, respectively, which represents utilization of inves er lease.

he offering began November 10, 2004 and ended on April 1, 2005. The offering raised $11,400,000, or 100.0% of the offering amount. st in the property. The remaining 92.9% of the property is owned by 19 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GL (Sq
100.0%	office	01/06/05	$ 30,910,000	$ 22,000,000	17

te paid to investors was reduced from 5.07% to 3.00%. In 2007, the program had deficit cash flow after distributions of $204,000 which

g began November 30, 2004 and ended on April 11, 2005. The offering raised $21,250,000, or 100.0% of the offering amount. The LL alty Investors retained an 8.8% ownership interest in the property. The remaining 91.2% of the property is owned by 24 unaffiliated TIC tment investing in the program as a TIC.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq F
100.0%	office	01/07/05	$ 49,000,000	$ 32,000,000	210,0

s refinanced with a $32,250,000 loan which resulted in net refinance proceeds of $367,000. Grubb & Ellis Realty Investors received a fi
fter distributions of $11,000 which was covered by the prior year s excess

007, the property was sold resulting in a gain of $9,041,000. From the proceeds of the sale, Realty received a disposition fee of $2,565, 00, and Grubb & Ellis Realty Investors received a liquidation fee of $67,000 and reimbursement of operating expenses of $48,000.

C: The offering began December 13, 2004 and ended June 15, 2006. The offering raised $11,805,559, or 59.0% of the offering amount e shareholders of Grubb & Ellis Realty Investors at the time of the investment. The program acquired 100.0% of two properties, raw lan ns a 47.5% undivided interest in Chase Tower. The remaining 52.5% is owned by two affiliated programs, NNN Chase Tower, LLC and utside the program.

Opportunity Fund VIII, LLC owned interests in the following property:

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
100.0%	office	04/18/06	$ 9,700,000	$ 8,750,000
47.5%	office	07/03/06	$ 34,438,000	$ 26,030,000

Opportunity Fund VIII, LLC had sold the following properties:

	Date of Purchase	Date of Sale
te Park	9/30/05	03/27/0

vestors advanced $25,000 to the program to cover distributions. In 2007, Grubb & Ellis Realty Investors and an affiliate of Grubb & El ogram to cover distributions. An affiliate of Grubb & Ellis Realty Investors advanced $250,000 to Executive Center VI, a property whol the program had deficit cash flow after distributions of $1,249,000 and return of capital of $65,000.

: The offering began December 15, 2004 and ended on March 29, 2005. The offering raised $6,249,917, or 100.0% of the offering amo st in the property. The remaining 92.1% of the property is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
s	100.0%	apartment	01/19/05	$ 18,283,000	$ 13

ad deficit cash flow after distributions and return of capital of $132,000 and $98,000, respectively, which represents utilization of inves er lease.

: The offering began December 17, 2004 and ended on March 1, 2005. The offering raised $8,100,000, or 100.0% of the offering amou st in the property. The remaining 93.5% of the property is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	02/24/05	$ 19,410,000	$ 13,9

cash flow after distributions of $306,000 which was covered by the prior year s excess cash flow after distributions.

LLC: The offering began January 31, 2005 and ended on May 23, 2005. The offering raised $15,949,991, or 100.0% of the offering an

ship interest in the property. The remaining 94.5% of the property is owned by 30 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	03/30/05	$ 46,775,000	$ 33,750,000

LLC: The offering began February 4, 2005 and ended on April 12, 2005. The offering raised $3,300,000, or 100.0% of the offering am
of the property is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	04/12/05	$ 9,470,000	$ 6,875,000

cash flow after distributions of $77,000 due in part to payment of thirteen months interest on the mortgage during the year resulting in e
year s excess cash flow after distributions.

The offering began February 17, 2005 and ended on July 15, 2005. The offering raised $35,000,000, or 100.0% of the offering amount.
ealty Investors retained a 12.9% ownership interest in the property. The remaining 87.1% of the property is owned by 32 unaffiliated T
rogram as a TIC.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	04/29/05	$ 95,000,000	$ 70,000,000

it cash flow after distributions of $273,000. The deficit was caused by the payment of two years of property tax expense in 2007 and wa

offering began February 18, 2005 and ended on May 17, 2005. The offering raised $15,900,000, or 100.0% of the offering amount. The
fering retained a 15.0% ownership interest in the property. The remaining 85.0% of the property is owned by 25 unaffiliated TICs and a
m as a TIC.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	04/08/05	$ 44,880,000	$ 32,0

it cash flow after distributions of $418,000. The deficit was caused by the payment of two years of property tax expense in 2007 and wa

C: The offering began March 22, 2005 and ended on September 15, 2005. The offering raised $10,400,000, or 100.0% of the offering ar
rship interest in the property. The remaining 81.0% of the property is owned by 25 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	office	05/02/05	$ 21,000,000	$ 1

it cash flow after distributions of $50,000. The deficit was caused by hurricane clean up expenses totaling $122,000 and was covered by

The offering began March 22, 2005 and ended on August 31, 2006. The offering raised $8,738,000, or 100.0% of the offering amount. T
ders of Grubb & Ellis Realty Investors at the time of the investment, retained an 11.5% ownership interest in the property. The remaini
program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortg at P
100.0%	office	05/02/05	$ 16,200,000	$

of capital and deficit cash flow after distributions of $191,000. The deficit was due in part to hurricane clean up costs of $60,000.

The offering began March 28, 2005 and ended on October 27, 2005. The offering raised $4,350,000, or 100.0% of the offering amoun
st in the property. The remaining 90.1% of the property is owned by 18 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
ments	100.0%	apartment	06/08/05	$ 14,317,000	$ 11,040

ad deficit cash flow after distributions and return of capital of $90,000 and $102,000, respectively, which represents utilization of inves
er lease.

LC: The offering began May 2, 2005 and ended on August 17, 2005. The offering raised $4,520,000, or 100.0% of the offering amount
st in the property. The remaining 95.6% of the property is owned by 20 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/10/05	$ 12,950,000	$ 9,500,000

gram experienced deficit cash flow after distributions and return of capital of $34,000, $69,000 and $6,000, respectively. In 2006, the de
resulting in excess payments of $43,000 during the year.

e offering began May 20, 2005 and ended on October 18, 2005. The offering raised $29,899,970, or 100.0% of the offering amount. The
e property. The remaining 88.3% of the property is owned by 27 unaffiliated TICs and an entity controlled by Mr. Thompson investing

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	(S
100.0%	office	06/20/05	$ 74,148,000	$ 60,000,000	

cash flow after distributions of $184,000. Most of this deficit was related to the payment of two years property taxes during the year. Th
ns.

he offering began June 3, 2005 and ended on August 8, 2005. The offering raised $10,650,000, or 100.0% of the offering amount. The

st in the property. The remaining 94.6% of the property is owned by 25 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	07/29/05	$ 26,375,000	$ 19,0

s, DST: The offering began June 17, 2005 and ended on November 16, 2005. The offering raised $23,585,000, or 99.9% of the offering
of the property is owned by 75 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	apartment	07/29/05	$ 54,540,000	$ 35

ad deficit cash flow after distributions and return of capital of $374,000 and $59,000, respectively, which represents utilization of invest
er lease.

offering began June 22, 2005 and ended on October 21, 2005. The offering raised $12,000,000, or 100.0% of the offering amount. The I
roperty. The remaining 94.6% of the property is owned by 32 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	08/19/05	$ 37,500,000	$ 28,0

cash flow after distributions of $348,000 which was covered by the prior year s excess cash flow after distributions. The deficit in 200
s payments of $400,000 during the year.

The offering began June 24, 2005 and ended on November 7, 2005. The offering raised $15,000,000, or 100.0% of the offering amou
lis Realty Investors retained a 1.0% ownership interest in the property. The remaining 99.0% of the property is owned by 34 unaffiliated

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	09/12/05	$ 44,393,000	$ 32,2

C: The offering began June 29, 2005 and ended on September 9, 2005. The offering raised $11,850,000, or 100.0% of the offering amo
hip interest in the property. The remaining 98.5% of the property is owned by 33 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	09/09/05	$ 28,474,000	$ 18,810,000

The offering began July 12, 2005 and ended on November 4, 2005. The offering raised $6,600,000, or 100.0% of the offering amount. T
st in the property. The remaining 97.4% of the property is owned by 20 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgag at Purc
100.0%	office	09/13/05	$ 15,500,000	$ 10,3

cash flow after distributions of $58,000 which was covered by prior years excess cash flow after distributions.

ring began July 25, 2005 and ended on June 20, 2006. The offering raised $7,000,000, or 100.0% of the offering amount. The LLC, wit
s at the time of the investment, retained a 1.3% ownership interest in the property. The remaining 98.7% of the property is owned by 24

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	09/27/05	$ 17,814,000	$ 12,100,000

ad deficit cash flow after distributions and return of capital of $89,000 and $27,000, respectively, which represents utilization of investo
ase.

LLC: The offering began July 25, 2005 and ended on October 28, 2005. The offering raised $24,650,000, or 100.0% of the offering am
rship interest in the property. The remaining 91.7% of the property is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	8 building office park	09/30/05	$ 45,500,000	$ 33,500,0

vestors advanced $200,000 to the program to fund a lender required interest reserve. In 2007, the property was refinanced with a loan o
e Grubb & Ellis Realty Investors advance of $200,000 and fund $1,142,000 of distributions made to investors.

he offering began August 5, 2005 and ended on July 31, 2006. The offering raised $50,800,000, or 100.0% of the offering amount. The
bb & Ellis Realty Investors at the time of the investment, retained a 14.3% ownership interest in the property. The remaining 85.7% of

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purch
100.0%	office	09/28/05	$ 173,680,000	$ 136,0

cash flow after distributions of $87,000. The deficit was covered by the prior year s excess cash flow after distributions.

ing began August 16, 2005 and ended on November 1, 2005. The offering raised $20,000,000, or 100.0% of the offering amount. The L
program. The remaining 80.0% of the property is owned by 10 unaffiliated TICs investing in the program. An affiliated entity, NNN 20
Netpark II, LLC. NNN Netpark, LLC, an affiliated private program, retained a 50% ownership interest in the property.

Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Sha Mortga at Pu

50.0%	office	09/30/05	$ 33,500,000	$	21

it cash flow after distributions of $5,000 representing return of capital. In 2007, the program had deficit cash flow after distributions of $

III, LLC: The offering began August 22, 2005 and ended on October 18, 2005. The offering raised $13,200,000, or 100.0% of the offer

b & Ellis Realty Investors at the time of the investment, retained a 2.5% ownership interest in the property. The remaining 97.5% of the

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	09/30/05	$ 45,290,000	$ 35,000,000

II, LLC: The offering began September 1, 2005 and ended on May 11, 2006. The offering raised $21,500,000, or 100.0% of the offerin
ship interest in the property. The remaining 93.7% of the property is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	three office buildings	09/30/05	$ 58,610,000	$ 41,000,000

cash flow after distributions of $457,000 and return of capital of $123,000. Part of the deficit cash flow and all the return of capital were
ments of $187,000 during the year.

The offering began September 6, 2005 and ended on October 28, 2005. The offering raised $4,400,000, or 100.0% of the offering amoun
st in the property. The remaining 98.0% of the property is owned by 23 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	10/28/05	$ 11,330,000	$ 9,100,0

ad deficit cash flow after distributions and return of capital of $19,000 and $7,000, respectively, which represents utilization of investor
ase.

: The offering began September 7, 2005 and ended on November 29, 2005. The offering raised $9,800,000, or 100.0% of the offering a
rubb & Ellis Realty Investors retained a 5.8% ownership interest in the property. The remaining 94.2% of the property is owned by 27 u

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mort at
100.0%	office	10/20/05	$ 22,660,000	$

cash flow after distributions of $551,000 which was covered in the amount of $523,000 by the prior year s excess cash flow after distri

I, LLC: The offering began September 13, 2005 and ended on September 14, 2006. The offering raised $28,450,000, or 100.0% of the
and a shareholder of Grubb & Ellis Realty Investors at the time of the investment, retained an 8.1% ownership interest in the property.
vesting in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	four office buildings	10/14/05	$ 82,989,000	$ 60,000,000

cash flow after distributions of $166,000 which was covered by prior years excess cash flow after distributions.

fering began September 21, 2005 and ended on April 5, 2006. The offering raised $18,400,000, or 100.0% of the offering amount. The I
Investors at the time of the investment, retained a 2.4% ownership interest in the property. The remaining 97.6% of the property is own

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	11/15/05	$ 33,280,000	$ 19

vestors advanced $175,000 to the program which had return of capital of $296,000 and deficit cash flow after distributions of $439,000
he program, primarily to cover re-tenanting costs.

offering began September 29, 2005 and ended on September 26, 2006. The offering raised $41,500,000, or 100.0% of the offering amo
f Grubb & Ellis Realty Investors at the time of the investment, retained a 2.9% ownership interest in the property. The remaining 97.1%
b & Ellis Realty Investors as TICs, investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq F
100.0%	office	12/14/05	$ 100,525,000	$ 72,000,000	298,(

of capital and deficit cash flow after distributions of $106,000.

The offering began September 30, 2005 and ended on December 15, 2005. The offering raised $8,100,000, or 100.0% of the offering am
o were shareholders of Grubb & Ellis Realty Investors at the time of the investment, retained a 4.4% ownership interest in the property.
vesting in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	11/09/05	$ 20,850,000	$ 15,300,000

cash flow after distributions of $3,000 which was covered by prior years excess cash flow after distributions.

offering began October 12, 2005 and ended on March 30, 2006. The offering raised $34,000,000, or 100.0% of the offering amount. Th
alty Investors at the time of the investment, retained a 12.1% ownership interest in the property. The remaining 87.9% of the property is

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage at Purc
100.0%	office	12/09/05	$ 92,280,000	$ 67,5

sulting in a gain of $13,245,000. From the proceeds of the sale, Realty received a disposition fee of $4,612,000 and deferred fees and in
dation fee of $139,000 and reimbursement of deferred fees of $19,000.

The offering began October 13, 2005 and ended on November 30, 2005. The offering raised $28,800,000, or 100.0% of the offering ar
ship interest in the property. The remaining 98.7% of the property is owned by 32 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	11/30/05	$ 79,750,000	$ 58,000,0

cash flow after distributions of $506,000 which were covered by the prior year s excess cash flow after distributions.

ring began October 21, 2005 and ended on January 19, 2006. The offering raised $28,800,000, or 100.0% of the offering amount. The p

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	01/19/06	$ 23,391,000	$ 16,925,000

ad deficit cash flow after distributions and return of capital of $44,000 and $109,000, respectively, which represents utilization of inves
er lease.

LC: The offering began October 25, 2005 and ended on August 4, 2006. The offering raised $13,200,000, or 100.0% of the offering an
b & Ellis Realty Investors at the time of the investment, members retained a 3.0% ownership interest in the property. The remaining 97
program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	office	11/23/05	$ 32,875,000	$ 24,000

it cash flow after distributions of $37,000 due to payment of 13 months interest on the mortgage during the year resulting in excess cash
ss cash flow after distributions.

offering began November 9, 2005 and ended on October 31, 2006. The offering raised $12,393,000, or 99.9% of the offering amount o
rubb & Ellis Realty Investors at the time of the investment, retained a 3.4% ownership interest in the property. The remaining 96.6% of

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	01/10/06	$ 33,500,000	$ 24,225,0

offering began November 14, 2005 and ended on May 9, 2006. The offering raised $8,840,000, or 100.0% of the offering amount. The
y. The remaining 99.4% of the property is owned by 32 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	01/03/06	$ 23,816,000	$ 17,000,000

cash flow after distributions and return of capital of $51,000 which represents utilization of investor funded reserves for designated repa

sulting in a gain of $2,126,000. From the proceeds of the sale, Realty received a disposition fee of $848,000. Grubb & Ellis Realty Inve
f $48,000.

ering began November 23, 2005 and ended on December 15, 2006. The offering raised $26,500,000, or 100.0% of the offering amount.

Investors at the time of the investment, retained a 4.8% ownership interest in the property. The remaining 95.2% of the property is own

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortga at Pu
100.0%	office	12/27/05	$ 66,500,000	$ 58

cash flow after distributions of $762,000 and return of capital of $451,000.

The offering began November 29, 2005 and ended on February 1, 2006. The offering raised $5,100,000, or 100.0% of the offering am program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage I at Purcha
100.0%	apartment	12/30/05	$ 13,236,000	$ 9,700

ad deficit cash flow after distributions and return of capital of $98,000 and $73,000, respectively, which represents utilization of investo ase.

The offering began December 16, 2005 and ended on March 30, 2006. The offering raised $47,800,000, or 100.0% of the offering amou f Grubb & Ellis Realty Investors at the time of the investment, retained an 11.1% ownership interest in the property. The remaining 88.9 program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	02/21/06	$ 157,384,000	$ 132,000,000

ffering began December 22, 2005 and ended on May 9, 2006. The offering raised $22,450,000, or 100.0% of the offering amount. The Investors at the time of the investment, retained a 4.8% ownership interest in the property. The remaining 95.2% of the property is own

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase
100.0%	office	02/09/06	$ 66,600,000	$ 50,000,0

: The offering began January 19, 2006 and ended on May 23, 2006. The offering raised $10,525,000, or 100.0% of the offering amoun roperty. The remaining 98.4% of the property is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage De at Purchase

100.0%	apartment	03/15/06	$	28,400,000	$	21,300,0

cash flow after distributions and return of capital of $143,000 which represents utilization of investor funded reserves for designated re
sold resulting in a gain of $2,793,000. From the proceeds of the sale, Realty received a disposition fee of $1,020,000, and Grubb & Ellis

The offering began February 3, 2006 and ended on March 31, 2006. The offering raised $7,000,000, or 100.0% of the offering amount
is Realty Investors at the time of the investment, retained a 1.5% ownership

aining 98.5% of the property is owned by 27 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
ation	100.0%	apartment	03/17/06	$ 19,032,000	$ 13,725,000

ad deficit cash flow after distributions and return of capital of $63,000 and $269,000, respectively, which represents utilization of inves
er lease.

LLC: The offering began February 6, 2006 and ended on December 1, 2006. The offering raised $33,150,000, or 100.0% of the offerin
b & Ellis Realty Investors at the time of the investment, retained a 6.4% ownership interest in the property. The remaining 93.6% of the

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage D at Purcha
	100.0%	office	04/28/06	$ 69,595,000	$ 51,180

ad return of capital and deficit cash flow of $661,000 and $646,000, respectively.

LC: The offering began March 10, 2006 and ended on May 1, 2006. The offering raised $6,000,000, or 100.0% of the offering amount

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	(
	100.0%	apartment	05/01/06	$ 15,192,000	$ 11,063,000	

ad return of capital and deficit cash flow after distributions of $71,000 and $125,000, respectively. Grubb & Ellis Realty Investors adva

fering began March 22, 2006 and ended on September 18, 2006. The offering raised $8,250,000, or 100.0% of the offering amount. The
y. The remaining 98.6% of the property is owned by 29 unaffiliated TICs investing in the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
	100.0%	office	05/18/06	$ 19,799,000	$ 14,830,000

of capital and deficit cash flow after distributions of $238,000.

offering began April 3, 2006 and ended on July 25, 2006. The offering raised $11,050,000, or 100.0% of the offering amount. The LLC,
Investors at the time of the investment, retained a 12.0% ownership interest in the property. The remaining 88.0% of the property is ow

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	05/18/06	$ 36,875,000	$ 28,100,000

he offering began May 2, 2006 and ended on October 4, 2006. The offering raised $7,967,000, or 100.0% of the offering amount. The I

Investors at the time of the investment, retained a 1.1% ownership interest in the property. The remaining 98.9% of the property is own

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	07/07/06	$ 20,497,000	$ 14,925,000

cash flow after distributions of $269,000 and return of capital of $234,000.

C: The offering began May 5, 2006 and ended on July 21, 2006. The offering raised $15,400,000, or 100.0% of the offering amount. Th
y. The remaining 92.9% of the property is owned by 32 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/27/06	$ 44,148,000	$ 32,000,000

The offering began May 10, 2006 and ended on April 17, 2007. The offering raised $30,485,000 or 100.0% of the offering amount. The
property. The remaining 92.4% is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	medical office	07/07/06	$ 74,250,000	$ 50,750,000

ffering began May 22, 2006 and ended on May 18, 2007. The offering raised $5,715,000, or 100.0% of the offering amount. The LLC,
s at the time of the investment, retained 100.0% the program s 26.8% interest in the property.

Interest Ownership	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase
26.8%	office	07/03/06	$ 19,430,000	$ 14,686,000

cash flow of $327,000 and no distributions were made to investors.

The offering began May 25, 2006 and ended on September 14, 2006. The offering raised $20,760,000, or 100.0% of the offering amou
roperty. The remaining 90.3% of the property is owned by 26 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/29/06	$ 100,800,000	$ 84,405,000

offering began June 7, 2006 and ended on October 9, 2006. The offering raised $6,650,000, or 100.0% of the offering amount. The LL
Investors at the time of the investment, retained a 1.0% ownership interest in the property. The remaining 99.0% of the property is own

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt At Purchase
100.0%	apartment	08/08/06	$ 15,553,000	$ 11,325,000

ad return of capital and deficit cash flow after distributions of $4,000 and $338,000, respectively.

C: The offering began June 28, 2006 and ended on May 21, 2007. The offering raised $3,044,743, or 99.8% of the offering amount. The
Investors at the time of the investment, retained a 5.8% ownership interest in the property. The remaining 94.2% of the property is own

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	09/01/06	$ 8,000,000	$ 6,000,000

cash flow after distributions of $106,000 which was covered by the prior year s excess cash flow after distributions.

, LLC: The offering began July 18, 2006 and ended on November 27, 2006. The offering raised $11,450,000, or 100.0% of the offering
b & Ellis Realty Investors at the time of the investment, retained a 1.0% ownership interest in the property. The remaining 99.0% of the

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	09/08/06	$ 26,008,000	$ 18,938,000

cash flow after distributions of $85,000 which was covered by the prior year s excess cash flow after distributions.

The offering began July 19, 2006 and remained open at December 31, 2006. The maximum offering amount to be raised is $17,000,000

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	08/18/06	$ 38,368,000	$ 32,000,000

C: The offering began November 6, 2006 and ended on January 25, 2007. The offering raised $5,500,000, or 100.0% of the offering an
he property. The remaining 81.8% of the property is owned by 27 TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	medical office	01/05/07	$ 16,738,000	$ 12,500,000

cash flow after distributions and return of capital of $64,000.

ffering began July 25, 2006 and ended on December 21, 2006. The offering raised $5,900,000, or 100.0% of the offering amount. The I
y. The remaining 93.2% of the property is owned by 29 unaffiliated TICs investing in the program.

Ownership	Purchase	Purchase	Mortgage De

Interest	Type of Property	Date	Price	at Purchase
100.0%	three office buildings	11/15/06	$ 13,390,000	$ 10,090,0

, LLC: The offering began August 1, 2006 and ended on March 26, 2007. The offering raised $16,277,000, or 32.6% of the offering ar
llis Realty Investors at the time of the investment. The program

ured notes offering. The program was formed for the purpose of making secured loans to one or more borrowers, likely to be affiliates o
real estate. An investor in this program was making a loan to the LLC. Grubb & Ellis Realty Investors, as the sole member and manage
units.

The offering began August 21, 2006 and ended on July 18, 2007. The offering raised $41,250,000, or 100.0% of the offering amount. T
y. The remaining 90.3% of the property is owned by 33 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	10/25/06	$ 92,756,000	$ 65,000,000

cash flow of $828,000 and return of capital of $498,000.

The offering began August 22, 2006 and ended on November 28, 2006. The offering raised $7,000,000, or 100.0% of the offering am
property. The remaining 96.9% of the property is owned by 29 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	10/27/06	$ 17,450,000	$ 13,350,000

Ellis Realty Investors advanced $25,000 to the program, and there was deficit cash flow after distributions on $16,000.

he offering began August 28, 2006 and ended on December 7, 2006. The offering raised $4,650,000, or 100.0% of the offering amount.
Realty Investors at the time of the investment, retained a 1.4% ownership interest in the property. The remaining 98.6% of the property

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Deb at Purchase
100.0%	office	10/13/06	$ 12,020,000	$ 8,600,0

cash flow of $86,000 and return of capital of $43,000. In 2007, the program had deficit cash flow of $63,000 and return of capital of $1

The offering began September 1, 2006 and ended on January 18, 2007. The offering raised $5,650,000, or 100.0% of the offering amou
llis Realty Investors at the time of the investment, retained a 9.0% ownership interest in the property. The remaining 91.0% of the prop
e affiliates of Grubb & Ellis Realty Investors at the time of the investment, including an entity owned by Mr. Thompson.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	10/12/06	$ 14,420,000	$ 10,500,000

Ellis Realty Investors advanced $30,000 to the program. The program repaid the advance in 2007. In 2007, the program had deficit cash

ing began September 8, 2006 and ended on November 29, 2006. The offering raised $8,350,000, or 100.0% of the offering amount. The Investors at the time of the investment, retained an 11.6% ownership interest in the property. The remaining 88.4% of the property is ow

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	11/29/06	$ 20,800,000	$ 15,125,000

C: The offering began September 19, 2006 and ended on July 6, 2007. The offering raised $5,325,000, or 100.0% of the offering amou roperty. The remaining 95.6% of the property is owned by 21 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	11/17/06	$ 11,845,000	$ 8,625,000

cash flow after distributions of $164,000 and return of capital of $63,000.

ering began September 25, 2006 and ended on November 7, 2007. The offering raised $5,540,000, or 100.0% of the offering amount. T y. The remaining 93.4% of the property is owned by 24 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/08/06	$ 10,970,000	$ 8,200,000

The offering began October 3, 2006 and ended on April 4, 2007. The offering raised $5,400,000, or 100.0% of the offering amount. T y. The remaining 90.8% of the property is owned by 24 unaffiliated TICs.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	retail	11/30/06	$ 15,400,000	$ 11,250,000

cash flow of $58,000 and no distributions were made to investors. In 2007, the program had deficit cash flow after distributions of $277 is Realty Investors advanced $45,000 to the program to fund distributions.

offering began October 31, 2006 and ended on December 15, 2006. The offering raised $8,800,000, or 100.0% of the offering amount. y. The remaining 97.3% of the property is owned by 24 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase

100.0%	office	12/15/06	$	22,500,000	$	16,425,000

cash flow of $43,000 and made no distributions. In 2007, the program had deficit cash flow after distributions of $321,000 and return o

C: The offering began November 2, 2006 and ended on July 26, 2007. The offering raised $13,700,000, or 100.0% of the offering amo
s Realty Investors at the time of the investment, retained a 6.5% ownership

aining 93.5% of the property is owned by 34 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	12/28/06	$ 31,415,000	$ 22,875,000

cash flow from operation of $57,000 and no distributions were made to investors as the property was acquired late in December.

ing began November 15, 2006 and ended on April 12, 2007. The offering raised $7,949,000, or 100.0% of the offering amount. The LL
Investors at the time of the investment, retained a 7.5% ownership interest in the property. The remaining 92.5% of the property is own

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/29/06	$ 13,800,000	$ 9,400,000

cash flow from operation of $17,000 and no distributions were made to investors as the property was acquired late in December.

LC: The offering began November 29, 2006 and remained open at December 31, 2007. The maximum offering amount to be raised is $

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	1/16/07	$ 13,390,000	$ 9,750,000

ering began November 29, 2006 and ended on March 20, 2007. The offering raised $12,020,000, or 100.0% of the offering amount. The
Investors at the time of the investment, retained a 6.1% ownership interest in the property. The remaining 93.9% of the property is own

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
3) 100.0%	office	01/03/07	$ 24,225,000	$ 17,300,000

e offering began December 5, 2006 and remained open at December 31, 2007. The maximum offering amount to be raised is $13,575,00

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/28/06	$ 27,525,000	$ 18,250,000

e offering began December 22, 2006 and ended on August 16, 2007. The offering raised $4,800,000, or 100.0% of the offering amount.
st in the property. The remaining 94.3% of the property is owned by 30 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	03/14/07	$ 11,330,000	$ 8,250,000

LC: The offering began January 5, 2007 and ended on December 10, 2007. The offering raised $15,710,000, or 100.0% of the offering

bb & Ellis Realty Investors at the time of the investment, retained a 15.8% ownership interest in the property. The remaining 84.2% of

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	03/12/07	$ 35,225,000	$ 26,000,000

ts, LLC: The offering began January 9, 2007 and ended on November 7, 2007. The offering raised $11,400,000, or 100.0% of the offe
ship interest in the property. The remaining 95.1% of the property is owned by 33 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	03/20/07	$ 29,973,000	$ 21,825,000

C: The offering began January 18, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $7,6

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	03/29/07	$ 18,643,000	$ 13,575,000

ffering began January 19, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $10,050,000.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	retail	02/27/07	$ 30,000,000	$ 22,500,000

Office, LLC: The offering began February 21, 2007 and ended on August 21, 2007. The offering raised $16,115,000, or 100.0% of the o
affiliate of Grubb & Ellis Realty Investors at the time of the investment, retained a 6.3% ownership interest in the property. The remain
the program.

	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
Portfolio	100.0%	medical office	03/29/07	$ 46,350,000	$ 36,500,000

cash flow after distributions and return of capital of $321,000.

ffering began February 27, 2007 and ended on December 11, 2007. The offering raised $15,675,000, or 100.0% of the offering amount.
st in the property. The remaining 93.3% of the property is owned by 33 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	03/26/07	$ 34,780,000	$ 25,500,000

: The offering began March 12, 2007 and ended on August 21, 2007. The offering raised $6,780,000, or 100.0% of the offering amoun
s Realty Investors at the time of the investment, retained a 7.5% interest in

% of the property is owned by 25 unaffiliated TICs and one affiliate of Grubb & Ellis Realty Investors investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	medical office	04/23/07	$ 18,180,000	$ 14,120,000

cash flow after distributions and return of capital of $127,000.

e offering began March 16, 2007 and ended on September 21, 2007. The offering raised $7,100,000, or 100.0% of the offering amount.
st in the property. The remaining 99.6% of the property is owned by 26 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	05/25/07	$ 17,098,000	$ 12,450,000

cash flow after distributions and return of capital of $17,000.

C: The offering began March 22, 2007 and ended on August 7, 2007. The offering raised $20,450,000, or 100.0% of the offering amou
est in the property. The remaining 86.2% of the property is owned by 30 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	medical office	06/04/07	$ 60,179,000	$ 45,000,000

cash flow after distributions of $1,289,000 and return of capital of $704,000.

The offering began April, 6, 2007 and ended on November 13, 2007. The offering raised $13,350,000, or 100.0% of the offering amou
s Realty Investors, retained a 3.9% ownership interest in the property. The remaining 96.1% of the property is owned by 30 unaffiliated

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/04/07	$ 36,848,000	$ 28,620,000

cash flow after distributions and return of capital of $368,000.

r, LLC: The offering began April 20, 2007 and ended on November 29, 2007. The offering raised $12,610,000, or 100.0% of the offeri
ship interest in the property. The remaining 94.0% of the property is owned by 33 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase

100.0%	medical office	08/16/07	$ 27,000,000	$ 21,600,000	

r II, LLC: The offering began April 25, 2007 and ended on June 21, 2007. The offering raised $4,300,000, or 100.0% of the offering an

ship interest in the property. The remaining 95.4% of the property is owned by 21 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	05/15/07	$ 11,742,000	$ 9,120,000

C: The offering began April 25, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $6,635,

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	06/05/07	$ 16,480,000	$ 12,000,000

C: The offering began May 16, 2007 and ended on June 21, 2007. The offering raised $5,850,000, or 100.0% of the offering amount. Th
st in the property. The remaining 99.6% of the property is owned by 15 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office / retail	06/21/07	$ 16,274,000	$ 12,640,000

LC: The offering began May 16, 2007 and ended on July 25, 2007. The offering raised $15,000,000, or 100.0% of the offering amount
st in the property. The remaining 98.3% of the property is owned by 29 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	06/29/07	$ 37,647,000	$ 29,280,000

cash flow after distributions and return of capital of $162,000.

The offering began May 17, 2007 and ended on October 4, 2007. The offering raised $9,075,000, or 100.0% of the offering amount. Th
st in the property. The remaining 98.6% of the property is owned by 33 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office / restaurant	06/20/07	$ 22,990,000	$ 17,500,000

cash flow after distributions and return of capital of $52,000.

The offering began May 30, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $8,830,00

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	07/02/07	$ 22,866,000	$ 16,650,000

ffering began June 6, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $8,585,000.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	06/29/07	$ 21,630,000	$ 15,750,000

The offering began June 11, 2007 and ended on November 13, 2007. The offering raised $9,450,000, or 100.0% of the offering amount.
st in the property. The remaining 94.2% of the property is owned by 25 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	07/06/07	$ 19,755,000	$ 13,522,000

cash flow after distributions of $664,000 and return of capital of $238,000.

r, LLC: The offering began June 15, 2007 and ended on July 26, 2007. The offering raised $6,560,000, or 100.0% of the offering amou
ship interest in the property. The remaining 98.0% of the property is owned by 18 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	medical office	07/26/07	$ 15,347,000	$ 12,000,000

C: The offering began July 3, 2007 and ended on October 25, 2007. The offering raised $11,475,000, or 100.0% of the offering amoun
st in the property. The remaining 97.2% of the property is owned by 30 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	03/07/07	$ 23,533,000	$ 16,250,000

he offering began July 6, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $7,660,000.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	07/31/07	$ 15,193,000	$ 11,063,000

ering began July 11, 2007 and ended on October 26, 2007. The offering raised $10,845,000, or 100.0% of the offering amount. The LL
y. The remaining 99.0% of the property is owned by 30 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	08/16/07	$ 26,981,000	$ 19,646,000

e offering began July 11, 2007 and ended on December 4, 2007. The offering raised $17,655,000, or 100.0% of the offering amount. T

st in the property. The remaining 94.0% of the property is owned by 33 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	08/17/07	$ 37,245,000	$ 26,500,000

re, LLC: The offering began July 17, 2007 and ended on November 27, 2007. The offering raised $6,620,000, or 100.0% of the offerin
ship interest in the property. The remaining 97.2% of the property is owned by 26 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	medical office	08/17/07	$ 12,360,000	$ 9,400,000

cash flow after distributions and return of capital of $29,000.

ffering began July 27, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $10,595,000.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	08/17/07	$ 27,589,000	$ 20,089,000

The offering began July 31, 2007 and ended on November 26, 2007. The offering raised $12,125,000, or 100.0% of the offering amou
s Realty Investors at the time of the investment, retained a 15.8% ownership interest in the property. The remaining 84.2% of the proper

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	08/17/07	$ 21,520,000	$ 15,500,000

he offering began August 15, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $17,985,0

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	medical office	09/05/07	$ 62,556,000	$ 48,880,000

e offering began August 15, 2007 and ended on November 14, 2007. The offering raised $16,195,000, or 100.0% of the offering amoun
operty. The remaining 95.2% of the property is owned by 26 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	medical office	09/05/07	$ 56,213,000	$ 43,920,000

e offering began August 23, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $12,790,000

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GI (Sq
100.0%	office	10/01/07	$ 24,000,000	$ 15,100,000	10

65

LC: The offering began August 29, 2007 and ended on December 13, 2007. The offering raised $13,200,000, or 100.0% of the offering
ship interest in the property. The remaining 99.2% of the property is owned by 30 unaffiliated TICs investing in the program.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	medical office	09/25/07	$ 29,446,000	$ 23,040,000

ffering began October 10, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $18,120,000.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	11/29/07	$ 29,865,000	$ 20,000,000

LC: The offering began October 16, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $9,

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	apartment	12/04/07	$ 22,042,000	$ 16,050,000

ng began October 23, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $19,100,000.

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/13/07	$ 32,245,000	$ 19,380,000

C: The offering began October 30, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $9,1

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/21/07	$ 14,626,000	$ 9,900,000

e offering began November 7, 2007 and remained open at December 31, 2007. The maximum offering amount to be raised is $13,715,0

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase
100.0%	office	12/13/07	$ 24,720,000	$ 16,800,000

Portfolio, LLC: The offering began November 29, 2007 and remained open at December 31, 2007. The maximum offering amount to

Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GL (Sq
100.0%	medical office	12/21/07	$ 42,230,000	$ 32,300,000	15

Prior Performance Tables

tained in the Prospectus are hereby updated by the following tables:

e Tables, or Tables, provide information relating to real estate investment and notes programs sponsored by NNN Realty Advisors, our f
, Grubb & Ellis Company, or Grubb & Ellis, and Grubb & Ellis Realty Investors, LLC, an indirect wholly owned subsidiary of Grubb &
m inception through December 31, 2007, Grubb & Ellis Group has served as advisor, sponsor or manager of 206 real estate investment
h the SEC and 200 private real estate investment programs that have no public reporting requirements. The investment objectives of the
ours, including the acquisition and operation of commercial properties; the provision of stable cash flow available for distribution to our
ital appreciation upon the ultimate sale of our properties. One difference in investment objectives between us and the public companies
cular: G REIT focused on government-oriented office properties; T REIT focused on commercial properties located in tax free states; G
alue Fund focused on investments in three office properties; and 2003 Value Fund focused on value-added properties in asset classes tha
ice buildings, healthcare-related facilities and quality commercial office properties.

sponsored by Grubb & Ellis Group also had as their primary investment objective the acquisition, ownership, operation and eventual sa
ified portfolio of real estate and real estate related securities, the private real estate programs were structured for the purpose of selling u
liability company.

ould read these Tables carefully together with the summary information concerning the prior programs as set forth in the Prior Perfor

, you will not own any interest in the prior programs and should not assume that you will experience returns, if any, comparable

ed by Grubb & Ellis Realty Investors, LLC. Our advisor is responsible for managing our day-to-day business affairs and assets, adminis
ant in connection with policy decisions to be made by our board of directors, managing or causing to be managed our properties, and re
ry. The financial results of the Prior Programs thus may provide some indication of our advisor s performance of its obligations during
e real estate industry and other factors contribute significantly to financial results.

d herein:

and Investing Funds (Unaudited)
nsor (Unaudited)
sults of Prior Programs (Unaudited)
l Programs (Unaudited)
Properties (Unaudited)

o the acquisition of properties by the Prior Programs is contained in Table VI, which is included in the registration statement which our
ll information concerning the Prior Programs at no charge upon request.

e data in Prior Performance Table III for each program on either a GAAP basis or an income tax basis depending on the reporting
ng requirements, the Table III presentation of Revenues, Expenses and Net

as been prepared and presented by Grubb & Ellis Group in conformity with accounting principles generally accepted in the Unites Stat
& Ellis Group presents Table III for all private programs on an income tax basis (which can in turn be presented on either a cash basis o
basis except for Western Real Estate Investment, Inc. and the four Notes Programs, which are presented on an accrual basis, as the onl
d to each investor. The Table III data for all other private programs (which are generally formed using LLCs) are prepared and presente
ng for income tax purposes. This is because most, if not all, of the investors in these private programs are individuals required to report
come tax purposes, and the LLCs are required to report on this basis when more than 50.0% of their investors are taxpayers that report
AP-basis affiliates invest in a private program, as in a Complex Ownership Structure, the ownership presentation in the tables is made in
ses. This presentation is made for consistency and to present results meaningful to the typical individual investor that invests in an LLC

allow Grubb & Ellis Group to record and report results for its private programs on an income tax basis, investors should understand tha
on a GAAP basis. Some of the major differences between GAAP accounting and income tax accounting (and, where applicable, betwe
unting for investments in real estate are described in the following paragraphs:

e between the cash methods of accounting and accrual methods (both GAAP and the accrual method of
tax purposes) is that the cash method of accounting generally reports income when received and expenses when
method generally requires income to be recorded when earned and expenses recognized when incurred.

hen reporting lease revenue, the minimum annual rental revenue be recognized on a straight-line basis over the
se, whereas the cash method of accounting for income tax purposes requires recognition of income when cash
received from tenants, and the accrual method of accounting for income tax purposes requires recognition of
me is earned pursuant to the lease contract.

hen an asset is considered held for sale, depreciation ceases to be recognized on that asset, whereas for income
tion continues until the asset either is sold or is no longer in service.

hen a building is purchased certain intangible assets and liabilities (such as above-and below-market leases,
d in-place lease costs) are allocated separately from the building and are amortized over significantly shorter
tion recognized on the building. These intangible assets and liabilities are not recognized for income tax
llocated separately from the building for purposes of tax depreciation.

asset is considered impaired when the carrying amount of the asset is greater than the sum of the future
ws expected to be generated by the asset, and an impairment loss must then be recognized to decrease the value
value. For income tax purposes, losses are generally not recognized until the asset has been sold to an unrelated
posed of in an arm s length transaction.

TABLE II
COMPENSATION TO SPONSOR (UNAUDITED)
PUBLIC PROGRAMS
December 31, 2007

mpensation paid to Grubb & Ellis Group and its affiliates in connection with prior programs with offerings that closed in the three years
ix public programs which paid compensation to Grubb & Ellis Group and its affiliates. Property management fees, asset management fe
missions are presented for consolidated properties at 100.0% of the amount incurred by the property on a GAAP basis. Consolidated pr
ed ownership percentages. Additionally, unconsolidated properties information is not included in the tabular presentation.

		Other Programs			
	G REIT, Inc.	NNN 2003 Value Fund, LLC	T REIT, Inc.(1)	NNN 2002 Value Fund, LLC	Grubb & Ellis Apartment REIT, Inc.
	7/22/2002	7/11/2003	2/22/2000	5/15/2002	7/19/2006
	$ 437,315,000	$ 50,000,000	$ 46,395,000	$ 29,799,000	$ 83,570,000(2)
roceeds of Offering:					
Group Members	$ 30,443,000	$ 3,898,000	$ 3,576,000	$ 2,089,000	$ 5,793,000
nce Reimbursement	10,818,000	1,251,000	671,000	2,005,000	2,092,000
es	3,036,000	1,394,000	860,000	249,000	1,255,000
					111,000
				1,000	
		1,783,000		1,192,000	
	$ 44,297,000	$ 8,326,000	$ 5,107,000	$ 5,536,000	$ 9,251,000
uisition for Real					
	$ 448,000	$ 2,441,000	$	$	$ 6,608,000
d from Operations ponsor	$ 39,358,000(3)	$ (4,752,000)	$ 1,954,000(4)	$ 3,941,000(5)	$ 3,959,000
Operations Year					
	$ 5,617,000	$ 268,000	$ 291,000	$ 477,000	$
	2,756,000	747,000	349,000	86,000	
	$ 8,373,000	$ 1,015,000	$ 640,000	$ 563,000	$
Operations Year					
	$ 4,811,000	$ 596,000	$ 84,000	$	$ 24,000
			265,000		

	3,705,000	947,000				
	$ 8,516,000	$ 1,543,000	$ 349,000	$	$	24,000
Operations Year						
	$ 1,658,000	$ 403,000	$	$	$	489,000
			82,000			950,000
	1,114,000	856,000				
	$ 2,772,000	$ 1,259,000	$ 82,000	$	$	1,439,000
Property Sales and						
	$ 13,514,000	$ 1,551,000	$ 1,317,000	$ 1,280,000	$	
		186,000				
		225,000				
	$ 13,514,000	$ 1,962,000	$ 1,317,000	$ 1,280,000	$	

REIT Liquidating Trust, successor of T REIT, Inc. as of July 20, 2007.
1, 2007 as the offering has not closed. Such amount excludes amounts issued under the distribution

presents cash generated from operations for the one year ended December 31, 2005, plus payments to the the three years ended December 31, 2007 due to the adoption of the liquidation basis of accounting as of

presents cash generated from operations for the period from January 1, 2005 through June 30, 2005, plus m operations for the three years ended December 31, 2007 due to the adoption of the liquidation basis of 05.
e Fund, LLC represents cash generated from operations for the period from January 1, 2005 through ents to the sponsor from operations for the three years ended December 31, 2007 due to the adoption of unting as of August 31, 2005.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAM BY YEAR (UNAUDITED)
PUBLIC PROGRAMS
G REIT, INC.

ts for programs which have closed their offerings during each of the five years ended December 31, 2007.

	Year Ended December	
	2005(4)	**2004**
	$	$
	10,682,000	980,000
me	445,000	332,000
rities	440,000	251,000
onsolidated Real Estate	1,337,000	(604,000)
d Operations	(4,215,000)	1,225,000
enses	4,006,000	2,419,000
	2,054,000	1,243,000
		398,000
is	$ 2,629,000	$ (1,876,000)
	2,511,000	11,273,000
	11,963,000	251,000
:		
	19,697,000	39,905,000
	80,432,000	(563,218,000)
	(76,789,000)	552,058,000
Operations, Investing & Financing	23,340,000	28,745,000
rs	19,023,000	26,335,000
y Interest	674,000	376,000
	13,865,000	
r Cash Distributions	(10,222,000)	2,034,000
g Sales & Refinancing)		
r Cash Distributions and Special Items	$ (10,222,000)	$ 2,034,000

TABLE III
OPERATING RESULTS OF PRIOR PROGRAM BY YEAR (UNAUDITED) (Continued)
PUBLIC PROGRAMS
G REIT, INC.

	Year Ended December 2005(4)	2004
1,000 Invested		
	$ 5.72	$ 30.19
	27.27	0.67
)		
	43.37	70.54
es		
	31.61	
es		
	43.37	70.54
	$ 31.61	$

rred financing costs.
nce of common stock net. $ $ 236,109,000
0 invested excludes distributions to minority interests.
idation basis of accounting as of December 31, 2005 and for all subsequent periods.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PUBLIC PROGRAMS
NNN 2003 VALUE FUND, LLC

ts for programs which have closed their offerings during the five years ended December 31, 2007.

	Year Ended December 31,			
	2007	**2006**	**2005**	**2004**
	$ 7,024,000	$ 1,997,000	$ 776,000	$ 653,000
	9,702,000	7,056,000	5,802,000	
me	608,000	526,000	416,000	86,000
rities	12,000	134,000	344,000	
consolidated Real Estate	(1,421,000)	(1,139,000)	2,510,000	(682,000)
d Operations	(1,465,000)	(3,545,000)	253,000	(145,000)
	4,292,000	1,707,000	971,000	1,084,000
enses	1,300,000	742,000	1,272,000	339,000
	4,416,000	1,231,000	447,000	638,000
	3,774,000	987,000	332,000	286,000
	(151,000)	(19,000)	166,000	(133,000)
is	$ 829,000	$ 381,000	$ 6,913,000	$ (2,302,000)
	(6,336,000)	(1,954,000)	95,000	680,000
	8,540,000	5,952,000	3,354,000	
:				
	(4,018,000)	(4,789,000)	238,000	2,476,000
	(17,530,000)	15,867,000	(64,529,000)	(45,158,000)
	33,255,000	(12,015,000)	70,050,000	52,269,000
Operations, Investing & Financing	11,707,000	(937,000)	5,759,000	9,587,000
rs				1,908,000
y Interest			238,000	408,000
	4,143,000	9,179,000	4,657,000	

er Cash Distributions g Sales & Refinancing)	7,564,000	(10,116,000)	864,000	7,271,000
er Cash Distributions and Special Items	$ 7,564,000	$ (10,116,000)	$ 864,000	$ 7,271,000

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED) (Continued)
PUBLIC PROGRAMS
NNN 2003 VALUE FUND, LLC

	Year Ended December 31		
	2007	**2006**	**2005**
1,000 Invested			
	$ (127.10)	$ (39.17)	$ 1
	171.31	119.33	67
)			
es			
	82.05	120.23	69
es			
	$ 82.05	$ 120.23	$ 69

deferred financing costs.

1,000 invested excludes distributions to minority interests.

ns of $53,000, $3,182,000 and $1,164,000 to minority interests for the year ended December 31, 2007, 2006

Value Fund, LLC s Operating Agreement, cash proceeds from capital transactions are first treated as a return of

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PUBLIC PROGRAMS
NNN 2002 VALUE FUND, LLC

ts for programs which have closed their offerings during the five years ended December 31, 2007.

	Period from January 1, 2005 through August 31, 2005(4)	2004
	$	$
	6,674,000	
me	76,000	6
rities		
consolidated Real Estate	373,000	(278
d Operations	1,049,000	196
enses	15,000	99
	3,000	9
is	$ 8,154,000	$ (184
	143,000	732
	14,843,000	
:		
	3,378,000	2,984
	22,977,000	(2,170
	(8,626,000)	2,068
s, Investing & Financing	17,729,000	2,882
rs	2,726,000	2,027
y Interest	652,000	957
	10,330,000	410
er Cash Distributions	4,021,000	(512
g Sales & Refinancing)		
er Cash Distributions and Special Items	$ 4,021,000	$ (512

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TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED) (Continued)
PUBLIC PROGRAMS
NNN 2002 VALUE FUND, LLC

	Period from January 1, 2005 through August 31, 2005(4)	Y De 200
1,000 Invested		
	$ 4.80	$ 24
	498.09	
)		
	91.48	68
es		
	346.64	13
es		
	91.48	68
	$ 346.64	$ 13

erred financing costs.

e Fund, LLC s Operating Agreement, cash proceeds from capital transactions are first treated as a return of

00 invested excludes distributions to minority interests.

uidation basis of accounting as of August 31, 2005 and for all subsequent periods. However, the taxable
year ended December 31, 2005, as the liquidation basis of accounting is not applicable for income tax

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED)
PUBLIC PROGRAMS
December 31, 2007

posals of properties in prior public programs in the three years prior to December 31, 2007.

		Selling Price, Net of Closing Costs & GAAP Adjustments					Cost of Properties Including Closing & Soft C		
				Purchase			Total		
Date Acquired	Date of Sale(1)	Cash Received Net of Closing Costs(2)	Mortgage Balance at Time of Sale	Money Mortgage Taken Back By Program(3)	Adjustments Resulting from Application Of GAAP	Total(24)	Original Mortgage Financing	Acquisition Costs, Capital Improvements Closing & Soft Costs(4)	
Jan-02	Apr-05	$ 603,000	$ 472,000	N/A	N/A	$ 1,075,000	$ 514,000	$ 370,000	$
Mar-02	Jul-05	$ 13,379,000	$ 11,015,000	N/A	N/A	$ 24,394,000	$ 11,586,000	$ 6,836,000	$
Jun-04	Nov-05	$ 1,390,000	$ 1,850,000	N/A	N/A	$ 3,240,000	$ 1,850,000	$ 807,000	$
Mar-02	Dec-05	$ 1,645,000	$	N/A	N/A	$ 1,645,000	$ 3,534,000	$ (2,376,000)	$
Sep-01	Jan-06	$ 2,310,000	$ 1,778,000	N/A	N/A	$ 4,088,000	$ 1,080,000	$ 1,728,000	$
Apr-04	Jan-06	$ 917,000	$ 863,000	N/A	N/A	$ 1,780,000	$ 392,000	$ 808,000	$
Aug-02	Jan-06	$ 2,765,000	$ 4,209,000	N/A	N/A	$ 6,974,000	$	$ 6,518,000	$
Jan-04	Jun-06	$ 12,167,000	$ 11,229,000	N/A	N/A	$ 23,396,000	$ 11,250,000	$ 2,260,000	$
Apr-02	Jul-06	$ 3,725,000	$ 2,862,000	N/A	N/A	$ 6,587,000	$ 2,910,000	$ 1,279,000	$
Dec-03	Jun-07	$ 725,000	$ 743,000	N/A	N/A	$ 1,468,000	$ 779,000	$ 302,000	$
Jun-04	Aug-05	$ 52,218,000	$ 63,640,000	N/A	N/A	$ 115,858,000	$ 69,943,000	$ 35,365,000	$
Mar-03	Dec-05	$ 273,000	$ 376,000	N/A	N/A	$ 649,000	$ 399,000	$ 118,000	$
Jun-04	Jul-06	$ 91,730,000	$	N/A	N/A	$ 91,730,000	$ 56,057,000	$ 11,638,000	$
Apr-04	Sep-06	$ 68,261,000	$ 51,719,000	N/A	N/A	$ 119,980,000	$ 62,750,000	$ 27,274,000	$
Jan-04	Sep-06	$ 27,584,000	$ 18,050,000	N/A	N/A	$ 45,634,000	$ 14,250,000	$ 20,455,000	$
Apr-04	Oct-06	$ 9,639,000	$ 15,543,000	N/A	N/A	$ 25,182,000	$ 15,830,000	$ 7,327,000	$
Dec-03	Oct-06	$ 33,707,000	$ 40,000,000	N/A	N/A	$ 73,707,000	$ 25,029,000	$ 28,139,000	$
Sep-02	Nov-06	$ (862,000)	$ 9,588,000	N/A	N/A	$ 8,726,000	$ 6,700,000	$ 2,026,000	$
Apr-03	Nov-06	$ 2,898,000	$ 8,881,000	N/A	N/A	$ 11,779,000	$ 7,605,000	$ 3,004,000	$
Feb-04	Nov-06	$ 13,933,000	$ 24,520,000	N/A	N/A	$ 38,453,000	$ 25,000,000	$ 12,171,000	$
Jan-03	Dec-06	$ (219,000)	$ 3,448,000	N/A	N/A	$ 3,229,000	$ 2,200,000	$ 2,171,000	$

May-03	Dec-06	$ 5,633,000	$ 10,089,000	N/A	N/A	$ 15,722,000	$ 9,815,000	$ 3,178,000	$
Nov-02	Jan-07	$ 7,127,000	$ 9,633,000	N/A	N/A	$ 16,760,000	$ 10,160,000	$ 3,051,000	$
Dec-03	Mar-07	$ 54,165,000	$ 90,000,000	N/A	N/A	$ 144,165,000	$ 77,000,000	$ 33,144,000	$
Aug-04	Mar-07	$ 11,487,000	$ 23,870,000	N/A	N/A	$ 35,357,000	$ 23,870,000	$ 8,657,000	$
Oct-03	Jun-07	$ 16,636,000	$ 18,230,000	N/A	N/A	$ 34,866,000	$	$ 35,813,000	$
Apr-04	Jun-07	$ 6,952,000	$ 9,731,000	N/A	N/A	$ 16,683,000	$	$ 14,208,000	$
Sep-05	Jul-07	$ 3,207,000	$ 6,700,000	N/A	N/A	$ 9,907,000	$ 6,700,000	$ 3,612,000	$
Mar-04	Aug-07	$ 15,034,000	$ 32,901,000	N/A	N/A	$ 47,935,000	$ 28,458,000	$ 16,907,000	$
Oct-05	Sep-07	$ 2,326,000	$ 5,000,000	N/A	N/A	$ 7,326,000	$ 5,000,000	$ 2,885,000	$

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2007

e		Selling Price, Net of Closing Costs & GAAP Adjustments		Purchase			Cost of Properties Including Closing & Soft C		
		Cash Received Net of	Mortgage Balance at	Money Mortgage Taken Back By	Adjustments Resulting from Application Of	Total	Original Mortgage	Total Acquisition Costs, Capital Improvements Closing &	
red	Date of Sale(1)	Closing Costs(2)	Time of Sale	Program(3)	GAAP	Total(24)	Financing	Soft Costs(4)	
-03	Sep-07	$ 23,007,000	$	N/A	N/A	$ 23,007,000	$ 15,600,000	$ 8,213,000	$
-03	Nov-07	$ 3,828,000	$ 5,577,000	N/A	N/A	$ 9,405,000	$	$ 11,602,000	$
-02	Mar-05	$ 11,768,000	$ 9,053,000	N/A	N/A	$ 20,821,000	$ 14,200,000	$ (53,000)	$
-03	Sep-05	$ 15,249,000	$ 17,014,000	N/A	N/A	$ 32,263,000	$ 15,750,000	$ 8,298,000	$
-04	Feb-05	$ 7,727,000	$ 11,000,000	N/A	N/A	$ 18,727,000	$ 11,000,000	$ 7,342,000	$
-04	Apr-05	$ 2,327,000	$ 4,110,000	$2,300,000	N/A	$ 8,737,000	$ 4,125,000	$ 1,597,000	$
-04	Aug-05	$ 7,244,000	$ 7,570,000	N/A	N/A	$ 14,814,000	$ 7,567,000	$ 5,168,000	$
-04	Nov-05	$ 2,405,000	$ 3,151,000	N/A	N/A	$ 5,556,000	$ 3,151,000	$ 1,417,000	$
-04	Dec-05	$ 7,493,000	$	N/A	N/A	$ 7,493,000	$	$ 5,091,000	$
-04	Jan-06	$ 7,052,000	$ 6,639,000	N/A	N/A	$ 13,691,000	$ 3,016,000	$ 5,132,000	$
-05	Oct-06	$ 21,726,000	$ 46,530,000	N/A	N/A	$ 68,256,000	$ 57,737,000	$ 9,346,000	$
-05	Mar-07	$ 4,900,000	$ 5,500,000	N/A	N/A	$ 10,400,000	$ 5,500,000	$ 2,223,000	$
-05	Mar-07	$ 1,193,000	$	N/A	N/A	$ 1,193,000	$	$ 736,000	$
-05	Dec-07	$ 11,257,000	$ 16,754,000	N/A	N/A	$ 28,011,000	$ 15,915,000	$ 5,528,000	$

ated parties except as noted below.

assumption of certain liabilities by buyer.

re the face amounts and do not represent discounted current value.

ata share of original offering costs. Amount shown is net of depreciation for consolidated properties and net of received for unconsolidated properties.

y for T REIT s 16% interest.

y for T REIT s 89.1% interest.

y for T REIT s 2.7% interest.

y for T REIT s 22.8% interest. Date of Sale is the date of sale of the last building in the property. Cash received is n the investment and mortgage at the time of sale is the mortgage balance as of the date of the sale of the last balance was paid off in connection with the sale of one of the earlier buildings.

y for T REIT s 40% tenant in common interest.

y for T REIT s 9.8% interest.

y for T REIT s 75% tenant in common interest.

y for T REIT s 48.5% tenant in common interest.

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2007

y for G REIT s 4.75% interest.

ed with 600 B Street (Comerica) was paid off in connection with a prior property sale.

ith North Pointe Corporate Center was paid off in connection with a prior property sales.

l to an affiliated party. Represents results for NNN 2002 Value Fund, LLC s 50.0% interest.

l to an affiliated party.

sale, we received a note receivable secured by the property, bears interest at a fixed rate of 8.0% per annum and
08. The note requires monthly interest-only payments.

y for NNN 2003 Value Fund, LLC s 18.3% interest.

y for NNN 2003 Value Fund, LLC s 4.6% interest.

y for NNN 2003 Value Fund, LLC s 75.4% interest.

s the date of sale of NNN 2003 Value Fund, LLC s last remaining interest in the property. Represents results only
Fund, LLC s 99% interest.

alue gain. Under liquidation accounting, adopted as of June 30, 2005 for T REIT, Inc., August 31, 2005 for
d, LLC, and December 31, 2005 for G REIT, Inc., an investment is carried at its estimated fair value less costs to

axable gain between ordinary and capital is as follows:

	Capital Gain/(Loss)	Ord
$	269,000	$
$	10,026,000	$
$	609,000	$
$	546,000	$
$	1,425,000	$
$	365,000	$
$	1,470,000	$
$	9,974,000	$
$	3,314,000	$
$	369,000	$

$	11,786,000	$
$	143,000	$
$	24,919,000	$
$	26,026,000	$
$	10,259,000	$
$	1,641,000	$
$	20,997,000	$
$	1,446,000	$

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2007

	Capital Gain/(Loss)	Ord
ilies Campus	$ 818,000	$
	$ 4,465,000	$
	$ 665,000	$
	$ 2,125,000	$
	$ 5,651,000	$
	$ 36,854,000	$
	$ 6,970,000	$
	$ 2,795,000	$
	$ 2,797,000	$
	$ 6,000	$
	$ 7,307,000	$
	$ (210,000)	$
	$ 952,000	$
	$ (1,345,000)	$
	$ 6,369,000	$
	$ 8,996,000	$
	$	$
	$	$
	$ 1,972,000	$
	$ 1,029,000	$
	$ 3,239,000	$
	$ 2,816,000	$
	$	$
	$ 1,952,000	$
	$ 459,000	$
	$ 3,824,000	$

TABLE I
EXPERIENCE IN RAISING AND INVESTING FUNDS (UNAUDITED)
PRIVATE PROGRAMS
DECEMBER 31, 2007

f Grubb & Ellis Group in raising and investing funds in prior programs where the offering closed in the three years prior to December 3
n closed in the preceding three years. 102 programs are presented in the aggregate, having similar investment objectives providing Tena
Section 1031 of the Internal Revenue Code, to investors involved in a tax deferred exchange. Our Advisor is the Advisor and Sponsor to
ain private programs. At December, 31 2007, there were two affiliated investments by two public programs in a private program where
is disclosed in Table I. Table I further reflects the impact of affiliated ownership on offering proceeds by excluding the affiliated progra

N Collateralized Senior Notes Program, LLC, which offering closed in the preceding three years. This program is not aggregated as the
the notes program is making an investment in note units, which is a loan to the company, not an equity investment. The company is ow
support its efforts in sponsoring real estate investments by making unsecured loans to affiliated real estate programs. Grubb & Ellis Re
aranteed the payment of all principal and interest on the note units.

mained open as of December 31, 2007. As of December 31, 2007, the Dollar Amount Raised for open programs was $136,684,000, rep
50,000.

TABLE I
EXPERIENCE IN RAISING AND INVESTING FUNDS (UNAUDITED)
CONSOLIDATED PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Opportunity Fund VIII, LLC	NNN Collateralized Senior Notes, LLC	102 TIC Programs	Subtotal of 104 Private Programs
	$ 20,000,000	$ 50,000,000	$ 1,420,242,000	$ 1,490,242,000
	$ 11,806,000	$ 16,277,000	$ 1,420,202,000	$ 1,448,285,000
	59.0%	32.6%	100.0%	97.2%
	7.0%	5.8%	6.9%	6.9%
nce Reimbursement	3.5%	1.5%	3.3%	3.3%
es(1)	2.5%	1.0%	2.5%	2.5%
	8.0%	%	5.5%	5.4%
	79.0%	91.7%	81.8%	81.9%
	74.5%	91.7%	76.3%	76.5%
	2.5%	%	3.9%	3.8%
es	2.0%	%	%	%
	79.0%	91.7%	80.2%	80.3%
	82%	n/a	72%	71%
	December 13, 2004	August 1, 2006	May 7, 2004 to August 29, 2007	
	June 16, 2006	March 26, 2007	January 5, 2005 to December 13, 2007	
	18 months	8 months	1 to 17 months	
t Available for Investment ffering)	n/a	n/a	1 to 12 months	
		222		222
	336		2,312	2,648
			2,785	2,785
	336	222	5,097	5,655

ting, printing and other offering expenses, including amounts for the reimbursement for marketing, salaries and
ployees engaged in marketing and other organization expenses.

to third parties and Grubb & Ellis Group and its affiliates.

TABLE II
COMPENSATION TO SPONSOR (UNAUDITED)
PRIVATE PROGRAMS
December 31, 2007

mpensation paid to Grubb & Ellis Group and its affiliates in connection with prior programs during the three years prior to December 31 compensation to Grubb & Ellis Group and its affiliates during the preceding three years. 103 private program offerings closed in the pa nts by public programs in 11 private programs, 2 which closed in the three years prior to December 31, 2007. For programs with affiliat wnerships are aggregated and disclosed in Table II. Table II further discloses the impact of the pro rata share of aggregate affiliated own public program (affiliated) ownership in private programs. 94 Other Programs made payments to Grubb & Ellis Group and its affiliates closed prior to December 31, 2004 and 17 of the Other Programs remained open as of December 31, 2007.

TABLE II
COMPENSATION TO SPONSOR (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	103 Private Programs	94 Other Programs	197 Private Programs
	May 7, 2004 to August 29, 2007	July 1, 1998 to November 27, 2007	
	$ 1,432,006,000	$ 749,410,000	$ 2,181,416
roceeds of Offering:			
Group Members	$ 98,877,000	$ 9,675,000	$ 108,552
nce Reimbursement	47,180,000	4,698,000	51,878
es	29,076,000	2,607,000	31,683
	14,626,000	1,508,000	16,134
	$ 189,759,000	$ 18,488,000	$ 208,247
uisition for			
	$ 89,810,000	$ 7,413,000	$ 97,223
d from Operations Before Deducting Payments to Sponsor	$ 214,343,000	$ 134,705,000	$ 349,048
Operations Year 2005			
	2,519,000	7,957,000	10,476
	31,000	991,000	1,022
	40,000	643,000	683
	$ 2,590,000	$ 9,591,000	$ 12,181
Operations Year 2006			
	10,484,000	8,627,000	19,111
	5,448,000	5,459,000	10,907
	$ 15,932,000	$ 14,086,000	$ 30,018
Operations Year 2007			
	15,610,000	4,248,000	19,858
	35,000	30,000	65

	6,818,000	2,910,000	9,728
	$ 22,463,000	$ 7,188,000	$ 29,651
roperty sales and refinancings			
	$ 13,579,000	$ 24,402,000	$ 37,981
	78,000	2,593,000	2,671
	913,000	596,000	1,509
	639,000	361,000	1,000
	$ 15,209,000	$ 27,952,000	$ 43,161

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
TENANT IN COMMON (TIC) PROGRAMS

ng results for programs which have closed their offerings during the five years ended December 31, 2007. The programs presented are a
ommon (TIC) interests, a form of ownership which complies with Section 1031 of the Internal Revenue Code, to investors involved in

	2007 132 TIC Programs	2006 118 TIC Programs	2005 85 TI Progra
	$ 457,039,000	$ 353,409,000	$ 222,79
	46,562,000	38,606,000	35,25
	176,524,000	131,146,000	83,82
	11,823,000	8,906,000	3,77
	162,938,000	128,262,000	67,92
	$ 152,316,000	$ 123,701,000	$ 102,52
	114,180,000	$ 86,322,000	$ 68,96
	154,471,000	109,710,000	124,04
	4,025,000	2,929,000	7,57
s, Sales & Refinancing ents	272,676,000	198,961,000	200,59
al Repayments	7,334,000	5,424,000	6,53
s, Sales & Refinancing tors From:	265,342,000	193,537,000	194,05
	90,907,000	72,659,000	49,38
	156,006,000	110,693,000	121,38
	6,543,000	3,831,000	32
er Cash Distributions g Sales & Refinancing)	11,886,000	6,354,000	22,95
er Cash Distributions and Special Items	$ 11,886,000	$ 6,354,000	$ 22,95
1,000 Invested (3)			
ources (on Tax basis)			

	$	$	$
	3.93	2.59	
	93.62	74.70	1
	$ 54.55	$ 49.03	$

TIC) programs, individual investors are involved in a tax deferred exchange. Each TIC has an individual
d amortization and is responsible for their own calculations of depreciation and amortization.

f several reasons, including but not limited to the following: utilization of equity funded reserves for
ent programs; utilization of equity funded reserves for payment of mezzanine interest; acceleration of
e and property taxes for income tax purposes; unbilled CAM and rents at the year end; unanticipated
mage at two properties.

raised at the close of the program.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
AFFILIATED OWNERSHIP IN TENANT IN COMMON (TIC) PROGRAMS

ts for programs which have closed their offerings during the five years ended December 31, 2007. The programs presented are aggrega
IC) interests, a form of ownership which complies with Section 1031 of the Internal Revenue Code, to investors involved in a tax defer
Ellis Group have invested in TIC programs either as a TIC or as a member of the LLC. This table presents, in aggregate, the results of

	2007 4 Affiliated Programs	2006 8 Affiliated Programs	2 8 Aff Prog
	$ 6,497,000	$ 6,912,000	$ 11,
	271,000	7,151,000	2,
	2,934,000	4,059,000	5,
	78,000	171,000	
	1,505,000	2,093,000	2,
	$ 2,251,000	$ 7,740,000	$ 5,
	$ 2,015,000	$ 1,011,000	$ 2,
	724,000	20,676,000	10,
s, Sales & Refinancing ents	2,739,000	21,687,000	12,
al Repayments	362,000	114,000	
s, Sales & Refinancing tors From:	2,377,000	21,573,000	12,
	624,000	1,288,000	2,
	724,000	21,727,000	9,
er Cash Distributions g Sales & Refinancing)	1,029,000	(1,442,000)	
er Cash Distributions and Special Items	$ 1,029,000	$ (1,442,000)	$

1,000 Invested (2)

	$	$	$
	33.16	466.33	
	$ 28.58	$ 27.64	$

TIC) programs, individual investors are involved in a tax deferred exchange. Each TIC has an individual
d amortization and is responsible for their own calculations of depreciation and amortization.

aised at the close of the program.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
TENANT IN COMMON (TIC) PROGRAMS EXCLUDING AFFILIATED OWNERSHIP

ts for programs which have closed their offerings during the five years ended December 31, 2007. The programs presented are aggrega
IC) interests, a form of ownership which complies with Section 1031 of the Internal Revenue Code, to investors involved in a tax defer
oup have invested in TIC programs either as a TIC or as a member of the LLC. This table presents, in aggregate, the results of TIC prog

	2007 132 TIC Programs	2006 118 TIC Programs	2005 85 TIC Progra
	$ 450,542,000	$ 346,497,000	$ 211,718,0
	46,291,000	31,455,000	32,655,0
	173,590,000	127,087,000	78,354,0
	11,745,000	8,735,000	3,615,0
	161,433,000	126,169,000	65,221,0
	$ 150,065,000	$ 115,961,000	$ 97,183,0
	$ 112,165,000	$ 85,311,000	$ 66,163,0
	153,747,000	89,034,000	114,021,0
	4,025,000	2,929,000	7,588,0
s, Sales & Refinancing ents	269,937,000	177,274,000	187,772,0
al Repayments	6,972,000	5,310,000	6,399,0
s, Sales & Refinancing tors From:	262,965,000	171,964,000	181,373,0
	90,283,000	71,371,000	46,742,0
	155,282,000	88,966,000	111,559,0
	6,543,000	3,831,000	325,0
er Cash Distributions g Sales & Refinancing)	10,857,000	7,796,000	22,747,0
er Cash Distributions and Special Items	$ 10,857,000	$ 7,796,000	$ 22,747,0
1,000 Invested (3)			
ources (on Tax basis)			

$		$	$
	3.98	2.67	0
	94.42	61.99	103
$	54.90	$ 49.73	$ 43

TIC) programs, individual investors are involved in a tax deferred exchange. Each TIC has an individual
d amortization and is responsible for their own calculations of depreciation and amortization.

f several reasons, including but not limited to the following: utilization of equity funded reserves for
ent programs; utilization of equity funded reserves for payment of mezzanine interest; acceleration of
e and property taxes for income tax purposes; unbilled common area maintenance, or CAM, and rents at
xpenses due to hurricane damage at two properties.

aised at the close of the program.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
MULTIPLE PROPERTY INVESTMENT FUNDS

ng results for a program which has closed its offering during the five years ended December 31, 2007. The multiple property investmen
ed for the purpose of acquiring a number of unspecified properties selected by its Manager, Grubb & Ellis Realty Investors.

	NNN Opportunity Fund VIII, LLC 2007
	$ 5,229,000
	2,482,000
	133,000
	3,338,000
	1,318,000
	(2,042,000
	(2,042,000
	(724,000
s, Sales & Refinancing ents	(724,000
cipal Repayments	
s,	(724,000
tors From:	
	525,000
	65,000
er Cash Distributions g Sales & Refinancing)	(1,249,000
er Cash Distributions and Special Items	$ (1,249,000

1,000 Invested

	$	(172.96
ources (on Tax basis)		
		5.51
		44.47
	$	

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS BY YEAR (UNAUDITED)
PRIVATE PROGRAMS
NOTES PROGRAM

ng results for a program which has closed its offering during the five years ended December 31, 2007. The notes program presented offe
program was formed for the purpose of making loans to affiliates of Grubb & Ellis Group. Investors are making loans to the program.
rantied the note unit holders payment of all principal and interest on the note units. The results presented in this table are those of the co

	NNN Collateralized Senior Notes, LLC 2007	
	$	676,000(1)
		2,000
		1,404,000(2)
		288,000
		(1,018,000)
		(1,018,000)
		(730,000)
s, Sales & Refinancing		(730,000)
tors From:		
er Cash Distributions		(730,000)
g Sales & Refinancing)		
er Cash Distributions and Special Items	$	(730,000)
1,000 Invested		
	$	8.75

$

nt interest income from loans made to other affiliated programs of Grubb & Ellis Group.
note unit holders are included in Interest Expense above.

TABLE IV
RESULTS OF COMPLETED PROGRAMS (UNAUDITED)
PRIVATE PROGRAMS
DECEMBER 31, 2007

ompleted programs for prior programs which have sold properties and completed operations during the five years prior to December 31

Tellride Barstow, LLC	Kiwi Assoc, LLC	NNN Town & Country, LLC	NNN Bryant Ranch, LLC	NNN Saddleback Financial, LLC	NNN Fund VIII, LLC	Yerington Shopping Center, LLC	NNN Tech Fund III, LLC	A
$ 1,620,000	$ 2,681,000	$ 7,200,000	$ 5,000,000	$ 3,866,000	$ 8,000,000	$ 1,625,000	$ 3,699,000	$
1	1	1	1	1	3	1	3	
16-Dec-98	4-Feb-01	29-Mar-00	12-Nov-02	29-Oct-02	7-Mar-00	3-Aug-99	20-Jun-00	
19-Feb-03	25-Feb-03	25-Jun-04	2-Nov-04	27-Dec-04	26-Mar-02	17-Jan-05	3-Jul-01	
19-Feb-03	25-Feb-03	25-Jun-04	2-Nov-04	27-Dec-04	6-Jan-04	17-Jan-05	7-Feb-05	
	$	$	$	$	$	$	$	$
	$ 26.58	$ 71.23	$	$ 11.83	$ 125.22	$ 54.24	$	$
884.53	$ 1,053.34	$ 1,221.31	$ 1,206.17	$ 1,384.96	$ 1,305.19	$ 1,132.76	$ 1,293.88	$
	$	$ 68.33	$	$	$	$	$	$
401.16	$ 175.12	$ 268.98	$ 184.74	$ 181.08	$ 129.11	$ 496.14	$ 446.45	$

notes programs that have completed operations and are closed. The notes programs report interest income to the note
e remaining programs included in this table are TIC programs with investors generally involved in tax deferred
ordingly, each TIC has an individual tax basis for determining amortization and depreciation. Neither type of program
ation or amortization, therefore, there is no presentation of Federal Income Tax Results.

TABLE IV
RESULTS OF COMPLETED PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

NN Reno LC	NNN Rocky Mountain Exchange, LLC (2)	NNN Jefferson Square, LLC	NNN City Center West A, LLC	NNN LV 1900 Aerojet Way LLC	NNN Park Sahara, LLC	NNN 801 K Street, LLC	NNN Timberhills, LLC	Spr
750,000	$ 2,670,000	$ 9,200,000	$ 1,238,000	$ 2,000,000	$ 4,953,000	$ 29,600,000	$ 3,695,000	$
1	1	2	1	1	5	1	1	
-Jun-02	15-Feb-01	26-Aug-03	15-Mar-02	31-Aug-01	17-Mar-03	31-Mar-04	27-Nov-01	2
May-05	31-May-05	22-Jul-05	28-Jul-05	27-Sep-05	20-Dec-05	26-Aug-05	19-Oct-05	
May-05	31-May-05	22-Jul-05	28-Jul-05	27-Sep-05	20-Dec-05	26-Aug-05	19-Oct-05	
	$	$	$	$	$	$	$	$
	$ 24.79	$	$ 13.68	$	$ 35.18	$	$	$
,758.24	$ 829.87	$ 1,308.76	$ 1,300.67	$ 1,123.45	$ 1,102.58	$ 1,124.72	$ 1,387.80	$
	$	$	$	$	$	$	$	$
323.12	$ 187.30	$ 189.41	$ 262.83	$ 319.50	$ 128.07	$ 113.57	$ 305.43	$

notes programs that have completed operations and are closed. The notes programs report interest income to the note
e remaining programs included in this table are TIC programs with investors generally involved in tax deferred
ordingly, each TIC has an individual tax basis for determining amortization and depreciation. Neither type of program
ation or amortization, therefore, there is no presentation of Federal Income Tax Results.

ceived a note from Buyer as distributed proceeds from the sale.

TABLE IV
RESULTS OF COMPLETED PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

NN hange d III, LC	NNN PCP 1, LLC	NNN 1851 E 1st Street, LLC	NNN Reno Trademark, LLC	NNN Oakey Building 2003, LLC	NNN City Center West B, LLC	NNN Amber Oaks III, LLC	NNN Titan Building and Plaza, LLC	La II
300,000	$ 5,800,000	$ 20,500,000	$ 3,850,000	$ 8,270,000	$ 8,200,000	$ 10,070,000	$ 2,220,000	$ 3
1	6	1	1	1	1	1	1	
-May-00	25-Jun-02	29-Jul-03	29-Sep-01	19-May-04	15-Jun-02	20-Jan-04	28-May-02	
-Dec-05	10-Oct-02	9-Jan-06	23-Jan-06	24-Jan-06	17-Apr-06	15-Jun-06	21-Jul-06	
-Dec-05	29-Dec-05	9-Jan-06	23-Jan-06	24-Jan-06	17-Apr-06	15-Jun-06	21-Jul-06	
	$	$	$	$	$	$	$	$
14.36	$	$	$	$	$	$	$	$
427.98	$ 1,016.63	$ 1,262.45	$ 1,256.62	$ 1,343.87	$ 1,882.87	$ 1,622.67	$ 1,582.58	$
	$	$ 36.59	$ 283.64	$	$	$	$	$
235.35	$ 283.85	$ 238.01	$ 361.45	$ 136.48	$ 306.07	$ 190.19	$ 589.44	$

notes programs that have completed operations and are closed. The notes programs report interest income to the note
e remaining programs included in this table are TIC programs with investors generally involved in tax deferred
ordingly, each TIC has an individual tax basis for determining amortization and depreciation. Neither type of program
ation or amortization, therefore, there is no presentation of Federal Income Tax Results.

TABLE IV
RESULTS OF COMPLETED PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Parkwood Complex, LLC	NNN Twain, LLC	NNN Wolf Pen Plaza, LLC	NNN Buschwood, LLC	NNN Enclave Parkway, LLC	NNN 4241 Bowling Green, LLC	NNN 2004 Notes Program, LLC	NNN 2005 Notes
	$ 7,472,000	$ 2,925,000	$ 5,500,000	$ 3,200,000	$ 15,350,000	$ 2,850,000	$ 5,000,000	$ 2,300,00
	2	1	1	1	1	1	N/A	N/
	23-Apr-03	20-May-04	23-Oct-02	25-Mar-03	27-May-04	27-Dec-02	14-Aug-01	14-Aug-0
	27-May-05	16-Mar-07	30-Mar-07	16-May-07	14-Jun-07	28-Aug-07	N/A	N/
	27-Dec-06	16-Mar-07	30-Mar-07	16-May-07	14-Jun-07	28-Aug-07	N/A	N/
	$	$	$	$	$	$	$ 66.00	$ 33.0
	$	$ 47.72	$ 2.33	$	$	$ 29.65	$	$
	$ 1,319.02	$ 1,265.15	$ 1,432.80	$ 1,266.69	$ 1,447.06	$ 1,062.43	$	$
	$	$	$	$	$	$	$	$
	$ 377.68	$ 273.03	$ 370.44	$ 317.62	$ 355.73	$ 357.04	$	$

notes programs that have completed operations and are closed. The notes programs report interest income to the note
e remaining programs included in this table are TIC programs with investors generally involved in tax deferred
ordingly, each TIC has an individual tax basis for determining amortization and depreciation. Neither type of program
ation or amortization, therefore, there is no presentation of Federal Income Tax Results.

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED)
PRIVATE PROGRAMS
December 31, 2007

ls of properties in prior programs during the three years prior to December 31, 2007. One sale is a NNN 2001 Value Fund, LLC proper

Date Acquired	Date of Sale	Selling Price, Net of Closing Costs & GAAP Adjustments: Cash Received Net of Closing Costs(2)	Mortgage Balance at Time of Sale	Purchase Mortgage Taken Back by Program	Adjustments Resulting from Application of GAAP	Total	Original Mortgage Financing(3)	Cost of Proper Including Closing & Total Acquisition Costs, Capital Improvemen Closing & Soft Costs(3)
Mar-99	Jan-05	$ 1,925,000	$ 3,114,000	N/A	N/A	$ 5,039,000	$ 3,316,000	$ 1,261,00
Jun-00	Feb-05	$ 6,688,000	$ 8,247,000	N/A	N/A	$ 14,935,000	$ 9,200,000	$ 3,421,00
Oct-02	Mar-05	$ 8,539,000	$ 13,135,000	N/A	N/A	$ 21,674,000	$ 13,500,000	$ 5,214,00
Sep-01	Apr-05	$ 3,615,000	$ 2,952,000	N/A	N/A	$ 6,567,000	$ 3,210,000	$ 2,248,00
Dec-98	Apr-05	$ 4,903,000	$ 12,000,000	N/A	N/A	$ 16,903,000	$ 12,000,000	$ 6,434,00
Jun-02	May-05	$ 4,751,000	$ 5,261,000	N/A	N/A	$ 10,012,000	$ 5,400,000	$ 1,899,00
Nov-00	May-05		$ 5,275,000	$ 2,106,000	N/A	$ 7,381,000	$ 5,275,000	$ 2,542,00
Jul-03	Jul-05	$ 12,051,000	$ 12,835,000	N/A	N/A	$ 24,886,000	$ 13,070,000	$ 7,584,00
') Mar-02	Jul-05	$ 15,982,000	$ 12,359,000	N/A	N/A	$ 28,341,000	$ 13,000,000	$ 9,713,00
Mar-04	Aug-05	$ 34,092,000	$ 41,350,000	N/A	N/A	$ 75,442,000	$ 41,350,000	$ 26,333,00
Aug-01	Sep-05	$ 2,255,000	$ 3,491,000	N/A	N/A	$ 5,746,000	$ 3,625,000	$ 1,740,00
Sep-01	Sep-05	$ 3,128,000	$ 2,670,000	N/A	N/A	$ 5,798,000	$ 2,938,000	$ 2,371,00
Nov-01	Oct-05	$ 4,916,000	$ 6,163,000	N/A	N/A	$ 11,079,000	$ 6,390,000	$ 3,122,00
Dec-02	Nov-05	$ 2,874,000	$ 4,541,000	N/A	N/A	$ 7,415,000	$ 4,700,000	$ 1,940,00
Jun-04	Nov-05	$ 50,123,000	$ 68,500,000	N/A	N/A	$ 118,623,000	$ 68,500,000	$ 33,925,00

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PRIVATE PROGRAMS
December 31, 2007

ed	Date of Sale	Selling Price, Net of Closing Costs & GAAP Adjustments: Cash Received Net of Closing Costs(2)	Mortgage Balance at Time of Sale	Adjustments: Purchase Mortgage Taken Back by Program	Adjustments: Resulting from Application of GAAP	Total	Cost of Properties Including Closing & Soft Cost: Original Mortgage Financing(3)	Total Acquisition Costs, Capital Improvements Closing & Soft Costs(3)	T
02	Nov-05	$ 11,165,000	$ 12,642,000	N/A	N/A	$ 23,807,000	$ 13,041,000	$ 6,732,000	$ 19
99	Dec-05	$ 2,978,000	$ 11,489,000	N/A	N/A	$ 14,467,000	$ 11,835,000	$ 5,643,000	$ 17
03	Dec-05	$ 6,549,000	$ 7,912,000	N/A	N/A	$ 14,461,000	$ 8,400,000	$ 4,327,000	$ 12
02	Dec-05	$ 12,655,000	$ 15,500,000	N/A	N/A	$ 28,155,000	$ 15,500,000	$ 9,816,000	$ 25
03	Jan-06	$ 24,141,000	$ 49,000,000	N/A	N/A	$ 73,141,000	$ 45,375,000	$ 18,588,000	$ 63
01	Jan-06	$ 5,743,000	$ 4,445,000	N/A	N/A	$ 10,188,000	$ 2,700,000	$ 4,920,000	$ 7
04	Jan-06	$ 7,428,000	$ 10,650,000	N/A	N/A	$ 18,078,000	$ 4,000,000	$ 11,441,000	$ 15
02	Apr-06	$ 18,319,000	$ 14,116,000	N/A	N/A	$ 32,435,000	$ 14,650,000	$ 7,516,000	$ 22
04	Jun-06	$ 16,253,000	$ 15,000,000	N/A	N/A	$ 31,253,000	$ 15,000,000	$ 9,737,000	$ 24
02	Jul-06	$ 6,522,000	$ 6,900,000	N/A	N/A	$ 13,422,000	$ 6,000,000	$ 4,130,000	$ 10
04	Aug-06	$ 44,215,000	$ 45,218,000	N/A	N/A	$ 89,433,000	$ 46,800,000	$ 27,046,000	$ 73
03	Aug-06	$ 8,602,000	$ 10,906,000	N/A	N/A	$ 19,508,000	$ 11,310,000	$ 5,362,000	$ 16

01	Nov-06	$ 22,735,000	$ 21,213,000	N/A	N/A	$ 43,948,000	$ 22,250,000	$ 14,334,000	$ 36
02	Dec-06	$ 10,198,000	$ 14,531,000	N/A	N/A	$ 24,729,000	$ 13,922,000	$ 8,535,000	$ 22
03	Mar-07	$ 3,756,000	$ 3,507,000	N/A	N/A	$ 7,263,000	$ 3,750,000	$ 2,024,000	$ 5
02	Mar-07	$ 8,184,000	$ 11,617,000	N/A	N/A	$ 19,801,000	$ 12,265,000	$ 4,612,000	$ 16

TABLE V
SALES OR DISPOSALS OF PROPERTIES (UNAUDITED) (Continued)
PRIVATE PROGRAMS
December 31, 2007

ed	Date of Sale	Selling Price, Net of Closing Costs & GAAP Adjustments: Cash Received Net of Closing Costs(2)	Mortgage Balance at Time of Sale	Purchase Mortgage Taken Back by Program	Adjustments Resulting from Application of GAAP	Total	Original Mortgage Financing(3)	Cost of Properties Including Closing & Soft Cost: Total Acquisition Costs, Capital Improvements Closing & Soft Costs(3)	T
04	Mar-07	$ 15,031,000	$ 30,750,000	N/A	N/A	$ 45,781,000	$ 30,750,000	$ 12,934,000	$ 4
05	Apr-07	$ 28,358,000	$ 31,971,000	N/A	N/A	$ 60,329,000	$ 32,250,000	$ 19,038,000	$ 5
02	May-07	$ 6,414,000	$ 4,574,000	N/A	N/A	$ 10,988,000	$ 5,000,000	$ 3,329,000	$
03	May-07	$ 4,648,000	$ 4,372,000	N/A	N/A	$ 9,020,000	$ 4,600,000	$ 2,841,000	$
03	Jun-07	$ 8,631,000	$ 8,307,000	N/A	N/A	$ 16,938,000	$ 8,700,000	$ 6,247,000	$ 1
03	Jun-07	$ 23,287,000	$ 22,525,000	N/A	N/A	$ 45,812,000	$ 23,600,000	$ 13,879,000	$ 3
04	Jun-07	$ 24,181,000	$ 35,209,000	N/A	N/A	$ 59,390,000	$ 35,476,000	$ 18,427,000	$ 5
01	Jul-07	$ 4,339,000	$ 4,618,000	N/A	N/A	$ 8,957,000	$ 4,890,000	$ 2,727,000	$
02	Aug-07	$ 3,056,000	$ 2,814,000	N/A	N/A	$ 5,870,000	$ 3,092,000	$ 2,205,000	$
05	Sep-07	$ 44,645,000	$ 63,331,000	N/A	N/A	$ 107,976,000	$ 67,500,000	$ 27,231,000	$ 9
02	Dec-07	$ 7,069,000	$ 9,542,000	N/A	N/A	$ 16,611,000	$ 10,250,000	$ 6,275,000	$ 1
06	Dec-07	$ 10,037,000	$ 17,000,000	N/A	N/A	$ 27,037,000	$ 17,000,000	$ 7,911,000	$ 2
06	Dec-07	$ 11,306,000	$ 21,300,000	N/A	N/A	$ 32,606,000	$ 21,300,000	$ 8,513,000	$ 2

l parties except as noted below.
sumption of certain liabilities by buyer.
share of original offering costs.
thly principal reductions during the operating cycle (see Table III) as total cost includes balance of Original

wned a 16.0% tenant in common interest in the NNN County Center Drive, LLC. The private program
perty. The above reflects sale results, or 100.0% ownership.
Grubb & Ellis Realty Investors, LLC.
10.875% of the property. TREIT, Inc, a affiliate owned 89.125% of the property. The above reflects
, or 100.0% ownership.
LLC, an affiliate owned a 85.0% membership interest in NNN 801 K Street, LLC which had a 21.5% tenant
private program owning 100.0% of the property.
LLC, an affiliate owned a 22.4% membership interest in NNN Emerald Plaza, LLC which had a 20.5% tenant
private program owning 100.0% of the property.
wned a 13.2% membership interest in NNN Emerald Plaza, LLC which had a 20.5% tenant in common
ram owning 100.0% of the property.
95.25% of the property. GREIT, Inc, a affiliate owned 4.75% of the property. The above reflects property
% ownership.
LC owned 40.0% of the property. NNN Pacific Corporate Park I, LLC owned 60.0% of the property. The
el sale results, or 100.0% ownership.
wned a 37.9% membership interest in NNN Pacific Corporate Park I, LLC which had a 60.0% interest in the

60.0% of the property. TREIT, Inc, an affiliate owned 40.0% of the property. The above reflects property
% ownership.
LC and TREIT, Inc, affiliates, respectively owned a 75.4% and 9.8% membership interests in NNN Oakey
00.0% of the property.
wned a 75.0% tenant in common interest in NNN Amber Oaks, LLC. The private program owned 100.0% of

51.5% of the property. TREIT, Inc, an affiliate owned 48.5% of the property. The above reflects property
% ownership.
22.375% of the property. GREIT, Inc, a affiliate owned 77.625% of the property. The above reflects
or 100.0% ownership.
Lakes Mall, Netpark and Camelot Plaza have occurred; however, a portion of the original acquisitions still
reporting of these sales will occur until the entire original acquisition has been disposed of.

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

or our refers to Grubb & Ellis Healthcare REIT, Inc. and its subsidiaries, including Grubb & Ellis Healthcare REIT Holdings, L.P

be read in conjunction with our consolidated financial statements and notes appearing elsewhere in this Supplement No. 7. Such consol financial position as of December 31, 2007 and 2006, together with our results of operations and cash flows for the year ended Decemb December 31, 2006.

uld not be taken as indicative of future operations. Our statements contained in this supplement that are not historical facts are forward-l t of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Actual results may d intend those forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Pr ment for purposes of complying with those safe-harbor provisions. Forward-looking statements, which are based on certain assumption fiable by use of the words believe, expect, intend, anticipate, estimate, project, prospects, or similar expressions. C Factors which could have a material adverse effect on our operations and future prospects on a consolidated basis include, but are not l ket specifically; legislative and regulatory changes, including changes to laws governing the taxation of real estate investment trusts, or real estate industry; the supply and demand for operating properties in our proposed market areas; changes in accounting principles gen guidelines applicable to REITs; the availability of properties to acquire; the availability of financing; our ongoing relationship with Gru d litigation, including without limitation, the investigation of Grubb & Ellis Realty Investors, LLC, or Grubb & Ellis Realty Investors (f hange Commission, or the SEC. These risks and uncertainties should be considered in evaluating forward-looking statements and undue on concerning us and our business, including additional factors that could materially affect our financial results, is included herein and i

Inc. (formerly known as NNN Healthcare/Office REIT, Inc.), a Maryland corporation, was incorporated on April 20, 2006. We were in te of inception. We provide stockholders the potential for income and growth through investment in a diversified portfolio of real estate ed facilities and quality commercial office properties. We may also invest in real estate related securities. We focus primarily on investm or federal income tax purposes for our taxable year ended December 31, 2007 when we file our fiscal year 2007 tax return.

initial public offering, or our Offering, in which we are offering up to 200,000,000 shares of our common stock for $10.00 per share an estment plan, or the DRIP, at $9.50 per share, aggregating up to $2,200,000,000. As of March 14, 2008, we had received and accepted n stock, or $259,042,000, excluding shares issued under the DRIP.

ur operations through Grubb & Ellis Healthcare REIT Holdings, L.P. (formerly known as NNN Healthcare/Office REIT Holdings, L.P. llis Healthcare REIT Advisor, LLC (formerly known as NNN Healthcare/Office REIT Advisor, LLC), or our advisor, pursuant to an ad sor and Grubb & Ellis Realty Investors, who is the managing member of our advisor. The Advisory Agreement had a one-year term tha newals upon the mutual consent of the parties. On September 18, 2007, our board of directors extended the Advisory Agreement on a m the renewal of our Advisory

r ending on October 24, 2008. Our advisor supervises and manages our day-to-day operations and selects the properties and securities w
lso provides marketing, sales and client services on our behalf. Our advisor is affiliated with us in that we and our advisor have common
r advisor engages affiliated entities, including Triple Net Properties Realty, Inc., or Realty, to provide various services to us, including p

lty Advisors, Inc., or NNN Realty Advisors, which previously served as our sponsor, merged with and into a wholly owned subsidiary
hereby stockholders of NNN Realty Advisors received shares of common stock of Grubb & Ellis in exchange for their NNN Realty Adv
r, former NNN Realty Advisor stockholders held approximately 59.5% of the common stock of Grubb & Ellis. As a result of the merge
NNN Healthcare/Office REIT, Inc., NNN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT Advisor, LLC, NNN H
apital Corp. changed their names to Grubb & Ellis Healthcare REIT, Inc., Grubb & Ellis Healthcare REIT Holdings, L.P., Grubb & Elli
LC, Grubb & Ellis Realty Investors, LLC and Grubb & Ellis Securities, Inc., respectively.

d purchased 20 properties comprising 2,233,000 square feet of gross leasable area, or GLA.

versified portfolio of real estate, focusing primarily on investments that produce current income. Our real estate investments focus on n
office properties. We may also invest in real estate related securities. However, we do not presently intend to invest more than 15.0% o
securities investments will generally focus on common and preferred stock of public or private real estate companies, collateralized mo
securities, including collateralized debt obligations and foreign securities. We seek to maximize long-term stockholder value by generat
ve these objectives, we may invest using a number of investment structures which may include direct acquisitions, joint ventures, levera
nvestments in real estate. In order to maintain our exemption from regulation as an investment company under the Investment Company
ed to limit our investments in real estate related securities.

ned appropriate by our advisor, the portfolio may also include properties in various stages of development other than those producing cu
and, both with and without entitlements and permits, property to be redeveloped and repositioned, newly constructed properties and pro
relevant operating histories and no current income. Our advisor will make this determination based upon a variety of factors, including
other available properties, the appropriate diversification of the portfolio, and our objectives of realizing both current income and capital

rdless of property type, our advisor seeks to ensure that we invest in properties with the following attributes:

acquire properties that are suitable for their intended use with a quality of construction that is capable of
rty s investment potential for the long-term, assuming funding of budgeted maintenance, repairs and capital

to acquire properties that are located in established or otherwise appropriate markets for comparable properties,
bility suitable to meet the needs of its occupants.

and Demand. We focus on local or regional markets which have potential for stable and growing property level
ong-term. These determinations will be based in part on an evaluation of local economic, demographic and
ffecting the property. For instance, we will favor markets that indicate a growing population and employment base
bit potential limitations on additions to supply, such as barriers to new construction. Barriers to new construction
able land and stringent zoning restrictions. In addition, we will generally seek to limit our investments in areas that
al for growth.

Needs. We seek to acquire properties where the future expected capital needs can be reasonably projected in a llow us to meet our objectives of growth in cash flow and preservation of capital and stability.

k to acquire properties where the current and projected cash flow, including the potential for appreciation in value, eet our overall investment objectives. We will evaluate cash flow as well as expected growth and the potential for

0% of the offering proceeds available for investment in unimproved or non-income producing properties or in other investments relatin uired for the purpose of producing rental or other operating income, or (2) with no development or construction in process or planned in r non-income producing property for purposes of this limitation.

raphic area where we may acquire properties. We are not specifically limited in the number or size of properties we may acquire or on t estment. The number and mix of properties we acquire will depend upon real estate and market conditions and other circumstances exis ments and the amount of proceeds we raise in our Offering and potential future offerings.

Southpointe, LLC, NNN Crawfordsville, LLC, NNN Gallery Medical, LLC, NNN Lenox Medical, LLC and NNN Lenox Medical Lan ent appraiser was engaged to value the properties and the transactions were approved and determined by a majority of our board of direc o us, and at prices no greater than the cost of the investments to our affiliate or the properties appraised values.

ler Parke I Indianapolis, Indiana

d all of the membership interests of NNN Southpointe, LLC from an affiliate, for a total purchase price of $14,800,000, plus closing co Parke and Epler Parke I, located in Indianapolis, Indiana, or the Southpointe property. We primarily financed the purchase price throug ty with LaSalle Bank National Association, or LaSalle, and approximately $5,115,000 of the proceeds from a $7,500,000 unsecured loa ugh our Offering. An acquisition fee of $444,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

ark and Athens Surgery Center Crawfordsville, Indiana

d all of the membership interests of NNN Crawfordsville, LLC from an affiliate, for a total purchase price of $6,900,000, plus closing c ille Medical Office Park and Athens Surgery Center, located in Crawfordsville, Indiana, or the Crawfordsville property. We primarily fi ge loan of $4,264,000 on the property with LaSalle and approximately $2,385,000 of the proceeds from a $7,500,000 unsecured loan fr ur Offering. An acquisition fee of $207,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

g St. Paul, Minnesota

ll of the membership interests of NNN Gallery Medical, LLC from an affiliate, for a total purchase price of $8,800,000, plus closing co Professional Building, located in St. Paul, Minnesota, or the Gallery property. We primarily financed the purchase price through the as LaSalle and a $1,000,000 unsecured loan from NNN Realty

chase price was paid using funds raised through our Offering. An acquisition fee of $264,000, or 3.0% of the purchase price, was paid t

Memphis, Tennessee

all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC from an affiliate, for a total purcha a leasehold interest in Lenox Office Park, Building G and NNN Lenox Medical Land, LLC holds a fee simple interest in two vacant pa which we collectively refer to as the Lenox property. We primarily financed the purchase price of the property and land parcels through with LaSalle. The balance of the purchase price was paid using funds raised through our Offering. An acquisition fee of $555,000, or 3.0

itions

ding Naples, Florida

Commons V Medical Office Building, located in Naples, Florida, or the Commons V property, from an unaffiliated third party, for a tot urchase price using funds raised through our Offering. An acquisition fee of $423,000, or 3.0% of the purchase price, was paid to our ad or approximately 2.0% of the purchase price, was paid to Grubb & Ellis. On May 14, 2007, we entered into a loan, secured by the Comm via, evidenced by a promissory note in the principal amount of $10,000,000. The proceeds from this loan were used to purchase the Thu

hakerag Medical Center Fayetteville and Peachtree City, Georgia

orktown Medical Center and Shakerag Medical Center, located in Fayetteville, Georgia and Peachtree City, Georgia, respectively, whic ce of $21,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price through ipal amount of $13,530,000 and with funds raised through our Offering. An acquisition fee of $645,000, or 3.0% of the purchase price,

endale, Arizona

Thunderbird Medical Plaza, located in Glendale, Arizona, from an unaffiliated third party for a total purchase price of $25,000,000, plus 651,000 in net proceeds from the $10,000,000 loan from Wachovia secured by the Commons V property (described above) and funds ra hase price, was paid to our advisor and its affiliate. On June 8, 2007, we entered into a loan, secured by the Thunderbird property, with 000. The proceeds from this loan were used to purchase Triumph Hospital Northwest and Triumph Hospital Southwest as described bel

Triumph Hospital Southwest Houston and Sugar Land, Texas

iumph Hospital Northwest, located in Houston, Texas, and Triumph Hospital Southwest, located in Sugar Land, Texas, which we colle ce of $36,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a cured by the Thunderbird property (described above), $20,975,000 from funds raised through our Offering and the balance of $4,000,00 1,095,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Lawrenceville, Georgia

e Gwinnett Professional Center, located in Lawrenceville, Georgia, or the Gwinnett property, for a total purchase price of $9,300,000, We financed

nation of debt financing consisting of a $6,000,000 loan assumed with a current principal balance of $5,734,000 secured by the Gwinne
tion fee of $279,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

umbus, Ohio

d 1 Market Exchange, 4 Market Exchange and a vacant parcel of land, located in Columbus, Ohio, which we collectively refer to as the
g costs. We acquired the property from unaffiliated third parties. We financed the purchase price using funds raised through our Offerin
ur advisor and its affiliate. On September 28, 2007, we entered into a loan, secured by the 1 and 4 Market property, with Wachovia, evi

Kokomo, Indiana

d the Kokomo Medical Office Park, located in Kokomo, Indiana, or the Kokomo property, for a total purchase price of $13,350,000, plu
We financed the purchase price using a combination of funds raised through our Offering and the balance of $1,300,000 from an unsecu
0% of the purchase price, was paid to our advisor and its affiliate.

ng Beach, California

red St. Mary Physicians Center, located in Long Beach, California, or the St. Mary property, for a total purchase price of $13,800,000, p
We financed the purchase price using a combination of $8,280,000 from a loan secured by the St. Mary property and the balance of $6,1
fee of $414,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

y Forge, Pennsylvania

ired 2750 Monroe Boulevard, located in Valley Forge, Pennsylvania, or the 2750 Monroe property, for a total purchase price of $26,70
rd party. We financed the purchase price of the property with approximately $27,870,000 in borrowings under our secured revolving lin
ion fee of $801,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

lio Jacksonville, Winter Park and Sunrise, Florida

ired the East Florida Senior Care Portfolio, located in Jacksonville, Winter Park and Sunrise, Florida, or the EFSC property, for a total
from an unaffiliated third party. We financed the purchase price using a combination of $24,918,000 in net proceeds from a $26,000,000
tion, or KeyBank, secured by the EFSC property, $11,000,000 in borrowings under our secured revolving line of credit with LaSalle an
tion fee of $1,560,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Roswell, Georgia

ired Northmeadow Medical Center, located in Roswell, Georgia, or the Northmeadow property, for a total purchase price of $11,850,00
rd party. We financed the purchase price of the property with $12,400,000 in borrowings under our secured revolving line of credit with
se price, was paid to our advisor and its affiliate. On November 20, 2007, we entered into a loan, secured by the Northmeadow property
sory note in the principal amount of $8,000,000.

Tucson, Arizona

ired Tucson Medical Office Portfolio, located in Tucson, Arizona, or the Tucson Medical property, for a total purchase price of $21,050
d party. We financed the purchase price of the property with $22,000,000 in borrowings under our secured revolving line of credit with
tion fee of $632,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Lima, Ohio

ed Lima Medical Office Portfolio, located in Lima, Ohio, or the Lima Medical property, for a total purchase price of $25,250,000, plus
nanced the purchase price of the property with $26,000,000 in borrowings under our secured revolving line of credit with LaSalle and K
758,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Highlands Ranch, Colorado

ired Highlands Ranch Park Plaza, located in Highlands Ranch, Colorado, or the Highlands Ranch property, for a total purchase price of
third party. We financed the purchase price of the property with a secured loan of $8,853,000 from Wachovia, $2,901,000 in borrowing
ith funds raised through our Offering. An acquisition fee of $435,000, or 3.0% of the purchase price, was paid to our advisor and its af

, Ohio

ired Park Place Office Park, located in Dayton, Ohio, or the Park Place property, for a total purchase price of $16,200,000, plus closing
ced the purchase price of the property with a secured loan of $10,943,000 from Wachovia, $500,000 in borrowings under our secured r
hrough our Offering. An acquisition fee of $486,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

er Chesterfield, Missouri

uted a limited liability company agreement, or the Operating Agreement, with BD St. Louis Development, LLC, or BD St. Louis, a subs
to the Operating Agreement, we acquired an 80.0% membership interest in G&E Healthcare REIT/Duke Chesterfield Rehab, LLC, or t
D St. Louis acquired a 20.0% membership interest in the JV Company. BD St. Louis contributed Chesterfield Rehabilitation Center, lo
ed upon value of $36,440,000 to the JV Company and received cash of $33,552,000 and we contributed $11,552,000 in cash. We funded
under our secured revolving line of credit with LaSalle and KeyBank. In addition, the JV Company obtained additional financing from
quisition fee of $1,093,000, or 3.0% of the agreed upon value of the Chesterfield property, was paid to our advisor and its affiliate.

majority of our directors, including a majority of our independent directors, approved our leverage exceeding 300.0% of the value of o
et assets for purposes of this calculation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreci
lities. Our board of directors determined that the excess leverage was justified because it enabled us to purchase the properties during th
r goal of acquiring a diversified portfolio of properties to generate current income for stockholders and preserve their capital. As of Dec
of the value of our net assets.

itions

d Medical Portfolio 1, located in Kansas and Florida, or the Medical Portfolio 1 property, for a total purchase price of $36,950,000, plus
We financed the purchase price of the property with a secured loan of $22,000,000 from Wachovia and $16,000,000 in borrowings unde
ition fee of $1,109,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Fort Road Medical Building, located in St. Paul, Minnesota, or the Fort Road property, for a total purchase price of $8,650,000, plus clo
ced the purchase price of the property with a secured loan of $5,800,000 from LaSalle, $3,000,000 in borrowings under our secured rev
hrough our Offering. An acquisition fee of $260,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Liberty Falls Medical Plaza, located in Liberty Township, Ohio, or the Liberty property, for a total purchase price of $8,150,000, plus c
nanced the purchase price of the property with $7,600,000 in borrowings under our secured revolving line of credit with LaSalle and Ke
paid to our advisor and its affiliate.

Epler Parke Building B, located in Indianapolis, Indiana, or the Epler B property, for a total purchase price of $5,850,000, plus closing
ced the purchase price of the property with $6,100,000 in borrowings under our secured revolving line of credit with LaSalle and KeyB
o our advisor and its affiliate.

g

Cypress Station Medical Building, located in Houston, Texas, or the Cypress property, for a total purchase price of $11,200,000, plus c
nanced the purchase price of the property with a secured loan of $7,300,000 from National City Bank and $4,500,000 in borrowings unc
ition fee of $336,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

rty Acquisitions

f directors approved the acquisitions of: (1) Senior Care Portfolio 1 located in California and Texas for a total purchase price of $39,600
akeland, Florida for a total purchase price of $5,250,000, plus closing costs. We intend to finance the purchases through debt financing.

d its affiliate an acquisition fee of $1,188,000 and $158,000, respectively, or 3.0% of the respective purchase prices, in connection with
ticipate that the closings will occur in the first quarter of 2008; however, the closings are subject to certain agreed upon conditions and
nior Care Portfolio 1 and Vista Professional Center.

unting policies are those that require significant judgments and estimates such as those related to revenue recognition, allowance for unc
ets, impairment of

e, purchase price allocation, and qualification as a REIT. These estimates are made and evaluated on an on-going basis using informatio
ed to be reasonable under the circumstances.

ted financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amo
of contingent assets and liabilities. These estimates are made and evaluated on an on-going basis using information that is currently ava
he circumstances. Actual results could differ from those estimates, perhaps in material adverse ways, and those estimates could be diffe

eceivables and Allowance for Uncollectible Accounts

Financial Accounting Standards, or SFAS, No. 13, *Accounting for Leases*, or SFAS No. 13, as amended and interpreted, minimum annu
of the related lease (including rent holidays). Differences between rental income recognized and amounts contractually due under the lea
nant reimbursement revenue, which is comprised of additional amounts recoverable from tenants for common area maintenance expens
od in which the related expenses are incurred. Tenant reimbursements are recognized and presented in accordance with Emerging Issue
rincipal versus Net as an Agent, or Issue 99-19. Issue 99-19 requires that these reimbursements be recorded on a gross basis, as we are g
om third-party suppliers, have discretion in selecting the supplier and have credit risk. We recognize lease termination fees if there is a s
been met, and the tenant is no longer occupying the property.

deferred rent receivables are carried net of the allowances for uncollectible current tenant receivables and unbilled deferred rent. An allo
rtain tenants to meet the contractual obligations under their lease agreements. We also maintain an allowance for deferred rent receivabl
cy of these allowances is based primarily upon evaluations of historical loss experience, individual tenant receivables considering the te
and current economic conditions and other relevant factors.

es and Depreciation of Assets

ncludes the cost of land and completed buildings and related improvements. Expenditures that increase the service life of properties are
ncurred. The cost of building and improvements is depreciated on a straight-line basis over the estimated useful lives of 39 years and th
months, respectively. Furniture, fixtures and equipment is depreciated over five years. When depreciable property is retired or disposed o
he accounts and any gain or loss reflected in operations.

lower of historical cost less accumulated depreciation or fair value. We assess the impairment of a real estate asset when events or chang
ble. Indicators we consider important and that we believe could trigger an impairment review include the following:

industry or economic trends;

erformance relative to historical or projected future operating results; and

in the manner in which the asset is used.

ount of a property exceeds the sum of the undiscounted cash flows (excluding interest) that would be expected to result from the use and
oss to the extent the carrying amount exceeds the estimated fair value of the property. The estimation of expected future net cash flows
t upon future and current market conditions and events that

roperty. It requires us to make assumptions related to future rental rates, tenant allowances, operating expenditures, property taxes, capit
m the future sale of the property.

ld for sale in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets*, or SFAS No. 144, whic
isposal of long-lived assets and requires that, in a period in which a component of an entity either has been disposed of or is classified a
port the results of operations of the component as discontinued operations.

4, at such time as a property is held for sale, such property is carried at the lower of (1) its carrying amount or (2) fair value less costs to
classify operating properties as property held for sale in the period in which all of the following criteria are met:

g the authority to approve the action, commits to a plan to sell the asset;

for immediate sale in its present condition subject only to terms that are usual and customary for sales of such

locate a buyer and other actions required to complete the plan to sell the asset has been initiated;

is probable and the transfer of the asset is expected to qualify for recognition as a completed sale within one year;

tively marketed for sale at a price that is reasonable in relation to its current fair value; and

quired to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that
ithdrawn.

1, *Business Combinations*, we, with assistance from independent valuation specialists, allocate the purchase price of acquired properties
ective fair values. The allocation to tangible assets (building and land) is based upon our determination of the value of the property as if
ndependent appraisers. Factors considered by us include an estimate of carrying costs during the expected lease-up periods considering
lly, the purchase price of the applicable property is allocated to the above or below market value of in-place leases, the value of in-place

or below market component of the acquired in-place leases is determined based upon the present value (using a discount rate which refl
(1) the contractual amounts to be paid pursuant to the lease over its remaining term and (2) management s estimate of the amounts tha
amounts allocated to above market leases are included in the intangible assets and below market lease values are included in intangible
ental income over the weighted average remaining term of the acquired leases with each property.

ble assets acquired is further allocated to in-place lease costs and the value of tenant relationships based on management s evaluation o
with that respective tenant. Characteristics considered by us in allocating these values include the nature and extent of the credit quality

below market debt is determined based upon the present value of the difference between the cash flow stream of the assumed fixed rate
amounts allocated to above or below market debt are included in mortgage loan payables, net on our accompanying consolidated balanc
of the assumed mortgage.

hange based on information received within one year of the purchase related to one or more events identified at the time of purchase wh
perty.

EIT. We intend to make the election to be taxed as a REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as an
December 31, 2007. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement
As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders.

any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates and will not be permi
four years following the year during which qualification is lost unless the Internal Revenue Service grants us relief under certain statutor
t income and net cash available for distribution to stockholders. Because of our intention to elect REIT status when we file our fiscal ye
e year ended December 31, 2006.

Results of Operations

erated by our properties depends principally on our ability to maintain the occupancy rates of currently leased space and to lease curren
t the existing rental rates. Negative trends in one or more of these factors could adversely affect our rental income in future periods.

onsolidated properties were 88.6% leased. 5.6% of the leased GLA expires during the year ended December 31, 2008. Our leasing strate
ring the remainder of the year. If we are unable to negotiate such renewals, we will try to identify new tenants or collaborate with existi
in 2008, we anticipate, but cannot assure, that all of the tenants will renew for another term.

eeds under our Offering, we will not have enough proceeds to invest in a diversified real estate portfolio. Our real estate portfolio woul
exposure to local and regional economic downturns and the poor performance of one or more of our properties and, therefore, expose o
egardless of the size of our real estate portfolio. Therefore, depending on the amount of offering proceeds we raise, we would expend a
profitability and, in turn, the amount of net income available for distribution to our stockholders.

, as amended, or the Sarbanes-Oxley Act, and related laws, regulations and standards relating to corporate governance and disclosure re
liance with corporate governance, reporting and disclosure practices which are now required of us. These costs may have a material adv
istributions to our stockholders. Furthermore, we expect that these costs will increase in the future due to our continuing implementation
ts may affect our ability to distribute funds to our stockholders. As part of our compliance with the Sarbanes-Oxley Act, we are providin
s of December 31, 2007.

regulations create new legal bases for potential administrative enforcement, civil and criminal proceedings against us in case of non-co
gainst

comply with these laws and regulations will continue to involve significant, and potentially increasing costs and, our failure to comply,
us.

ly comprised of income derived from our portfolio of properties.

l trends or uncertainties, other than national economic conditions affecting real estate generally, that may reasonably be expected to hav
acquisition, management and operation of properties, the financial impact of the downturn of the credit markets, and those risks listed in

ons for the period from April 28, 2006 (Date of Inception) through December 31, 2006 and therefore our results of operations for the ye
rations is due to purchasing 20 properties for the year ended December 31, 2007 as compared to not owning any properties for the perio
ept where otherwise noted.

, 2007, rental income was $17,626,000 as compared to $0 for the period from April 28, 2006 (Date of Inception) through December 31,
5,000 and expense recoveries of $3,075,000.

, 2007, rental expenses were $6,037,000 as compared to $0 for the period from April 28, 2006 (Date of Inception) through December 31
ntal expenses were primarily comprised of real estate taxes of $1,689,000, utilities of $1,534,000, repairs and maintenance of $1,669,00

, 2007, general and administrative was $3,297,000 as compared to $242,000 for the period from April 28, 2006 (Date of Inception) thro
y of director and officer s insurance premiums of $242,000, directors fees of $248,000, restricted stock compensation of $96,000, pro
of $372,000, postage and delivery of $40,000 and asset management fees of $1,590,000. In 2006, general and administrative consisted o
000, restricted stock compensation of $51,000 and professional and legal fees of $68,000. The increase in general and administrative wa
nnection with the acquisition of our 20 properties, as well as asset management fees on the portfolio of 20 properties.

, 2007, depreciation and amortization was $9,790,000 as compared to $0 for the period from April 28, 2006 (Date of Inception) through
of depreciation on the properties of $4,616,000, amortization of identified intangible assets of $5,167,000 and amortization of lease con

, 2007, interest expense was $6,400,000 as compared to $0 for the period from April 28, 2006 (Date of Inception) through December 31
our mortgage loan payables and our secured revolving line of credit with LaSalle and KeyBank of $4,762,000, interest expense on unse
financial instruments of $1,377,000 related to our interest rate swaps and amortization of loan fees and debt discount of $177,000 that ar
uments.

, 2007, interest and dividend income was $224,000 as compared to $0 for the period from April 28, 2006 (Date of Inception) through D
marily to interest earned on our money market accounts. The increase in interest and dividend income was due to having higher cash bal

, 2007, minority interests were $8,000 as compared to $0 for the period from April 28, 2006 (Date of Inception) through December 31,
interest owner s 20.0% share in the Chesterfield property.

, 2007, we had a net loss of $(7,666,000), or $(0.77) per share, as compared to $(242,000), or $(149.03) per share, for the period from A
e in net loss was due to the factors discussed above.

es

roceeds to be received from our Offering to conduct our proposed activities. The capital required to purchase real estate and real estate
ess that we may incur.

will be for acquisitions of real estate and real estate related securities, to pay operating expenses and interest on our outstanding indebte
l require resources to make certain payments to our advisor and Grubb & Ellis Securities, Inc., or Grubb & Ellis Securities, or our deale
ffiliates for reimbursement of certain organizational and offering expenses and to our dealer manager and its affiliates for selling comm
eimbursements.

other than acquisitions of real estate and real estate related securities will be met from operations, borrowing, and the net proceeds of ou
e may be a delay between the sale of shares of our common stock and our investments in properties and real estate related securities, w
s generated from our investments operations. We believe that these cash resources will be sufficient to satisfy our cash requirements f
rom other than these sources within the next twelve months.

dditional investments and will engage in negotiations with real estate sellers, developers, brokers, investment managers, lenders and oth
erties and real estate related securities, we may invest in short-term, highly liquid or other authorized investments. Such short-term inve
ll take to fully invest the proceeds in properties and real estate related securities. The number of properties we may acquire and other in
sulting amount of the net proceeds available for investment.

advisor prepares a capital plan that contemplates the estimated capital needs of that investment. In addition to operating expenses, capi
nts or other major capital expenditures. The capital plan also sets forth the anticipated sources of the necessary capital, which may inclu
perating cash generated by the investment, additional equity investments from us or joint venture partners or, when necessary, capital re
eds of our Offering, proceeds from sales of other investments, operating cash generated by other investments or other cash on hand. In s
rticular investment. The capital plan for each investment will be adjusted through ongoing, regular reviews of our portfolio or as necess

ll in net cash available due to various factors, including, without limitation, the timing of such distributions or the timing of the collecti
eans of secured or unsecured debt financing through one or more third parties, or our advisor or its affiliates. There are currently no limi
would prohibit us from making the proceeds available for distribution. We may also pay distributions from cash from capital transactio

s for capital improvements and tenant improvements will require up to $1,852,000 within the next twelve months. As of December 31,
nts for such capital expenditures. We cannot provide assurance, however, that we will not exceed these estimated expenditure and distr
ially favorable terms or at all.

y levels, reduced rental rates, reduced revenues as a result of asset sales, increased capital expenditures and leasing costs compared to h
eases, the effect would be a reduction of net cash provided by operating activities. If such a reduction of net cash provided by operating
s. In connection with such a shortfall in net cash available, we may seek to obtain capital to pay distributions by means of secured or un
affiliates. This estimate is based on various assumptions which are difficult to predict, including the levels of leasing activity at year en
he financial results and our ability to fund working capital and unanticipated cash needs. To the extent any distributions are made to sto
dered a return of capital to stockholders for federal income tax purposes. Distributions in excess of tax capital are non-taxable to the ext
.

g activities for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 200
erating activities related primarily to operations from our properties. We anticipate cash flows from operating activities to continue to in

vities for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, w
g activities related primarily to the acquisition of our 20 properties in the amount of $380,398,000. We anticipate cash flows used in inv

g activities for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 200
provided by financing activities related primarily to funds raised from investors in the amount of $210,937,000, borrowings on mortga
volving line of credit with LaSalle and KeyBank of $51,801,000, partially offset by principal repayments of $151,000 on mortgage loan
tional cash outflows related to debt financing costs of $2,496,000 in relation to new debt. In 2006, cash flows provided by financing ac
to our advisor and $200,000 invested in our operating partnership from our advisor. We anticipate cash flows from financing activities
dditional debt to purchase properties.

o our stockholders is determined by our board of directors and is dependent on a number of factors, including funds available for payme
and annual distribution requirements needed to maintain our status as a REIT under the Code.

a 6.50% per annum distribution to be paid to stockholders beginning on January 8, 2007, the date we reached our minimum offering of
ended January 31, 2007. On February 14, 2007, our board of directors approved a 7.25% per annum distribution to be paid to

February 2007 monthly distribution which was paid in March 2007. Distributions are paid monthly.

ur taxable income, such distributions will result in a return of capital to our stockholders. Our distribution of amounts in excess of our ta
ncome tax treatment for distributions reportable for the years ended December 31, 2007 and 2006 was as follows:

	Year Ended December 31, 2007		
$	915,000	15.3%	$
	5,081,000	84.7	
$	5,996,000	100%	$

, 2007, we paid distributions of $5,996,000 from cash flow from operations of $7,005,000 for the period. The distributions paid in exces
g. As of December 31, 2007, we had an amount payable of $1,241,000 to our advisor and its affiliates for operating expenses, on-site pe
erty management fees, which will be paid from cash flow from operations in the future as they become due and payable by us in the ord

e no obligations to defer or forgive amounts due to them. As of December 31, 2007, no amounts due to our advisor or its affiliates have
t defer or forgive amounts due to them and our cash flow from operations is less than the distributions to be paid, we would be required
or borrowed funds. As a result, the amount of proceeds available for investment and operations would be reduced, or we may incur add

ecember 31, 2007, our funds from operations, or FFO, was $2,124,000. We paid the $3,872,000 of distributions in excess of FFO with p

rowings, both secured and unsecured, will not exceed 60.0% of all of our properties and real estate related securities combined fair m
first full year of operations. For these purposes, the fair market value of each asset will be equal to the purchase price paid for the asset
r market value will be equal to the value reported in the most recent independent appraisal of the asset. Our policies do not limit the amo
ember 31, 2007, our aggregate borrowings were 58.2% of all of our properties and real estate related securities combined fair marke

rrowing in excess of 300.0% of the value of our net assets, unless approved by our independent directors and the justification for such e
y report. Net assets for purposes of this calculation are defined as our total assets (other than intangibles), valued at cost prior to deducti
l liabilities. In accordance with our charter, a majority of our directors, including a majority of our independent directors, approved our
our first four acquisitions of real properties. Our board of directors determined that the excess leverage was justified because it enabled
reby improving our ability to meet our goal of acquiring a diversified portfolio of properties to generate current income for stockholders
did not exceed 300.0% of the value of our net assets.

85,899,000 ($185,801,000, net of discount) and $0 as of December 31, 2007 and 2006, respectively. As of December 31, 2007, we had
g

and a weighted-average effective interest rate of 6.07% per annum. We had $90,919,000 ($90,821,000 net of discount), or 48.9%, of fi
,980,000, or 51.1%, of variable rate debt at a weighted-average interest rate of 6.35% per annum. We had fixed rate interest rate swaps
ng our interest rate on those mortgage loan payables. We are required by the terms of the applicable loan documents to meet certain fina
e ratios and reporting requirements. As of December 31, 2007, we were in compliance with all such covenants and requirements.

d of the following as of December 31, 2007 and 2006:

	Interest Rate	Maturity Date	
ler Parke I	6.11%	09/01/16	$
ark and Athens Surgery Center	6.12%	10/01/16	
g	5.76%	03/01/17	
	5.88%	02/01/17	
lding	5.54%	06/11/17	
nakerag Medical Center	5.52%	05/11/17	
	5.67%	06/11/17	
	5.88%	01/01/14	
	5.80%	09/04/09	
	5.99%	12/01/14	
	Variable*	09/28/10	
o	Variable*	11/01/10	
	Variable*	11/30/10	
	Variable*	12/31/10	
	Variable*	12/31/10	
er	Variable*	12/30/10	
Total fixed and variable debt			
Less: discount			
Mortgage loan payables			$

007, we had variable rate mortgage loans with the effective interest rates ranging from 6.15% to 6.78% per
-average effective interest rate of 6.35% per annum. However, as of December 31, 2007, we had fixed rate
nging from 5.52% to 6.02%, on all of our variable rate mortgage loan payables, thereby effectively fixing our
mortgage loan payables

liate

, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, we entered into, and subsequently paid d
d by unsecured promissory notes:

Amount	Maturity Date	Interest Rate	Default Interest R
$ 7,500,000	07/22/07	6.86%	
$ 1,000,000	09/09/07	6.84%	
$ 4,000,000	12/08/07	6.82%	
$ 1,300,000	03/01/08	6.85%	
$ 6,100,000	03/05/08	6.86%	

t at a fixed rate and required monthly interest-only payments for the terms of the unsecured notes. As of December 31, 2007 and 2006,
ate.

party loans, the terms of the loans and the unsecured notes were approved by our board of directors, including a majority of our indepe
our board of directors.

red into a loan agreement, or the Loan Agreement, with LaSalle to obtain a secured revolving credit facility in an aggregate maximum p
eds of loans made under the Loan Agreement may be used to finance the purchase of properties or, provided no event of default has occ
to loans, our operating partnership may obtain up to an additional $10,000,000 of the credit available under the Loan Agreement in the
rs, which may be extended by one 12-month period subject to satisfaction of certain conditions, including payment of an extension fee e

able under the Loan Agreement is a function of certain loan to cost, loan to value and debt service coverage ratios contained in the Loa
may be increased to $120,000,000 subject to the terms of the Loan Agreement. Also, additional financial institutions may become lende

oan Agreement bear interest at per annum rates equal to (1) LIBOR plus a margin ranging from 1.45% to 1.60%, depending on the ratio
llateral securing the Loan Agreement, (2) the greater of LaSalle s prime rate or the Federal Funds Rate plus 0.50%, or (3) a combinatio
thly and at maturity. In addition to interest, we are required to pay a fee on the unused portion of the lenders commitments under the L
rs, beginning with the quarter ending December 31, 2007.

he Loan Agreement are guaranteed by us and by our subsidiaries that own properties that serve as collateral for the Loan Agreement.

arious affirmative and negative covenants that are customary for facilities and transactions of this type, including limitations on the incu
ateral for the Loan Agreement, limitations on the nature of our business, and limitations on distributions by us and our subsidiaries that
eement also imposes the following financial covenants on us and our operating partnership, as applicable: (1) a minimum ratio of operat
flow to fixed charges, (3) a maximum ratio of liabilities to asset value, (4) a maximum distribution covenant and (5) a minimum net wo
e Loan Agreement includes events of default that are customary for facilities and transactions of this type. As of December 31, 2007, we

g with our subsidiaries, entered into a Modification of Loan Agreement with LaSalle and amended and restated promissory notes with e
l

lle line of credit from $50,000,000 to $80,000,000; (2) to modify the applicable margin rate for LIBOR loans from a range of 1.45% to
ate for base rate loans from 0.5% to 0.0%; and (4) to add KeyBank as a lender under the LaSalle line of credit, which we refer to as our
ving line of credit with LaSalle and KeyBank is secured by the Triumph Hospital Portfolio, the 2750 Monroe property, the Lima Medic

06, borrowings under our secured revolving line of credit with LaSalle and KeyBank totaled $51,801,000 and $0, respectively. Borrow
of 6.93% per annum.

federal income tax purposes, we are required to make distributions to our stockholders of at least 90.0% of REIT taxable income. In the
, without limitation, the timing of such distributions or the timing of the collections of receivables, we may seek to obtain capital to pay
ird parties. We may also pay distributions from cash from capital transactions including, without limitation, the sale of one or more of o

es

elated Expenses

related expenses are being paid by our advisor and its affiliates on our behalf. These organizational, offering and related expenses inclu
support fee which generally represent 7.0% and 2.5% of our gross offering proceeds, respectively) to be paid by us in connection with o
selling commissions, the marketing support fee and due diligence expense reimbursements and other organizational and offering exper
December 31, 2007 and 2006, expenses of $1,086,000 and $1,093,000, respectively, in excess of 11.5% of the gross proceeds of our Off
nd these expenses are not recorded in our accompanying consolidated financial statements as of December 31, 2007 and 2006. To the e
ome our liability. See Note 11, Related Party Transactions Offering Stage, for a further discussion of these amounts during our offeri

nses

he mortgage loan payable secured by the Thunderbird property to complete certain repairs to the property in the amount of $190,000 by
le secured by the Gallery property to complete certain repairs to the property in the amount of $63,000 by January 2008. Funds for thes
accompanying consolidated balance sheet as of December 31, 2007.

BD St. Louis for the JV Company that owns the Chesterfield property provides that from January 1, 2010 to March 31, 2010, our operati
interests in the JV Company held by BD St. Louis at a fixed price of $3,900,000. However, if we do not exercise that right, the Operati
Louis has the right and option to sell all, but not less than all, of its 20.0% membership interests in the JV Company to our operating pa
cordance with the Operating Agreement.

through third-party insurance carriers is subject to coverage limitations. For each type of insurance coverage, should an uninsured or u
anticipated cash flows from, one or more of the properties. In addition, there can be no assurance that third-party insurance carriers wil
urred. However, management believes that our current insurance coverage is adequate.

eds is the payment of principal and interest on outstanding indebtedness. As of December 31, 2007, we had fixed and variable mortgage
of discount) outstanding secured by our properties and $51,801,000 outstanding under our secured revolving line of credit with LaSall
e on our outstanding debt was 6.26% per annum.

ormation with respect to the maturities and scheduled principal repayments of our secured mortgage loan payables and our secured revo
07. The table does not reflect any available extension options.

	Payments Due by Period			
	Less than 1 Year (2008)	1-3 Years (2009-2010)	4-5 Years (2011-2012)	
debt	$ 443,000	$ 9,706,000	$ 2,613,000	$
bt	5,143,000	9,678,000	9,092,000	
te debt	52,228,000	94,553,000		
debt (based on rate in effect as of December 31, 2007)	9,001,000	9,758,000		
	253,000			
	$ 67,068,000	$ 123,695,000	$ 11,705,000	$

nts

06, we had no off-balance sheet transactions nor do we currently have any such arrangements or obligations.

as income from future long-term leases is the primary source of our cash flows from operations. There are provisions in the majority of
ions include rent steps, reimbursement billings for operating expense pass-through charges, real estate tax and insurance reimbursement
e leases, among other factors, the leases may not re-set frequently enough to cover inflation.

de cash distributions to our stockholders from cash generated by our operations. Due to certain unique operating characteristics of real e
NAREIT, an industry trade group, has promulgated a measure known as Funds From Operations, or FFO, which it believes more accu
valent to our net income or loss as determined under GAAP.

easure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as revise
uted in accordance with GAAP, excluding gains or losses from sales of property but including asset impairment writedowns, plus depre
artnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO.

tion used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real es
ly rise and fall with market conditions, presentations of operating results for a REIT, using historical accounting for depreciation, could
try as a supplemental performance measure.

s intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REIT ay not be meaningful. Furthermore, FFO is not necessarily indicative of cash flow available to fund cash needs and should not be consi ur FFO reporting complies with NAREIT s policy described above.

of FFO for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006:

	Year Ended December 31, 2007
	$ (7,666,000)
consolidated properties	9,790,000
lated to minority interests	
	$ 2,124,000
es outstanding basic and diluted	9,952,771

ived and accepted subscriptions in our Offering for 28,032,885 shares of our common stock, or $279,991,000, excluding shares issued u

d 12,270 shares, or $123,000, under our share repurchase plan.

nt

ment, effective January 1, 2008, with Grubb & Ellis Realty Investors for subscription agreement processing and investor services. The s ically be renewed for successive one year terms. Since Grubb & Ellis Realty Investors is the managing member of our advisor, the term ndependent directors as fair and reasonable to us and at fees charged to us in an amount no greater than the cost to Grubb & Ellis Realty r than that which would be paid to an unaffiliated third party for similar services. The services agreement requires Grubb & Ellis Realty rmination, while we have the right to terminate upon 30 days advance written notice.

itions

d the Medical Portfolio 1 property for a total purchase price of $36,950,000, plus closing costs. We acquired the property from an unaff red loan of $22,000,000 from Wachovia and $16,000,000 in borrowings under our secured revolving line of credit with LaSalle and Key paid to our advisor and its affiliate.

he Fort Road property for a total purchase price of $8,650,000, plus closing costs. We acquired the property from an unaffiliated third p

,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank and with funds raised through our Offering. A
dvisor and its affiliate.

the Liberty property for a total purchase price of $8,150,000, plus closing costs. We acquired the property from an unaffiliated third pa
owings under our secured revolving line of credit with LaSalle and KeyBank. An acquisition fee of $245,000, or 3.0% of the purchase p

the Epler B property for a total purchase price of $5,850,000, plus closing costs. We acquired the property from an unaffiliated third pa
owings under our secured revolving line of credit with LaSalle and KeyBank. An acquisition fee of $176,000, or 3.0% of the purchase p

g

the Cypress property for a total purchase price of $11,200,000, plus closing costs. We acquired the property from an unaffiliated third p
7,300,000 from National City Bank and $4,500,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank
ur advisor and its affiliate.

eland, Florida

Vista Professional Center, located in Lakeland, Florida, for a purchase price of $5,250,000, plus closing costs, from an unaffiliated thir
our secured revolving line of credit with LaSalle and KeyBank, and the remaining balance from funds raised through our offering. An a
dvisor and its affiliate.

rnia and Texas

our subsidiary, G&E Healthcare REIT Senior Care Portfolio 1, LLC, entered into a Purchase and Sale Agreement and Escrow Instructi
third party, for a purchase price of $39,600,000. Senior Care Portfolio 1 consists of six properties, four of which are located in Arlingto
nd two of which are located in El Monte and Lomita, California, or the California properties. The purchase price of Senior Care Portfoli
California properties. On March 31, 2008, we acquired the Texas properties of Senior Care Portfolio 1 for a purchase price of $29,900
erties with an advance of $18,000,000 under a $24,800,000 secured loan with Red Mortgage Capital, Inc. and $14,800,000 in borrowing
cquisition fee of $897,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate in connection with the acquisition of t
ornia properties, and we expect to pay our advisor and its affiliate an acquisition fee of $291,000, or 3.0% of the purchase price, in conn

onouncements

Accounting Standards Board, or the FASB, issued SFAS No. 157, *Fair Value Measurement,* or SFAS No. 157. SFAS No. 157, which
ermit fair value measurements, defines fair value, establishes a framework for measuring fair value in generally accepted accounting pr
FAS No. 157 was issued to increase consistency and comparability in fair value measurements and to expand disclosures about fair val
n SFAS No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Ad*
rement under

. FSP FAS 157-1 defers the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that ar
g basis. FSP FAS 157-1 also excludes from the scope of SFAS No. 157 certain leasing transactions accounted for under SFAS No. 13,
-1 on a prospective basis on January 1, 2008. The adoption of SFAS No. 157 and FSP FAS 157-1 did not have a material impact on ou

ed SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* or SFAS No. 159. SFAS No. 159 permits enti
ms at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate vo
ilities differently without having to apply complex hedge accounting provisions. We adopted SFAS No. 159 on a prospective basis on J
terial impact on our consolidated financial statements since we will not be electing to apply the fair value option for any of our eligible

ued SFAS No. 141(R), *Business Combinations,* or SFAS No. 141(R), and SFAS No. 160, *Noncontrolling Interests in Consolidated Fin*
two new standards will significantly change the accounting for and reporting of business combination transactions and noncontrolling (
quires an acquiring entity to recognize acquired assets and liabilities assumed in a transaction at fair value as of the acquisition date, cha
anges the accounting treatment for certain items, including contingent consideration agreements which will be required to be recorded a
e expensed as incurred. SFAS No. 160 requires that noncontrolling interests be presented as a component of consolidated stockholders
of net income attributable to the noncontrolling interests will be presented as part of consolidated net income in our accompanying cons
and expense, and requires that upon any changes in ownership that result in the loss of control of the subsidiary, the noncontrolling inte
net income. SFAS No. 141(R) and SFAS No. 160 require simultaneous adoption and are to be applied prospectively for the first annual
on of either standard is prohibited. We will adopt SFAS No. 141(R) and SFAS No. 160 on January 1, 2009. We are evaluating the impa
mpact the adoption will have on our consolidated financial statements.

SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, or SFAS No. 161. SFAS No. 161 is intended to impr
s by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial per
requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more info
e features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate i
fective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application en
mpact on our consolidated financial statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

ockholders
Inc.

ng consolidated balance sheets of Grubb & Ellis Healthcare REIT, Inc. and subsidiaries (the Company) as of December 31, 2007 an
ity (deficit) and cash flows for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through D
schedules listed in the index. These consolidated financial statements and the consolidated financial statement schedules are the respons
inion on these consolidated financial statements and the consolidated financial statement schedules based on our audits.

rdance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan an
ncial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of it
n of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not f
s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis
nents, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financi
for our opinion.

l financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, a
cember 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, in conformity with accounting
pinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements take
n therein.

Grubb & Ellis Healthcare REIT, Inc.

CONSOLIDATED BALANCE SHEETS
As of December 31, 2007 and 2006

	December 31, 2007
ASSETS	
	$ 352,994,000
	5,467,000
net	1,233,000
	4,605,000
	62,921,000
	4,392,000
	$ 431,612,000
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS EQUITY (DEFICIT)	
	$ 185,801,000
	51,801,000
abilities	7,983,000
s, net	2,356,000
	1,377,000
d other liabilities	1,974,000
et	1,639,000
	252,931,000
(Note 10)	
ners	3,091,000
200,000,000 shares authorized; none issued and outstanding	
1,000,000,000 shares authorized; 21,449,451 and 20,200 shares issued and outstanding as of spectively	214,000
	190,534,000
	(15,158,000)
it)	175,590,000
s and stockholders equity (deficit)	$ 431,612,000

The accompanying notes are an integral part of these consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2007 and
for the Period from April 28, 2006 (Date of Inception) through December 31, 2006

	Year Ended December 31, 2007	
	$ 17,626,000	$
	6,037,000	
	3,297,000	
	9,790,000	
	19,124,000	
nse)	(1,498,000)	
tization of deferred financing costs and debt discount):		
ayables to affiliate	(84,000)	
age loan payables and line of credit	(4,939,000)	
uments	(1,377,000)	
	224,000	
	8,000	
	$ (7,666,000)	$
diluted	$ (0.77)	$
hares outstanding basic and diluted	9,952,771	
mon share	$ 0.70	$

The accompanying notes are an integral part of these consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)
For the Year Ended December 31, 2007
and for the Period from April 28, 2006 (Date of Inception)
through December 31, 2006

	Common Stock				Acc
	Number of Shares	Amount	Additional Paid-In Capital	Preferred Stock	
ate of Inception)		$	$	$	$
	200		2,000		
l restricted common stock	20,000		40,000		
non stock compensation			11,000		
6	20,200		53,000		
	21,130,370	211,000	210,835,000		
l restricted common stock	17,500		35,000		
			(23,120,000)		
non stock compensation			61,000		
the DRIP	281,381	3,000	2,670,000		
7	21,449,451	$ 214,000	$ 190,534,000	$	$

The accompanying notes are an integral part of these consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2007 and for the Period from
April 28, 2006 (Date of Inception) through December 31, 2006

	Year Ended December 31, 2007	Pe (D
ATING ACTIVITIES		
	$ (7,666,000)	$
to net cash provided by operating activities:		
ncluding deferred financing costs, above/below market leases, debt discount, leasehold interests and	9,466,000	
f forfeitures	96,000	
e instruments	1,377,000	
	(8,000)	
iabilities:		
net	(1,114,000)	
	(655,000)	
abilities	4,721,000	
s, net	927,000	
	(139,000)	
ctivities	7,005,000	
TING ACTIVITIES		
ng properties	(380,398,000)	
	(437,000)	
	(4,605,000)	
ies	(385,440,000)	
NCING ACTIVITIES		
yables	148,906,000	
ayables to affiliate	19,900,000	
dit, net	51,801,000	
ables to affiliate	(19,900,000)	
bles	(151,000)	
on stock	210,937,000	
our operating partnership		
	35,000	
	(2,496,000)	
	(22,009,000)	
	(3,323,000)	

ctivities			383,700,000	
D CASH EQUIVALENTS			5,265,000	
ENTS	Beginning of period		202,000	
ENTS	End of period	$	5,467,000	$
URE OF CASH FLOW INFORMATION:				
		$	4,328,000	$
		$	2,000	$
URE OF NONCASH ACTIVITIES:				
		$	609,000	$
crease in certain assets and liabilities				
ions of operating properties:				
net		$	10,000	$
		$	715,000	$
		$	37,039,000	$
abilities		$	1,459,000	$
s, net		$	5,000	$
d other liabilities		$	1,952,000	$
		$	2,899,000	$
the DRIP		$	2,673,000	$
id		$	1,254,000	$
		$	1,111,000	$
or issuance of common stock		$	109,000	$

The accompanying notes are an integral part of these consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2007 and for the Period from April 28, 2006
(Date of Inception) through December 31, 2006

or our refers to Grubb & Ellis Healthcare REIT, Inc. and its subsidiaries, including Grubb & Ellis Healthcare REIT Holdings, L.P

ption of Business

Inc. (formerly known as NNN Healthcare/Office REIT, Inc.), a Maryland corporation, was incorporated on April 20, 2006. We were in
te of inception. We provide stockholders the potential for income and growth through investment in a diversified portfolio of real estate
ed facilities and quality commercial office properties. We may also invest in real estate related securities. We focus primarily on investm
ate investment trust, or REIT, for federal income tax purposes for our taxable year ended December 31, 2007 when we file our fiscal ye

initial public offering, or our Offering, in which we are offering up to 200,000,000 shares of our common stock for $10.00 per share an
estment plan, or the DRIP, at $9.50 per share, aggregating up to $2,200,000,000. As of March 14, 2008, we had received and accepted
n stock, or $259,042,000, excluding shares issued under the DRIP.

ur operations through Grubb & Ellis Healthcare REIT Holdings, L.P. (formerly known as NNN Healthcare/Office REIT Holdings, L.P.
llis Healthcare REIT Advisor, LLC (formerly known as NNN Healthcare/Office REIT Advisor, LLC), or our advisor, pursuant to an ad
sor and Grubb & Ellis Realty Investors, LLC, or Grubb & Ellis Realty Investors (formerly known as Triple Net Properties, LLC), who
ear term that expired on September 19, 2007 and was subject to successive one-year renewals upon the mutual consent of the parties. C
nt on a month-to-month basis. On October 24, 2007, our board of directors authorized the renewal of our Advisory Agreement for a ter
ges our day-to-day operations and selects the properties and securities we acquire, subject to the oversight by our board of directors. Ou
advisor is affiliated with us in that we and our advisor have common officers, some of whom also own an indirect equity interest in ou
perties Realty, Inc., or Realty, to provide various services to us, including property management services.

lty Advisors, Inc., or NNN Realty Advisors, which previously served as our sponsor, merged with and into a wholly owned subsidiary
a reverse merger whereby stockholders of NNN Realty Advisors received shares of common stock of Grubb & Ellis in exchange for th
the merger, former NNN Realty Advisor stockholders held approximately 59.5% of the common stock of Grubb & Ellis. As a result o
er, NNN Healthcare/Office REIT, Inc., NNN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT Advisor, LLC, NN
NNN Capital Corp. changed their names to Grubb & Ellis Healthcare REIT, Inc., Grubb & Ellis Healthcare REIT Holdings, L.P., Grubb
ement, LLC, Grubb & Ellis Realty Investors, LLC and Grubb & Ellis Securities, Inc., respectively.

d purchased 20 properties comprising 2,233,000 square feet of gross leasable area, or GLA.

Accounting Policies

unting policies presented below is designed to assist in understanding our consolidated financial statements. Such financial statements a
nt, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepte

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AP, in all material respects, and have been consistently applied in preparing our accompanying consolidated financial statements.

financial statements include our accounts and those of our operating partnership, the wholly owned subsidiaries of our operating partne
Standards Board Interpretation, or FIN, No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research*
e consolidated. We operate and intend to continue to operate in an umbrella partnership REIT structure in which our operating partnersh
ubstantially all of the properties acquired on our behalf. We are the sole general partner of our operating partnership and as of Decembe
artnership interest therein. Our advisor is a limited partner and as of December 31, 2007 and 2006, owned a 0.01% and 99.0%, respecti
subordinated distribution rights under the partnership agreement for our operating partnership. Because we are the sole general partner
ement and major operating decisions (even if additional limited partners are admitted to our operating partnership), the accounts of our
. All significant intercompany accounts and transactions are eliminated in consolidation.

ted financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported am
of contingent assets and liabilities. These estimates are made and evaluated on an on-going basis using information that is currently ava
he circumstances. Actual results could differ from those estimates, perhaps in material adverse ways, and those estimates could be diffe

t of all highly liquid investments with a maturity of three months or less when purchased.

of $1,802,000, including funds received from shares sold to our executive officers and directors, Grubb & Ellis Securities, Inc., or Grubb
as of December 31, 2006 are not included in assets and consist of funds received in connection with subscription agreements to purcha
ired to raise $2,000,000, or the minimum offering, on or before September 20, 2007 (one year following the commencement of our Offe
subscribers. Therefore, as of December 31, 2006, the funds were held in an escrow account and were not released to or available to us u

e minimum offering and the funds held in escrow were released to us.

mpound reserve accounts for property taxes, insurance, capital improvements and tenant improvements.

eceivables and Allowance for Uncollectible Accounts

Financial Accounting Standards, or SFAS No. 13, *Accounting for Leases*, or SFAS No. 13, as amended and interpreted, minimum annu
of the related lease (including rent holidays). Differences between rental income recognized and amounts contractually due under the lea

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

plicable, to rent receivable. Tenant reimbursement revenue, which is comprised of additional amounts recoverable from tenants for com cognized as revenue in the period in which the related expenses are incurred. Tenant reimbursements are recognized and presented in ac *Revenue Gross as a Principal versus Net as an Agent*, or Issue 99-19. Issue 99-19 requires that these reimbursements be recorded on a g goods and services from third-party suppliers, have discretion in selecting the supplier and have credit risk. We recognize lease termi tions of the agreement have been met, and the tenant is no longer occupying the property.

deferred rent receivables are carried net of the allowances for uncollectible current tenant receivables and unbilled deferred rent. An allo rtain tenants to meet the contractual obligations under their lease agreements. We will also maintain an allowance for deferred rent recei dequacy of these allowances is based primarily upon evaluations of historical loss experience, individual tenant receivables considering uarantees and current economic conditions and other relevant factors. As December 31, 2007 and 2006, we had $7,000 and $0, respecti reduce receivables to our estimate of the amount recoverable.

ld for sale in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets*, or SFAS No. 144, whic isposal of long-lived assets and requires that, in a period in which a component of an entity either has been disposed of or is classified a l report the results of operations of the component as discontinued operations.

4, at such time as a property is held for sale, such property is carried at the lower of (i) its carrying amount or (ii) fair value less costs to classify operating properties as property held for sale in the period in which all of the following criteria are met:

g the authority to approve the action, commits to a plan to sell the asset;

for immediate sale in its present condition subject only to terms that are usual and customary for sales of such

locate a buyer and other actions required to complete the plan to sell the asset has been initiated;

is probable and the transfer of the asset is expected to qualify for recognition as a completed sale within one year;

tively marketed for sale at a price that is reasonable in relation to its current fair value; and

quired to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that ithdrawn.

41, *Business Combinations*, we, with the assistance of independent valuation specialists, allocate the purchase price of acquired properti ective fair values. The allocation to tangible assets (building and land) is based upon our determination of the value of the property as if ndependent appraisers. Factors considered by us include an estimate of carrying costs during the expected lease-up periods considering lly, the purchase price of the applicable property is allocated to the above or below market value of in-place leases, the value of in-place

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

or below market component of the acquired in-place leases is determined based upon the present value (using a discount rate which refl
: (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) our estimate of the amounts that would be
amounts allocated to above market leases are included in identified intangible assets, net and below market lease values are included in
nce sheets and are amortized to rental income over the weighted-average remaining term of the acquired leases with each property.

ble assets acquired is further allocated to in-place lease costs and the value of tenant relationships based on management s evaluation o
with that respective tenant. Characteristics considered by us in allocating these values include the nature and extent of the credit quality

below market debt is determined based upon the present value of the difference between the cash flow stream of the assumed fixed rate
amounts allocated to above or below market debt are included in mortgage loan payables, net on our accompanying consolidated balanc
of the assumed mortgage.

hange based on information received within one year of the purchase related to one or more events identified at the time of purchase wh
perty.

at the lower of fair market value or historical cost less accumulated depreciation. The cost of the operating properties includes the cost o
increase the service life of the properties are capitalized and the cost of maintenance and repairs is charged to expense as incurred. The
ated useful lives of the buildings up to 39 years and for tenant improvements, the shorter of the lease term or useful life, ranging from or
, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

ed for potential impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impa
used in operations. Impairment losses are recorded on an operating property when indicators of impairment are present and the carrying
ws expected to be generated by that asset. We would recognize an impairment loss to the extent the carrying amount exceeded the fair va
eriod from April 28, 2006 (Date of Inception) through December 31, 2006, there were no impairment losses recorded.

deferred rent receivables, leasing commissions, prepaid expenses, deposits and deferred financing costs. Costs incurred for property lea
asing commissions that are amortized using the straight-line method over the term of the related lease. Deferred financing costs include
zed using the straight-line method over the term of the related loan, which approximates the effective interest rate method. Amortization
aying consolidated statements of operations.

nents

ut Fair Value of Financial Instruments, or SFAS No. 107, requires disclosure of the fair value of financial instruments, whether or not re
as the quoted market prices for those instruments that are actively traded in financial markets. In cases where quoted market prices are

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ed using present value or other valuation techniques. The fair value estimates are made at the end of each year based on available marke
mates of timing and amount of expected future cash flows. Such estimates do not reflect any premium or discount that could result from
instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates c
disclosed value be realized in immediate settlement of the instrument.

include the following financial instruments: cash and cash equivalents, restricted cash, accounts and other receivables, accounts payable
ayables and borrowings under the line of credit. We consider the carrying values of cash and cash equivalents, restricted cash, accounts
mate fair value for these financial instruments because of the short period of time between origination of the instruments and their expe
ot determinable due to the related party nature.

an payable is estimated using borrowing rates available to us for mortgage loan payables with similar terms and maturities. As of Dece
compared to the carrying value of $185,801,000. The fair value of our secured revolving line of credit with LaSalle and KeyBank (See
d to a carrying value of $51,801,000.

ts

nterest rate changes in the normal course of business. We seek to mitigate these risks by following established risk management policies
trategy in entering into derivative contracts is to minimize the volatility that changes in interest rates could have on our future cash flow
caps, to effectively convert a portion of our variable-rate debt to fixed-rate debt. We do not enter into derivative instruments for specula

her assets or liabilities in our consolidated balance sheet and are measured at fair value in accordance with SFAS No. 133, *Derivative In*
ive instruments are not designated as hedge instruments, they do not qualify for hedge accounting under SFAS No. 133, and accordingl
our consolidated statements of operations in the period of change.

ially subject us to a concentration of credit risk are primarily cash and cash equivalents and accounts receivable from tenants. We have
orporation, or FDIC, up to $100,000 per institution. As of December 31, 2007 and 2006, we had cash and cash equivalent accounts in ex
ion of credit risk with respect to accounts receivable from tenants is limited. We perform credit evaluations of prospective tenants, and
te tenants in connection with the acquisition of a property.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

wned consolidated properties located in various states as follows:

	State (Property Location)	2007 A Base
	AZ	$
	AZ	
ldding	FL	
o	FL	
nakerag Medical Center	GA	
	GA	
	GA	
ler Parke I	IN	
ark and Athens Surgery Center	IN	
	IN	
	OH	
	OH	
	OH	
	CA	
	CO	
g	MN	
er	MO	
	PA	
	TN	
Triumph Hospital Southwest	TX	
		$

based on contractual base rent from leases in effect as of December 31, 2007.

f our tenants at our consolidated properties accounted for 10.0% or more of our aggregate annual rental revenue, as follows:

	2007 Annual Base Rent *	Percentage of 2007 Annual Base Rent	Property
rida	$ 4,095,000	11.2%	East Florida Senior Care Portfolio

based on contractual base rent from leases in effect as of December 31, 2007. The loss of the tenant or ld have a material adverse effect on our business and results of operations.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

elated Expenses

related expenses are being paid by our advisor and its affiliates on our behalf. These organizational, offering and related expenses inclu
support fee which generally represent 7.0% and 2.5% of our gross offering proceeds, respectively) to be paid by us in connection with o
selling commissions, the marketing support fee and due diligence expense reimbursements and other organizational and offering exper
December 31, 2007 and 2006, expenses of $1,086,000 and $1,093,000, respectively, in excess of 11.5% of the gross proceeds of our Off
nd these expenses are not recorded in our accompanying consolidated financial statements as of December 31, 2007 and 2006. See Note
these amounts during our offering stage.

are-Based Payment, to account for our stock compensation pursuant to our 2006 Incentive Plan and the 2006 Independent Directors Co
ckholders Equity (Deficit) 2006 Incentive Plan and Independent Directors Compensation Plan, for a further discussion of grants und

terests in our consolidated entities that are not wholly-owned by us.

EIT. We intend to make the election to be taxed as a REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as a
December 31, 2007. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement
As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to
taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income ta
unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could have a material adverse eff
holders. Because of our intention to elect REIT status in 2007 when we file our fiscal year 2007 tax return, we will not benefit from the

unting Standards Board, or the FASB, issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN No. 48. We ad
vare of any liability for uncertain tax positions that we believe should be recognized in our consolidated financial statements. We follow
financial statements uncertain tax positions that we have taken or expect to take on a tax return.

re pursuant to SFAS No. 128, *Earnings Per Share.* Basic earnings (loss) per share attributable for all periods presented are computed by
common stock outstanding during the period. Diluted earnings (loss) per share are computed based on the weighted average number of
any. Shares of restricted common stock give rise to potentially dilutive shares of common stock.

, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, we recorded a net loss of $7,666,000 and
d

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

stricted common stock were outstanding, but were excluded from the computation of diluted earnings per share because such shares of

, *Disclosures about Segments of an Enterprise and Related Information*, which establishes standards for reporting financial and descript
termined that we have one reportable segment, with activities related to investing in medical office buildings, healthcare-related facilitie
e geographically diversified and management evaluates operating performance on an individual property level. However, as each of our
ucts and services, our properties have been aggregated into one reportable segment for the year ended December 31, 2007 and for the pe

nouncements

sued SFAS No. 157, *Fair Value Measurement,* or SFAS No. 157. SFAS No. 157, which will be applied to other accounting pronouncem
, establishes a framework for measuring fair value in generally accepted accounting principles and provides for expanded disclosure abo
y and comparability in fair value measurements and to expand disclosures about fair value measurements. In February 2008, the FASB
FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for
3, or FSP FAS 157-1. FSP FAS 157-1 defers the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities
ncial statements on a recurring basis. FSP FAS 157-1 also excludes from the scope of SFAS No. 157 certain leasing transactions accoun
57 and FSP FAS 157-1 on a prospective basis on January 1, 2008. The adoption of SFAS No. 157 and FSP FAS 157-1 did not have a m

ed SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* or SFAS No. 159. SFAS No. 159 permits entit
ns at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate vo
ilities differently without having to apply complex hedge accounting provisions. We adopted SFAS No. 159 on a prospective basis on J
terial impact on our consolidated financial statements since we will not be electing to apply the fair value option for any of our eligible

ued SFAS No. 141(R), *Business Combinations,* or SFAS No. 141(R), and SFAS No. 160, *Noncontrolling Interests in Consolidated Fin*
two new standards will significantly change the accounting for and reporting of business combination transactions and noncontrolling (
quires an acquiring entity to recognize acquired assets and liabilities assumed in a transaction at fair value as of the acquisition date, cha
anges the accounting treatment for certain items, including contingent consideration agreements which will be required to be recorded a
e expensed as incurred. SFAS No. 160 requires that noncontrolling interests be presented as a component of consolidated stockholders
of net income attributable to the noncontrolling interests will be presented as part of consolidated net income in our accompanying cons
and expense, and requires that upon any changes in ownership that result in the loss of control of the subsidiary, the noncontrolling inte
net income. SFAS No. 141(R) and SFAS No. 160 require simultaneous adoption and are to be applied prospectively for the first annual
on of either standard is prohibited. We will adopt

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

160 on January 1, 2009. We are evaluating the impact of SFAS No. 141(R) and SFAS No. 160 and have not yet determined the impact

SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, or SFAS No. 161. SFAS No. 161 is intended to impr
s by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial per
requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more info
features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate i
fective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application en
mpact on our consolidated financial statements.

ted properties consisted of the following as of December 31, 2007 and 2006:

	December 31, 2007
	$ 52,428,000
	305,150,000
	5,000
	357,583,000
	(4,589,000
	$ 352,994,000

r ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006 was $4,616,000 and

Southpointe, LLC, NNN Crawfordsville, LLC, NNN Gallery Medical, LLC, NNN Lenox Medical, LLC and NNN Lenox Medical Lan
ent appraiser was engaged to value the properties and the transactions were approved and determined by a majority of our board of direc
o us, and at prices no greater than the cost of the investments to our affiliate or the properties appraised values.

ler Parke I Indianapolis, Indiana

d all of the membership interests of NNN Southpointe, LLC from an affiliate, for a total purchase price of $14,800,000, plus closing co
Parke and Epler Parke I, located in Indianapolis, Indiana, or the Southpointe property. We primarily financed the purchase price throug
ty with LaSalle Bank National Association, or LaSalle, and approximately $5,115,000 of the proceeds from a $7,500,000 unsecured loa

gh our Offering. An acquisition fee of $444,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ark and Athens Surgery Center Crawfordsville, Indiana

d all of the membership interests of NNN Crawfordsville, LLC from an affiliate, for a total purchase price of $6,900,000, plus closing c
ille Medical Office Park and Athens Surgery Center, located in Crawfordsville, Indiana, or the Crawfordsville property. We primarily f
ge loan of $4,264,000 on the property with LaSalle and approximately $2,385,000 of the proceeds from a $7,500,000 unsecured loan fr
our Offering. An acquisition fee of $207,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

g St. Paul, Minnesota

ll of the membership interests of NNN Gallery Medical, LLC from an affiliate, for a total purchase price of $8,800,000, plus closing co
Professional Building, located in St. Paul, Minnesota, or the Gallery property. We primarily financed the purchase price through the as
LaSalle and a $1,000,000 unsecured loan from NNN Realty Advisors. The balance of the purchase price was paid using funds raised th
e price, was paid to our advisor and its affiliate.

Memphis, Tennessee

all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC from an affiliate, for a total purcha
a leasehold interest in Lenox Office Park, Building G, and NNN Lenox Medical Land, LLC holds a fee simple interest in two vacant p
which we collectively refer to as the Lenox property. We primarily financed the purchase price of the property and land parcels through
ith LaSalle. The balance of the purchase price was paid using funds raised through our Offering. An acquisition fee of $555,000, or 3.0

ions

lding Naples, Florida

Commons V Medical Office Building, located in Naples, Florida, or the Commons V property, from an unaffiliated third party, for a tot
urchase price using funds raised through our Offering. An acquisition fee of $423,000, or 3.0% of the purchase price, was paid to our ad
or approximately 2.0% of the purchase price, was paid to Grubb & Ellis. On May 14, 2007, we entered into a loan, secured by the Comm
ia, evidenced by a promissory note in the principal amount of $10,000,000. The proceeds from this loan were used to purchase the Thu

hakerag Medical Center Fayetteville and Peachtree City, Georgia

orktown Medical Center and Shakerag Medical Center, located in Fayetteville, Georgia and Peachtree City, Georgia, respectively, whic
e of $21,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price through
ipal amount of $13,530,000 and with funds raised through our Offering. An acquisition fee of $645,000, or 3.0% of the purchase price,

endale, Arizona

hunderbird Medical Plaza, located in Glendale, Arizona, from an unaffiliated third party for a total purchase price of $25,000,000, plus
651,000 in net

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

oan from Wachovia secured by the Commons V property (described above) and funds raised through our Offering. An acquisition fee o
ffiliate. On June 8, 2007, we entered into a loan, secured by the Thunderbird property, with Wachovia, evidenced by a promissory note i
d to purchase Triumph Hospital Northwest and Triumph Hospital Southwest as described below.

Triumph Hospital Southwest Houston and Sugar Land, Texas

iumph Hospital Northwest, located in Houston, Texas, and Triumph Hospital Southwest, located in Sugar Land, Texas, which we collec
ce of $36,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a
cured by the Thunderbird property (described above), $20,975,000 from funds raised through our Offering and the balance of $4,000,00
1,095,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Lawrenceville, Georgia

e Gwinnett Professional Center, located in Lawrenceville, Georgia, or the Gwinnett property, for a total purchase price of $9,300,000, p
We financed the purchase price using a combination of debt financing consisting of a $6,000,000 loan assumed with a current principal
and funds raised through our Offering. An acquisition fee of $279,000, or 3.0% of the purchase price, was paid to our advisor and its af

mbus, Ohio

d 1 Market Exchange, 4 Market Exchange and a vacant parcel of land, located in Columbus, Ohio, which we collectively refer to as the
g costs. We acquired the property from unaffiliated third parties. We financed the purchase price using funds raised through our Offerin
ur advisor and its affiliate. On September 28, 2007, we entered into a loan, secured by the 1 and 4 Market property, with Wachovia, evi

Kokomo, Indiana

d the Kokomo Medical Office Park, located in Kokomo, Indiana, or the Kokomo property, for a total purchase price of $13,350,000, plu
We financed the purchase price using a combination of funds raised through our Offering and the balance of $1,300,000 from an unsecu
0% of the purchase price, was paid to our advisor and its affiliate.

ng Beach, California

red St. Mary Physicians Center, located in Long Beach, California, or the St. Mary property, for a total purchase price of $13,800,000, p
We financed the purchase price using a combination of $8,280,000 from a loan secured by the St. Mary property and the balance of $6,1
fee of $414,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

y Forge, Pennsylvania

ired 2750 Monroe Boulevard, located in Valley Forge, Pennsylvania, or the 2750 Monroe property, for a total purchase price of $26,70
d party. We financed the purchase price of the property with approximately $27,870,000 in borrowings under our secured revolving lin

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

k (defined previously). See Note 8, Line of Credit, for a further discussion. An acquisition fee of $801,000, or 3.0% of the purchase pric

o Jacksonville, Winter Park and Sunrise, Florida

ired the East Florida Senior Care Portfolio, located in Jacksonville, Winter Park and Sunrise, Florida, or the EFSC property, for a total
from an unaffiliated third party. We financed the purchase price using a combination of $24,918,000 in net proceeds from a $26,000,00
tion, or KeyBank, secured by the EFSC property, $11,000,000 in borrowings under our secured revolving line of credit with LaSalle an
1,560,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Roswell, Georgia

ired Northmeadow Medical Center, located in Roswell, Georgia, or the Northmeadow property, for a total purchase price of $11,850,0
d party. We financed the purchase price of the property with $12,400,000 in borrowings under our secured revolving line of credit with
e price, was paid to our advisor and its affiliate. On November 20, 2007, we entered into a loan, secured by the Northmeadow property
sory note in the principal amount of $8,000,000.

Tucson, Arizona

ired Tucson Medical Office Portfolio, located in Tucson, Arizona, or the Tucson Medical property, for a total purchase price of $21,05
d party. We financed the purchase price of the property with $22,000,000 in borrowings under our secured revolving line of credit with
tion fee of $632,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Lima, Ohio

ed Lima Medical Office Portfolio, located in Lima, Ohio, or the Lima Medical property, for a total purchase price of $25,250,000, plus
nanced the purchase price of the property with $26,000,000 in borrowings under our secured revolving line of credit with LaSalle and K
758,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

ighlands Ranch, Colorado

ired Highlands Ranch Park Plaza, located in Highlands Ranch, Colorado, or the Highlands Ranch property, for a total purchase price of
third party. We financed the purchase price of the property with a secured loan of $8,853,000 from Wachovia, $2,901,000 in borrowing
ith funds raised through our Offering. An acquisition fee of $435,000, or 3.0% of the purchase price, was paid to our advisor and its af

, Ohio

ired Park Place Office Park, located in Dayton, Ohio, or the Park Place property, for a total purchase price of $16,200,000, plus closing
ced the purchase price of the property with a secured loan of $10,943,000 from Wachovia, $500,000 in borrowings under our secured r
hrough our Offering. An acquisition fee of $486,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

er Chesterfield, Missouri

uted a limited liability company agreement, or the Operating Agreement, with BD St. Louis Development, LLC, or BD St. Louis, a subs to the Operating Agreement, we acquired an 80.0% membership interest in G&E Healthcare REIT/Duke Chesterfield Rehab, LLC, or t D St. Louis acquired a 20.0% membership interest in the JV Company. BD St. Louis contributed Chesterfield Rehabilitation Center, lo ed upon value of $36,440,000 to the JV Company and received cash of $33,552,000 and we contributed $11,552,000 in cash. We funded under our secured revolving line of credit with LaSalle and KeyBank. In addition, the JV Company obtained additional financing from quisition fee of $1,093,000, or 3.0% of the agreed upon value of the Chesterfield property, was paid to our advisor and its affiliate.

majority of our directors, including a majority of our independent directors, approved our leverage exceeding 300.0% of the value of o et assets for purposes of this calculation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreci lities. Our board of directors determined that the excess leverage was justified because it enabled us to purchase the properties during th goal of acquiring a diversified portfolio of properties to generate current income for stockholders and preserve their capital. As of Dec sets.

rty Acquisition

d of directors approved the acquisition of four medical properties in Florida and one medical property in Kansas, which we refer to as th irectors approved the acquisition of an additional office building that is adjacent to one of the Florida properties. On February 1, 2008, e of $36,950,000, plus closing costs, from an unaffiliated third party. See Note 19, Subsequent Events Unaffiliated Third Party Acqui

s

sted of the following as of December 31, 2007 and 2006:

	December 31, 2007
ed amortization of $3,326,000 and $0 as of December 31, 2007 and 2006, respectively, (with a 0 months as of December 31, 2007 and 2006, respectively).	$ 25,540,000
mulated amortization of $265,000 and $0 as of December 31, 2007 and 2006, respectively, (with a 0 months as of December 31, 2007 and 2006, respectively).	3,083,000
mulated amortization of $1,527,000 and $0 as of December 31, 2007 and 2006, respectively, (with a 0 months as of December 31, 2007 and 2006, respectively).	31,184,000
ulated amortization of $3,000 and $0 as of December 31, 2007 and 2006, respectively	3,114,000
	$ 62,921,000

n the identified intangible assets for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) thro

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

f amortization recorded against rental income for above market leases and $3,000 and $0, respectively, of amortization recorded against

on the identified intangible assets as of December 31, 2007 for each of the next five years ending December 31 and thereafter is as follo

	Amount
	$ 10,541,000
	$ 9,314,000
	$ 7,526,000
	$ 5,949,000
	$ 5,265,000
	$ 24,326,000

owing as of December 31, 2007 and 2006:

	December 31, 2007
ccumulated amortization of $170,000 and $0 as of December 31, 2007 and 2006, respectively	$ 2,334,000
nulated amortization of $7,000 and $0 as of December 31, 2007 and 2006, respectively	275,000
ulated amortization of $19,000 and $0 as of December 31, 2007 and 2006, respectively	773,000
	534,000
	476,000
	$ 4,392,000

on deferred financing costs, lease commissions and lease inducements for the year ended December 31, 2007 and for the period from Ap
0 and $0, respectively, of which $170,000 and $0, respectively, of amortization was recorded against interest expense for deferred finan
inst rental income for lease inducements.

on deferred financing costs, lease commissions and lease inducements as of December 31, 2007 for each of the next five years ending D

	Amount
	$ 788,000
	$ 787,000
	$ 631,000
	$ 194,000
	$ 192,000

	$	790,000

nd Unsecured Note Payables to Affiliate

85,899,000 ($185,801,000, net of discount) and $0 as of December 31, 2007 and 2006, respectively. As of December 31, 2007, we had
g from 5.52% to 6.78% per annum and a weighted-average effective interest rate of 6.07% per annum. We had $90,919,000 ($90,821,0
st rate of 5.79% per annum and $94,980,000, or 51.1%, of variable rate debt at a weighted-average interest rate of 6.35% per annum. W
ayables, thereby effectively fixing our interest rate on those mortgage loan

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ables secured by the East Florida Senior Care property and the Gwinnett Professional property have monthly principal and interest payr
We are required by the terms of the applicable loan documents to meet certain financial covenants, such as debt service coverage ratios
1, 2007, we were in compliance with all such covenants and requirements.

d of the following as of December 31, 2007 and 2006:

	Interest Rate	Maturity Date	Decemb 200
ler Parke I	6.11%	09/01/16	$
ark and Athens Surgery Center	6.12%	10/01/16	
g	5.76%	03/01/17	
	5.88%	02/01/17	
lding	5.54%	06/11/17	
nakerag Medical Center	5.52%	05/11/17	
	5.67%	06/11/17	
	5.88%	01/01/14	
	5.80%	09/04/09	
	5.99%	12/01/14	
	Variable*	09/30/10	
o	Variable*	11/01/10	
	Variable*	11/30/10	
	Variable*	12/31/10	
	Variable*	12/31/10	
er	Variable*	12/30/10	
Total fixed and variable debt			1
Less: discount			
Mortgage loan payables			$ 1

e had variable rate mortgage loans with the effective interest rates ranging from 6.15% to 6.78% per
ge effective interest rate of 6.35% per annum. However, as of December 31, 2007, we had fixed rate
from 5.52% to 6.02%, on all of our variable rate mortgage loan payables, thereby effectively fixing our
ge loan payables.

ur mortgage loan payables as of December 31, 2007 for each of the next five years ending December 31 and thereafter is as follows:

	Amount
$	870,000
$	9,337,000
$	94,922,000
$	1,256,000
$	1,357,000
$	78,157,000

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

iliate

, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, we entered into, and subsequently paid d
d by unsecured promissory notes:

Amount	Maturity Date	Interest Rate	Default Interest Rat
$ 7,500,000	07/22/07	6.86%	8.86%
$ 1,000,000	09/09/07	6.84%	8.84%
$ 4,000,000	12/08/07	6.82%	8.82%
$ 1,300,000	03/01/08	6.85%	8.85%
$ 6,100,000	03/05/08	6.86%	8.86%

t at a fixed rate and required monthly interest-only payments for the terms of the unsecured notes. As of December 31, 2007 and 2006,
ate.

party loans, the terms of the loans and the unsecured notes were approved by our board of directors, including a majority of our indepe
our board of directors.

uments

vative financial instruments held by us as of December 31, 2007:

	Index	Rate		Fair Value	Instrumen
500,000	LIBOR	5.97%	$	306,000	S
300,000	LIBOR	5.86%	$	164,000	S
853,000	LIBOR	5.52%	$	23,000	S
943,000	LIBOR	5.52%	$	65,000	S
000,000	LIBOR	5.59%	$	117,000	S
383,000	LIBOR	6.02%	$	702,000	S

inancial instruments was $(1,377,000) as of December 31, 2007 which is included in derivative financial instruments on our accompany
ruments as of December 31, 2006.

to interest expense, related to the change in the fair value of our derivative financial instruments, for the year ended December 31, 2007
, 2006, respectively.

red into a loan agreement, or the Loan Agreement, with LaSalle to obtain a secured revolving credit facility in an aggregate maximum p
eds of loans made under the Loan Agreement may be used to finance the purchase of properties or, provided no event of default has occ

to loans, our operating partnership may obtain up to $10,000,000 of the credit available under the Loan Agreement in the form of letter
may be extended by one 12-month period subject to satisfaction of certain conditions, including payment of an extension fee equal to 0.

able under the Loan Agreement is a function of certain loan to cost, loan to value and debt service coverage ratios contained in the Loan
may be increased to $120,000,000 subject to the terms of the Loan Agreement. Also, additional financial institutions may become lender

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

oan Agreement bear interest at per annum rates equal to (a) LIBOR plus a margin ranging from 1.45% to 1.60%, depending on the ratio llateral securing the Loan Agreement, (b) the greater of LaSalle s prime rate or the Federal Funds Rate plus 0.50%, or (c) a combinatio thly and at maturity. In addition to interest, we are required to pay a fee on the unused portion of the lenders commitments under the L rs, beginning with the quarter ending December 31, 2007.

he Loan Agreement are guaranteed by us and by our subsidiaries that own properties that serve as collateral for the Loan Agreement.

rious affirmative and negative covenants that are customary for facilities and transactions of this type, including limitations on the incu teral for the Loan Agreement, limitations on the nature of our business, and limitations on distributions by us and our subsidiaries that eement also imposes the following financial covenants on us and our operating partnership, as applicable: (a) a minimum ratio of operat flow to fixed charges, (c) a maximum ratio of liabilities to asset value, (d) a maximum distribution covenant and (e) a minimum net wo Loan Agreement includes events of default that are customary for facilities and transactions of this type. As of December 31, 2007, we

g with our subsidiaries, entered into a Modification of Loan Agreement with LaSalle and amended and restated promissory notes with e l amount available under the LaSalle line of credit from $50,000,000 to $80,000,000; (ii) to modify the applicable margin rate for LIBO ecrease the applicable margin rate for base rate loans from 0.5% to 0.0%; and (iv) to add KeyBank as a lender under the LaSalle line of alle and KeyBank. Our secured revolving line of credit with LaSalle and KeyBank is secured by the Triumph Hospital Portfolio, the 27 property.

06, borrowings under our secured revolving line of credit with LaSalle and KeyBank totaled $51,801,000 and $0, respectively. Borrow of 6.93% per annum.

lities

nsisted of the following as of December 31, 2007 and 2006:

	December 31, 2007	
mulated amortization of $245,000 and $0 as of December 31, 2007 and 2006, respectively, (with a 0 months as of December 31, 2007 and 2006, respectively)	$	1,639,000
	$	1,639,000

n the identified intangible liabilities for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) t corded to rental income in our accompanying consolidated statements of operations.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

on the identified intangible liabilities as of December 31, 2007 for each of the next five years ending December 31 and thereafter is as fo

	Amount
	$ 491,000
	$ 366,000
	$ 277,000
	$ 198,000
	$ 144,000
	$ 163,000

ngencies

ny material litigation nor, to our knowledge, is any material litigation threatened against us, which if determined unfavorably to us, wou esults of operations or cash flows.

ng our properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liabi onmental liability with respect to our properties that would have a material effect on our consolidated financial position, results of opera any unasserted claim or assessment with respect to an environmental liability that we believe would require additional disclosure or the

elated Expenses

06, expenses of $1,086,000 and $1,093,000, respectively, in excess of 11.5% of the gross proceeds of our Offering, have been incurred not recorded in our accompanying consolidated financial statements as of December 31, 2007 and 2006. To the extent we raise addition y. See Note 2, Summary of Significant Accounting Policies Organizational, Offering and Related Expenses, for a further discussion.

nses

he mortgage loan payable secured by the Thunderbird property to complete certain repairs to the property in the amount of $190,000 by ble secured by the Gallery property to complete certain repairs to the property in the amount of $63,000 by January 2008. Funds for thes accompanying consolidated balance sheet as of December 31, 2007.

BD St. Louis for the JV Company that owns the Chesterfield property provides that from January 1, 2010 to March 31, 2010, our operat interests in the JV Company held by BD St. Louis at a fixed price of $3,900,000. However, if we do not exercise that right, the Operati Louis has the right and option to sell all, but not less than all, of its 20.0% membership interests in the JV Company to our operating pa cordance with the Operating Agreement.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ingencies include the usual obligations of real estate owners and operators in the normal course of business. In our opinion, these matte
ial position, results of operations or cash flows.

ons

iates

nd our non-independent director are also executive officers and/or holders of a direct or indirect interest in our advisor, our sponsor, Gru
tiveness of our Offering, we entered into the Advisory Agreement and a dealer manager agreement, or the Dealer Manager Agreement,
nager and their affiliates to specified compensation for certain services with regards to our Offering and the investment of funds in real
nal and offering expenses incurred. In the aggregate, for the year ended December 31, 2007 and for the period from April 28, 2006 (Dat
affiliates $38,595,000 and $312,000, respectively, as detailed below.

ing commissions of up to 7.0% of the gross offering proceeds from the sale of shares of our common stock in our Offering other than sh
rtion of these fees to participating broker-dealers. For the year ended December 31, 2007 and for the period from April 28, 2006 (Date
pectively, in selling commissions to our dealer manager. Such commissions are charged to stockholders equity (deficit) as such amou
g.

Diligence Expense Reimbursements

non-accountable marketing support fees and due diligence expense reimbursements up to 2.5% of the gross offering proceeds from the
ursuant to the DRIP, and may re-allow up to 1.5% of the gross offering proceeds to participating broker-dealers. In addition, we may re
he gross offering proceeds for bona fide due diligence expenses and may re-allow all or a portion up to 0.5% of the gross offering proce
nd for the period from April 28, 2006 (Date of Inception) through December 31, 2006, we incurred $5,382,000 and $0, respectively, in
ealer manager. Such fees and reimbursements are charged to stockholders equity (deficit) as such amounts are reimbursed to our deale

ng Expenses

expenses are paid by our advisor or Grubb & Ellis Realty Investors on our behalf. Our advisor or Grubb & Ellis Realty Investors may be
proceeds from the sale of shares of our common stock in our Offering other than shares sold pursuant to the DRIP. For the year ended D
) through December 31, 2006, we incurred $3,170,000 and $0, respectively, in other organizational and offering expenses to our adviso
nsed as incurred, and offering expenses are charged to stockholders equity (deficit) as such amounts are reimbursed to our advisor or

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

age

ve, as compensation for services rendered in connection with the investigation, selection and acquisition of properties, an acquisition fee to 4.0% of the total development cost of any development property acquired, as applicable. For the year ended December 31, 2007 and , 2006, we incurred $12,253,000 and $0, respectively, in acquisition fees to our advisor or its affiliates. Acquisition fees are capitalized

penses

e reimbursed for acquisition expenses related to selecting, evaluating, acquiring and investing in properties. Acquisition expenses, excl e of the properties. The reimbursement of acquisition fees and expenses, including real estate commissions paid to unaffiliated parties, ent costs, unless fees in excess of such limits are approved by a majority of our disinterested independent directors. For the year ended n) through December 31, 2006, we incurred $11,000 and $0, respectively, for such expenses to our advisor or its affiliates, excluding am on expenses are capitalized as part of the purchase price allocations.

aid a monthly fee for services rendered in connection with the management of our assets equal to one-twelfth of 1.0% of the average inv month, subject to our stockholders receiving annualized distributions in an amount equal to 5.0% per annum on average invested capital 6 (Date of Inception) through December 31, 2006, we incurred $1,590,000 and $0, respectively, in asset management fees to our adviso panying consolidated statements of operations.

aid a monthly property management fee equal to 4.0% of the gross cash receipts from each property managed. For properties managed b ates will be paid up to 1.0% of the gross cash receipts from the property for a monthly oversight fee. For the year ended December 31, 2 mber 31, 2006, we incurred $591,000 and $0, respectively, in property management fees and oversight fees to our advisor or its affiliat statements of operations.

filiated third parties, as the property manager, may receive a separate fee for leasing activities in an amount not to exceed the fee custom in the same geographic area for similar properties, as determined by a survey of brokers and agents in such area ranging between 3.0% he year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, we incurred s.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ng Payroll

, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, Grubb & Ellis Realty Investors incurred
), respectively, which is included in rental expenses in our accompanying consolidated statements of operations.

affiliates for expenses incurred in rendering its services to us, subject to certain limitations on our operating expenses. However, we can
eater of: (1) 2.0% of our average invested assets, as defined in the Advisory Agreement, or (2) 25.0% of our net income, as defined in th
cess expenses were justified based on unusual and non-recurring factors. For the twelve months ended December 31, 2007, our operatin
entage of average invested assets and as a percentage of net income were 1.8% and 139.7%, respectively, for the twelve months ended

, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, Grubb & Ellis Realty Investors incurred
es which is included in general and administrative in our accompanying consolidated statements of operations or prepaid expenses on o

vices

e paid for services performed for us other than those required to be rendered by our advisor or its affiliates, under the Advisory Agreem
najority of our board of directors, and cannot exceed an amount that would be paid to unaffiliated third parties for similar services. For t
e of Inception) through December 31, 2006, we incurred $3,000 and $0, respectively, for tax services an affiliate provided to us.

e paid, for services relating to a sale of one or more properties, a disposition fee up to the lesser of 1.75% of the contract sales price or
nces surrounding the sale, in each case as determined by our board of directors and will not exceed market norms. The amount of dispos
parties, will not exceed the lesser of the customary competitive disposition fee or an amount equal to 6.0% of the contract sales price. F
Date of Inception) through December 31, 2006, we did not incur such fees.

est

Sales Proceeds

, our advisor will be paid a subordinated distribution of net sales proceeds. The distribution will be equal to 15.0% of the net proceeds f
of (1) their initial contributed capital (less amounts paid to repurchase shares pursuant to our share repurchase program) plus (2) an ann
. Actual amounts depend upon the sales prices of properties upon liquidation. For the year ended December 31, 2007 and for the period
ncur such distributions.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Listing

common stock on a national securities exchange, our advisor will be paid a distribution equal to 15.0% of the amount by which (1) the
paid prior to listing exceeds (2) the sum of total amount of capital raised from stockholders (less amounts paid to repurchase shares pur
d to stockholders as of the date of listing, would have provided them an annual 8.0% cumulative, non-compounded return on average in
market value of shares of our common stock at the time of listing, among other factors. For the year ended December 31, 2007 and for
, 2006, we did not incur such distributions.

Termination

y Agreement, other than a termination by us for cause, our advisor will be entitled to receive a distribution from our operating partnersh
fair market value of all of the assets of our operating partnership as of the date of the termination (determined by appraisal), less any inc
us by our operating partnership from our inception through the termination date, exceeds (2) the sum of the total amount of capital raise
are repurchase plan) plus an annual 8.0% cumulative, non-compounded return on average invested capital through the termination date.
e been listed on a national securities exchange prior to the termination of the Advisory Agreement.

tes, Net

standing to affiliates as of December 31, 2007 and 2006:

Fee	**Decemb 200**
Operating Expenses	$
Offering Costs	
Due Diligence	
On-site Payroll and Engineering	
Acquisition Related Expenses	
Selling Commissions, Marketing Support Fees and Due Diligence Expense Reimbursements	
Asset and Property Management Fees	
Lease Commissions	
	$

iliate

, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, we incurred interest expense to NNN Re
ge Loan Payables and Unsecured Note Payables to Affiliate Unsecured Note Payables to Affiliate, for a further discussion.

06, we owned a 99.99% and a 1.0%, respectively, general partnership interest in our operating partnership and our advisor owned a 0.0 1% of the earnings at our operating partnership are allocated to minority interests.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

007, we owned an 80.0% interest in the consolidated limited liability company that owns the Chesterfield property that was purchased o
f the minority interest s initial contribution and 20.0% of the earnings at the Chesterfield property.

y (Deficit)

ased 200 shares of our common stock for total cash consideration of $2,000 and was admitted as our initial stockholder. On September 2
,000 shares, respectively, of restricted common stock to our independent directors. On April 12, 2007, we granted 5,000 shares of restri
, 2007, in connection with their re-election, we granted an aggregate of 12,500 shares of restricted stock to our independent directors. T
with our Offering and 281,381 shares under the DRIP. As of December 31, 2007 and 2006, we had 21,449,451 and 20,200 shares of co

e public up to 200,000,000 shares of our $0.01 par value common stock for $10.00 per share and up to 21,052,632 shares of our $0.01 p
Our charter authorizes us to issue 1,000,000,000 shares of our common stock.

e 200,000,000 shares of our $0.01 par value preferred stock. No shares of preferred stock were issued and outstanding as of December 3

s stockholders to purchase additional shares of common stock through the reinvestment of distributions, subject to certain conditions. W
nt to the DRIP in our Offering. For the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) throu
e reinvested and 281,381 and 0 shares, respectively, were issued under the DRIP. As of December 31, 2007 and 2006, a total of $2,673,
0 shares, respectively, were issued under the DRIP.

ved a share repurchase plan. On August 24, 2006, we received SEC exemptive relief from rules restricting issuer purchases during distri
rtain criteria are met by stockholders. Share repurchases will be made at the sole discretion of our board of directors. Funds for the repu
sale of shares under the DRIP. As of December 31, 2007, no share repurchases had been made.

ndent Directors Compensation Plan

entive Plan, the aggregate number of shares of our common stock subject to options, shares of restricted common stock, stock purchase
under its sub-plan, the 2006 Independent Directors Compensation Plan, will be no more than 2,000,000 shares.

ber 4, 2006, we granted an aggregate of 15,000 shares and 5,000 shares, respectively, of restricted common stock, as defined in the 200
dent Director Compensation Plan. On April 12, 2007, we granted 5,000 shares of restricted common stock to our newly appointed indep
we granted 12,500 shares of restricted common stock to our independent directors. Each of these restricted stock awards vested 20.0%

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

e of grant. The fair value of each share of restricted common stock was estimated at the date of grant at $10.00 per share, the per share p over the vesting period. Shares of restricted common stock may not be sold, transferred, exchanged, assigned, pledged, hypothecated o ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006, we recognized com cted common stock grants. Such compensation expense is included in general and administrative in our accompanying consolidated stat ghts and rights to dividends.

06, there was approximately $228,000 and $149,000, respectively, of total unrecognized compensation expense, net of estimated forfei xpected to be realized over a remaining weighted average period of 3.1 years.

06, the fair value of the nonvested shares of restricted common stock was $260,000 and $160,000, respectively. A summary of the statu and the changes for the period from April 28, 2006 (Date of Inception) through December 31, 2006, is presented below:

	Restricted Common Stock	Weigh Average Date Valu
of Inception)		
	20,000	$
	(4,000)	$
	16,000	$
	17,500	$
	(7,500)	$
	26,000	$
, 2007	26,000	$

pation Interest

mited Partnership of our operating partnership approved by our board of directors, upon termination of the Advisory Agreement, other t bution from our operating partnership in an amount equal to 15.0% of the amount, if any, by which (1) the fair market value of all of the ed by appraisal), less any indebtedness secured by such assets, plus the cumulative distributions made to us by our operating partnershi otal amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share repurchase plan) plus an annu gh the termination date. However, our advisor will not be entitled to this distribution if shares of our common stock have been listed on eement.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

stributions

tributions reportable for the year ended December 31, 2007 and 2006 was as follows:

	Year Ended December 31, 2007		
$	915,000	15.3%	$
	5,081,000	84.7	
$	5,996,000	100%	$

nt

nants that expire at various dates through 2024 and in some cases subject to scheduled fixed increases or adjustments based on the cons
lso provide for additional rents based on certain operating expenses. Future minimum rent contractually due under operating leases, exc
or each of the next five years ending December 31 and thereafter is as follows:

	Amount
$	35,055,000
	33,304,000
	28,690,000
	23,551,000
	19,964,000
	69,670,000
$	210,234,000

come is from tenants with leases which are subject to contingent rent provisions. These contingent rents are subject to the tenant achiev
ber 31, 2007 and the period from April 28, 2006 (Date of Inception) through December 31, 2006, the amount of contingent rent earned

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

, 2007, we completed the acquisition of 20 consolidated properties, adding a total of approximately 2,233,000 square feet of GLA to our

	Ownership%
ler Parke I	100%
ark and Athens Surgery Center	100%
g	100%
	100%
lding	100%
nakerag Medical Center	100%
	100%
Triumph Hospital Southwest	100%
	100%
	100%
	100%
	100%
	100%
o	100%
	100%
	100%
	100%
	100%
	100%
er	80.0%

perties are reflected in our consolidated statements of operations for the year ended December 31, 2007 for the periods subsequent to the
erties was $408,440,000 plus closing costs of $14,587,000, of which $301,160,000 was initially financed with mortgage loans, unsecure
of credit with LaSalle and KeyBank.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1, we allocated the purchase price to the fair value of the assets acquired and the liabilities assumed, including the allocation of the inta
: lease origination costs and tenant relationships. Certain allocations as of December 31, 2007 are subject to change based on informatio
s at the time of purchase which confirm the value of an asset acquired or a liability assumed in an acquisition of a property. The followi
ies assumed at the date of acquisition for our properties where the purchase price exceeded 10.0% of the aggregate purchase price of the

	East Florida Senior Care Portfolio	All Other Prop
	$ 10,078,000	$ 42
	34,870,000	269
		3
	2,612,000	26
	6,316,000	26
		3
	53,876,000	371
		(1
		(1
	$ 53,876,000	$ 369

discussed above had occurred on January 1, 2007, for the year ended December 31, 2007, pro forma revenues, net income (loss) and ne
) and $(1.89), respectively. Assuming all of the acquisitions discussed above had occurred on April 28, 2006 (Date of Inception), for the
, 2006, pro forma revenues, net income (loss) and net income (loss) per diluted share would have been $30,517,000, $(10,834,000) and
he operating results that would have been obtained had the acquisitions occurred at the beginning of the periods presented, nor are they

inancial Data (Unaudited)

selected quarterly financial data. We believe that all necessary adjustments, consisting only of normal recurring adjustments, have been
with GAAP, the unaudited selected quarterly financial data when read in conjunction with our consolidated financial statements.

	Quarters Ende		
	December 31, 2007	September 30, 2007	
	$ 8,914,000	$ 4,787,000	$
	(8,850,000)	(5,545,000)	
e (expense)	64,000	(758,000)	

			(4,062,000)		(1,175,000)	
		$	(3,998,000)	$	(1,933,000)	$
d		$	(0.21)	$	(0.15)	$
res outstanding	basic and diluted		18,893,438		13,223,746	

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		Quarters Ended	
		December 31, 2006	**Septembe 2006**
		$	$
		(192,000)	
se)		(192,000)	
		$ (192,000)	$
d		$ (46.10)	$
res outstanding	basic and diluted	4,167	

ceived and accepted subscriptions in our Offering for 25,933,558 shares of our common stock, or $259,042,000 excluding shares issued

d 12,270 shares, or $123,000, under our share repurchase plan.

nt

ment, effective January 1, 2008, with Grubb & Ellis Realty Investors for subscription agreement processing and investor services. The s
ically be renewed for successive one year terms. Since Grubb & Ellis Realty Investors is the managing member of our advisor, the term
ndependent directors as fair and reasonable to us and at fees charged to us in an amount no greater than the cost to Grubb & Ellis Realty
than that which would be paid to an unaffiliated third party for similar services. The services agreement requires Grubb & Ellis Realty
rmination, while we have the right to terminate upon 30 days advance written notice.

itions

d Medical Portfolio 1, located in Kansas and Florida, or the Medical Portfolio 1 property, for a total purchase price of $36,950,000, plus
We financed the purchase price of the property with a secured loan of $22,000,000 from Wachovia and $16,000,000 in borrowings unde

ition fee of $1,109,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Fort Road Medical Building, located in St. Paul, Minnesota, or the Fort Road property, for a total purchase price of $8,650,000, plus clo
ced the

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

th a secured loan of $5,800,000 from LaSalle, $3,000,000 in borrowings under our secured revolving line of credit with LaSalle and Ke
260,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Liberty Falls Medical Plaza, located in Liberty Township, Ohio, or the Liberty property, for a total purchase price of $8,150,000, plus c
nanced the purchase price of the property with $7,600,000 in borrowings under our secured revolving line of credit with LaSalle and Ke
paid to our advisor and its affiliate.

Epler Parke Building B, located in Indianapolis, Indiana, or the Epler B property, for a total purchase price of $5,850,000, plus closing
ced the purchase price of the property with $6,1000,000 in borrowings under our secured revolving line of credit with LaSalle and Key
paid to our advisor and its affiliate.

g

Cypress Station Medical Building, located in Houston, Texas, or the Cypress property, for a total purchase price of $11,200,000, plus c
nanced the purchase price of the property with a secured loan of $7,300,000 from National City Bank and $4,500,000 in borrowings und
ition fee of $336,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

rty Acquisitions

f directors approved the acquisitions of: (i) Senior Care Portfolio 1 located in California and Texas for a total purchase price of $39,600,
akeland, Florida for a total purchase price of $5,250,000, plus closing costs. We intend to finance the purchases through debt financing.

d its affiliate an acquisition fee of $1,188,000 and $158,000, respectively, or 3.0% of the respective purchase prices, in connection with
ticipate that the closings will occur in the first quarter of 2008; however, the closings are subject to certain agreed upon conditions and
nior Care Portfolio 1 and Vista Professional Center.

ited)

ived and accepted subscriptions in our Offering for 28,032,885 shares of our common stock, or $279,991,000, excluding shares issued u

itions

eland, Florida

Vista Professional Center, located in Lakeland, Florida, for a purchase price of $5,250,000, plus closing costs, from an unaffiliated thir
our secured revolving line of credit with LaSalle and KeyBank, and the remaining balance from funds raised through our Offering. An a
dvisor and its affiliate.

Grubb & Ellis Healthcare REIT, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

rnia and Texas

our subsidiary, G&E Healthcare REIT Senior Care Portfolio 1, LLC, entered into a Purchase and Sale Agreement and Escrow Instructi
hird party, for a purchase price of $39,600,000. Senior Care Portfolio 1 consists of six properties, four of which are located in Arlingto
nd two of which are located in El Monte and Lomita, California, or the California properties. The purchase price of Senior Care Portfoli
California properties. On March 31, 2008, we acquired the Texas properties of Senior Care Portfolio 1 for a purchase price of $29,900
erties with an advance of $18,000,000 under a $24,800,000 secured loan with Red Mortgage Capital, Inc. and $14,800,000 in borrowing
cquisition fee of $897,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate in connection with the acquisition of t
ornia properties, and we expect to pay our advisor and its affiliate an acquisition fee of $291,000, or 3.0% of the purchase price, in conn

Grubb & Ellis Healthcare REIT, Inc.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
December 31, 2007

		Balance at Beginning of Period	Charged to Costs and Expenses	Ac
Reserve deducted from accounts receivable		$	$ 7,000	
e of Inception) through December 31, 2006	Reserve deducted from accounts receivable	$	$	

Grubb & Ellis Healthcare REIT, Inc.

SCHEDULE III REAL ESTATE OPERATING PROPERTIES AND ACCUMULATED DEPRECIATION
December 31, 2007

		Initial Cost to Company		Gross Amounts at Which Carried at Close of Period (b)			
			Building and		Buildings and		Accu
cumbrance	Land		Improvements	Land	Improvements	Total (a)	Depre
9,146,000	$ 2,889,000	$	10,014,000	$ 2,889,000	$ 10,102,000	$ 12,991,000	$
4,264,000	699,000		5,473,000	699,000	5,473,000	6,172,000	
6,000,000	1,157,000		5,009,000	1,157,000	5,624,000	6,781,000	
12,000,000	1,670,000		13,626,000	1,670,000	13,646,000	15,316,000	
10,000,000	4,173,000		9,070,000	4,173,000	9,070,000	13,243,000	
13,530,000	3,545,000		15,792,000	3,545,000	15,799,000	19,344,000	

14,000,000	3,842,000	19,680,000	3,842,000	19,728,000	23,570,000
	3,047,000	28,541,000	3,047,000	28,540,000	31,587,000
5,699,000	1,290,000	7,238,000	1,290,000	7,251,000	8,541,000
14,500,000	2,326,000	17,204,000	2,326,000	17,200,000	19,526,000
8,300,000	1,779,000	9,640,000	1,779,000	9,700,000	11,479,000
8,280,000	1,815,000	10,241,000	1,815,000	10,234,000	12,049,000
	2,323,000	22,634,000	2,323,000	22,656,000	24,979,000
30,384,000	10,078,000	34,870,000	10,078,000	34,870,000	44,948,000
8,000,000	1,245,000	9,104,000	1,245,000	9,246,000	10,491,000

		1,309,000		17,576,000		1,309,000		17,576,000			18,885,000					
		701,000		18,303,000		701,000		18,303,000			19,004,000					
8,853,000		2,240,000		10,396,000		2,240,000		10,406,000			12,646,000					
10,943,000		1,987,000		11,169,000		1,987,000		11,169,000			13,156,000					
22,000,000		4,313,000		28,557,000		4,313,000		28,557,000			32,870,000					
185,899,000	$	52,428,000	$	304,137,000	$	52,428,000	$	305,150,000	$		357,578,000	$	(			

Grubb & Ellis Healthcare REIT, Inc.

SCHEDULE III REAL ESTATE OPERATING PROPERTIES AND ACCUMULATED DEPRECIATION (Continued)

te for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006 are as f

		Amount
te of Inception)	$	
6		
		356,565,000
		1,046,000
		(33,000)
7	$	357,578,000

Grubb & Ellis Healthcare REIT, Inc.

SCHEDULE III REAL ESTATE OPERATING PROPERTIES AND ACCUMULATED DEPRECIATION (Continued)

ses, the aggregate cost of our 20 properties is as follows:

	Acquisition Date
ler Parke I	January 2
ark and Athens Surgery Center	January 2
g	March
	March 2
lding	April 2
nakerag Medical Center	May
	May 1
Triumph Hospital Southwest	June
	July 2
	August 1
	August 3
	September
	September 1
o	September 2
	November 1
	November 2
	December
	December 1
	December 2
er	December 2

Grubb & Ellis Healthcare REIT, Inc.

SCHEDULE III REAL ESTATE OPERATING PROPERTIES AND ACCUMULATED DEPRECIATION (Continued)

depreciation for the year ended December 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 20

		Amount
te of Inception)	$	
6		
		4,590,000
		(2,000)
7	$	4,588,000

INDEPENDENT AUDITORS REPORT

Inc.

ng statement of revenues and certain expenses of Fort Road Medical Building, or the Property, for the year ended December 31, 2007.
he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
he year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

P

FORT ROAD MEDICAL BUILDING

STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

	Year Ended December 31, 2007
	$ 1,161,000
	3,000
	213,000
	136,000
s	113,000
	59,000
	13,000
	183,000
	720,000
penses	$ 441,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

FORT ROAD MEDICAL BUILDING

STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

ATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Fort Road Medical Building, or the Property, located in St. Paul, Minnesota. Th
as 94% leased as of December 31, 2007.

revenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses is not representative of the actual operations for the periods presented, as certain expenses that may not b
acare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

racted with a related party to manage the Property at a fee of 5% of reported rent and other income. For the year ended December 31, 20

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

FORT ROAD MEDICAL BUILDING

STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

erating lease agreements with tenants that expire at various dates through 2018 and are subject to fixed increases in base rent. The aggre
non-cancelable operating leases as of December 31, 2007 are as follows:

$	553,000
	432,000
	335,000
	291,000
	264,000
	840,000
$	2,715,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other expenses, which are not included in the a

CONCENTRATION

, 2007, the Property had four tenants occupying 47% of the gross leaseable area which accounted for 63% of total rental income.

	Date of Lease Expiration	**Aggregate A Rental Inc**
P.A.	December 31, 2007	$
	August 31, 2009	$
nny Sports & Physical Center)	May 30, 2010	$
ion	April 30, 2013	$

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

FORT ROAD MEDICAL BUILDING

STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

ncies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

ENT EVENT

s Healthcare REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $8,650,000, plus closing costs.

INDEPENDENT AUDITORS REPORT

Inc.

ng statement of revenues and certain expenses of Epler Parke Building B, or the Property, for the year ended December 31, 2007. This
s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit.

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
ear ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

P

EPLER PARKE BUILDING B

STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

	Year Ended December 31, 2007
	$ 452,000
	35,000
	17,000
	76,000
s	24,000
	12,000
	6,000
	10,000
	180,000
penses	$ 272,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

EPLER PARKE BUILDING B

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

ATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Epler Parke Building B, or the Property, located in Indianapolis, Indiana. The P
9% leased as of December 31, 2007.

revenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses is not representative of the actual operations for the period presented, as certain expenses that may not be
acare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

racted with a related party to manage the Property for a fee of 3% of reported rent and other income. For the year ended December 31, 2

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

EPLER PARKE BUILDING B

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

erating lease agreements with tenants that expire at various dates through 2017 and are subject to fixed increases in base rent. The aggre
non-cancelable operating leases as of December 31, 2007 are as follows:

$	505,000
	504,000
	486,000
	492,000
	478,000
	1,137,000
$	3,602,000

ement of the tenants proportional share of common area expenses, real estate taxes and other expenses, which are not included in the a

CONCENTRATION

, 2007, the Property had three tenants occupying 58% of the gross leaseable area which accounted for 75% of total rental income.

	Date of Lease Expiration	Aggregate An Rental Inco
re	March 31, 2017	$ 1
	July 31, 2015	$ 1
nc.	July 6, 2009	$

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

EPLER PARKE BUILDING B

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

ENT EVENT

is Healthcare REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $5,850,000, plus closing costs.

INDEPENDENT AUDITORS REPORT

Inc.

ng statement of revenues and certain expenses of Cypress Station Medical Office Building, or the Property, for the year ended Decemb
lity of the Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
Building for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of Am

P

CYPRESS STATION MEDICAL OFFICE BUILDING

STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

	Year Ended December 31, 2007
	$ 1,137,000
	10,000
	219,000
	67,000
s	316,000
	33,000
	51,000
	43,000
	739,000
penses	$ 398,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

CYPRESS STATION MEDICAL OFFICE BUILDING

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

ATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Cypress Station Medical Office Building, or the Property, located in Houston, T
able area and was 100% leased as of December 31, 2007.

revenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

revenues and certain expenses is not representative of the actual operations for the period presented, as certain expenses that may not be
acare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

re expensed as incurred, while significant improvements, renovations and replacements are capitalized.

racted with a related party to manage the Property for a fee of 3% of reported rent and other income. For the year ended December 31, 2

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

CYPRESS STATION MEDICAL OFFICE BUILDING

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

erating lease agreements with tenants that expire at various dates through 2019 and are subject to fixed increases in base rent. The aggre
non-cancelable operating leases as of December 31, 2007 are as follows:

	$ 935,000
	935,000
	803,000
	688,000
	589,000
	4,124,000
	$ 8,074,000

ement of the tenants proportional share of common area expenses, real estate taxes and other expenses, which are not included in the a

CONCENTRATION

, 2007, the Property had one tenant occupying 67% of the gross leaseable area which accounted for 63% of total rental income.

Date of Lease Expiration	**Aggregate An Rental Inco**
December 31, 2019	$ 3

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

CYPRESS STATION MEDICAL OFFICE BUILDING

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

ENT EVENT

is Healthcare REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $11,200,000, plus closing costs.

INDEPENDENT AUDITORS REPORT

Inc.

ng statement of revenues and certain expenses of Vista Professional Center, or the Property, for the year ended December 31, 2007. Th
rty s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit.

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the state
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

P

VISTA PROFESSIONAL CENTER

STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

		Year Ended December 31, 2007
	$	369,000
		10,000
		56,000
		61,000
s		15,000
		25,000
		4,000
		11,000
		182,000
penses	$	187,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

VISTA PROFESSIONAL CENTER

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

ATION AND BASIS OF PRESENTATION

evenues and certain expenses include the operations of Vista Professional Center, or the Property, located in Lakeland, Florida. The Pr
9% leased as of December 31, 2007.

evenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

evenues and certain expenses is not representative of the actual operations for the periods presented, as certain expenses that may not b
acare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

e expensed as incurred, while significant improvements, renovations and replacements are capitalized.

acted with a related party to manage the Property at a fee of 5% of reported rent and other income. For the year ended December 31, 20

ments in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

VISTA PROFESSIONAL CENTER

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

erating lease agreements with tenants that expire at various dates through 2014 and are subject to fixed increases in base rent. The aggre
non-cancelable operating leases as of December 31, 2007 are as follows:

$	418,000
	346,000
	259,000
	246,000
	209,000
	228,000
$	1,706,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other expenses, which are not included in the a

CONCENTRATION

, 2007, the Property had four tenants occupying 78% of the gross leaseable area which accounted for 84% of total rental income.

	Date of Lease Expiration	**Aggregate An Rental Inco**
	February 28, 2014	$ 1
	December 3, 2009	$
	November 30, 2008	$
isease	April 30, 2012	$

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte financial position and/or results of operations.

VISTA PROFESSIONAL CENTER

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

ENT EVENT

is Healthcare REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $5,250,000, plus closing costs.

INDEPENDENT AUDITORS REPORT

Inc.

ng statement of revenues and certain expenses of Senior Care Portfolio 1 Texas, or the Property, for the year ended December 31, 20
he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the
s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a
he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the stater
reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange
expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta
for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

P

SENIOR CARE PORTFOLIO 1 TEXAS

STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

		Year Ended December 31, 2007
	$	3,074,000
		276,000
		11,000
		287,000
penses	$	2,787,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

SENIOR CARE PORTFOLIO 1 TEXAS

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

ATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Senior Care Portfolio 1 Texas, or the Property, located in Arlington, Galvesto
000 square feet of gross leaseable area and was 100% leased as of December 31, 2007.

revenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

ith its tenant, whereby the tenant directly pays for the buildings operating expenses, including but not limited to maintenance, utilities
ses. As a result, the accompanying statement of revenues and certain expenses does not include these operating expenses.

revenues and certain expenses is not representative of the actual operations for the period presented, as certain expenses that may not be
ncare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

SENIOR CARE PORTFOLIO 1 TEXAS

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

operating lease agreement with a tenant that expires in 2016 and are subject to fixed increases in base rent. The aggregate annual future
e operating leases as of December 31, 2007 is as follows:

	$ 2,628,000
	2,681,000
	2,735,000
	2,789,000
	2,845,000
	10,406,000
	$ 24,084,000

ement of the tenant s proportional share of common area expenses, real estate taxes and other expenses, which is not included in the am

CONCENTRATION

, 2007, the Property had one tenant occupying 100% of the gross leaseable area which accounted for 100% of total rental income.

	Date of Lease Expiration	Aggregate An Rental Inco
re, Ltd.	June 30, 2016	$ 2,7

s lease and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

SENIOR CARE PORTFOLIO 1 TEXAS

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

r 31, 2007, the Property incurred real estate taxes totaling $276,000. All real estate taxes are the strict obligation of the Property and its c
contractually obligated to reimburse the Property, or pay on behalf of the Property, all amounts due for real estate taxes. As this is a pa
cember 31, 2007, the Property recorded a liability and expense to the taxing authority and additionally recorded a receivable and revenu

T EVENT

is Healthcare REIT, Inc., through its subsidiary, purchased the Property for a purchase price of $29,900,000, plus closing costs.

INDEPENDENT AUDITORS REPORT

Inc.

ng statement of revenues and certain expenses of Senior Care Portfolio 1 California, or the Property, for the year ended December 31 he Property s management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our

dance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the s and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts a he accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the state reasonable basis for our opinion.

revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange expenses and is not intended to be a complete presentation of the Property s revenues and expenses.

evenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the sta nia for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America

P

SENIOR CARE PORTFOLIO 1 CALIFORNIA

STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

	Year Ended December 31, 2007
	$ 914,000
	102,000
	24,000
	126,000
penses	$ 788,000

The accompanying notes are an integral part of the statement of revenues and certain expenses.

SENIOR CARE PORTFOLIO 1 CALIFORNIA

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
For the Year Ended December 31, 2007

ATION AND BASIS OF PRESENTATION

revenues and certain expenses include the operations of Senior Care Portfolio 1 California, or the Property, located in El Monte and L
t of gross leaseable area and was 100% leased as of December 31, 2007.

revenues and certain expenses has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X pr
requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of reve
perating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. M
sults of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presen
of interest expense, depreciation and amortization and federal and state income taxes.

ith its tenant, whereby the tenant directly pays for the buildings operating expenses, including but not limited to maintenance utilities,
ses. As a result, the accompanying statement of revenues and certain expenses does not include these operating expenses.

revenues and certain expenses is not representative of the actual operations for the period presented, as certain expenses that may not be
ncare REIT, Inc. in the future operations of the Property have been excluded.

Y OF SIGNIFICANT ACCOUNTING POLICIES

ing leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimb
le costs are recognized in the period that the expenses are incurred.

ements in conformity with accounting principles generally accepted in the United States of America requires management to make estim
expenses during the reporting period. Actual results could differ materially from those estimates.

SENIOR CARE PORTFOLIO 1 CALIFORNIA

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

erating lease agreements with tenants that expire at various dates through 2017 and are subject to fixed increases in base rent. The aggre
non-cancelable operating leases as of December 31, 2007 are as follows:

$	820,000
	833,000
	845,000
	859,000
	872,000
	4,310,000
$	8,539,000

ement of the tenants proportional share of common area expenses, real estate taxes and other expenses, which are not included in the a

CONCENTRATION

, 2007, the Property had two tenants occupying 100% of the gross leaseable area which accounted for 100% of total rental income.

Date of Lease Expiration	**Aggregate An Rental Inco**
July 31, 2017	$ 4
July 31, 2017	$

n their leases and substitute tenants are not found, future revenue of the Property would be materially and adversely impacted.

MENTS AND CONTINGENCIES

egal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential cl

and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Proper
liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse

encies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matte
financial position and/or results of operations.

SENIOR CARE PORTFOLIO 1 CALIFORNIA

NOTE TO STATEMENT OF REVENUES AND CERTAIN EXPENSES (Continued)

r 31, 2007, the Property incurred real estate taxes totaling $102,000. All real estate taxes are the strict obligation of the Property and its o are contractually obligated to reimburse the Property, or pay on behalf of the Property, all amounts due for real estate taxes. As this is a d December 31, 2007, the Property recorded a liability and expense to the taxing authority and additionally recorded a receivables and r

T EVENT

is Healthcare REIT, Inc., through its subsidiary, entered into a purchase and sale agreement to acquire the Property for a purchase price

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Financial Statements
As of December 31, 2007 and for the Year Ended December 31, 2007

o forma condensed consolidated financial statements (including notes thereto) are qualified in their entirety by reference to and should b financial statements included elsewhere in this prospectus. In management s opinion, all adjustments necessary to reflect the transactio

o forma condensed consolidated balance sheet as of December 31, 2007 is presented as if we acquired Medical Portfolio 1, or the Medic rty, Liberty Falls Medical Plaza, or the Liberty Falls property, Epler Parke Building B, or the Epler B property, Cypress Station Medica ter, or the Vista Professional property, Senior Care Portfolio 1 Texas, or the
r Care Portfolio 1 California, or the SCP 1 CA property, on December 31, 2007. Collectively, these properties were acquired using our initial public offering through the acquisition date at $10.00 per share. However, the pro forma adjustments assume the debt proceed

o forma condensed consolidated statement of operations for the year ended December 31, 2007 is presented as if we acquired Southpoin ville Medical Office Park and Athens Surgery Center, or the Crawfordsville property, The Gallery Professional Building, or the Gallery Medical Office Building, or the Commons V property, Yorktown Medical Center and Shakerag Medical Center, or the Peachtree prop Hospital Northwest and Triumph Hospital Southwest, or the Triumph property, Gwinnett Professional Center, or the Gwinnett property, al Office Park, or the Kokomo property, St. Mary Physicians Center, or the St. Mary property, 2750 Monroe Boulevard, or the 2750 M Northmeadow Medical Center, or the Northmeadow property, Tucson Medical Center Portfolio, or the Tucson Medical property, Lima nch Medical Plaza, or the Highlands Ranch property, Park Place Office Park, or the Park Place property, Chesterfield Rehabilitation Cen ad property, the Liberty Falls property, the Epler B property, the Cypress Station property, the Vista Professional property, the SCP 1 ecured the revolving line of credit with LaSalle Bank National Association, or LaSalle Bank, and KeyBank National Association, or Ke on of debt financing and proceeds, net of offering costs, received from our initial public offering through the acquisition date at $10.00 uent to acquisition. However, the pro forma adjustments assume that the debt proceeds and offering proceeds were raised as of January

o forma condensed consolidated financial statements are unaudited and are subject to a number of estimates, assumptions, and other unc that would have occurred had the acquisitions reflected therein in fact occurred on the dates specified, nor do such financial statements in the future. In addition, the unaudited pro forma condensed consolidated financial statements include pro forma allocations of the purc value of the assets acquired and liabilities assumed in connection with the acquisitions and are subject to change.

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of December 31, 2007

Company Historical (A)	2008 Previously Reported Transaction (B)	Acquisition of Fort Road Property (C)	Acquisition of Liberty Falls Property (D)	Acquisition of Epler B Property (E)	Acquisition of Cypress Station Property (F)	Acquisition of Vista Professional Property (G)	Acqui o SCP Proper
			ASSETS				
$ 352,994,000	$ 32,488,000	$ 7,346,000	$ 6,480,000	$ 5,231,000	$ 9,639,000	$ 4,743,000	$ 26,6
5,467,000	562,000		17,000	106,000	315,000		1,5
1,233,000							
4,605,000							
62,921,000	5,194,000	1,738,000	1,142,000	1,027,000	2,102,000	735,000	4,9
4,392,000	329,000	75,000			60,000		2
$ 431,612,000	$ 38,573,000	$ 9,159,000	$ 7,639,000	$ 6,364,000	$ 12,116,000	$ 5,478,000	$ 33,5
			LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS EQUITY				
$ 185,801,000	$ 22,000,000	$ 5,800,000	$	$	$ 7,300,000	$	$ 18,0
51,801,000	16,000,000	3,000,000	7,600,000	6,100,000	4,500,000	5,300,000	14,8
7,983,000	200,000	80,000	18,000	237,000	64,000	29,000	1
2,356,000							
1,377,000							
1,974,000	97,000	111,000	21,000	27,000	133,000	58,000	
1,639,000	276,000	87,000			119,000	37,000	5
252,931,000	38,573,000	9,078,000	7,639,000	6,364,000	12,116,000	5,424,000	33,5
3,091,000							

214,000		**(J)**					**(J)**	
190,534,000		81,000	**(J)**				54,000	**(J)**
(15,158,000)								
175,590,000		81,000					54,000	
$ 431,612,000	$ 38,573,000	$ 9,159,000	$ 7,639,000	$ 6,364,000	$ 12,116,000	$ 5,478,000	$ 33,5	

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year Ended December 31, 2007

any rical)	2007 & 2008 Previously Reported Transactions (L)	Acquisition of Fort Road Property (M)	Acquisition of Liberty Falls Property (N)	Acquisition of Epler B Property (O)	Acquisition of Cypress Station Property (P)	Acquisition of Vista Professional Property (Q)	Acquisition of SCP 1 Property (R)	TX
6,000	$ 32,411,000	$ 1,165,000(T)	$ (T)	$ 413,000(T)	$ 1,139,000(T)	$ 394,000(T)	$ 3,141,000	
7,000	11,316,000	704,000(U)	(U)	301,000(U)	753,000(U)	174,000(U)	318,000	
7,000	3,344,000	86,000(V)	(V)	60,000(V)	111,000(V)	52,000(V)	298,000	
0,000	16,206,000	585,000(T)	(T)	364,000(T)	584,000(T)	414,000(T)	1,221,000	
4,000	30,866,000	1,375,000		725,000	1,448,000	640,000	1,837,000	
8,000)	1,545,000	(210,000)		(312,000)	(309,000)	(246,000)	1,304,000	
4,000)	(465,000)							
9,000)	(17,107,000)	(451,000)(W)	(W)	(320,000)(W)	(578,000)(W)	(223,000)(W)	(1,604,000)	
7,000)								
4,000								
8,000	27,000							

6,000)	$ (16,000,000)	$ (661,000)	$	$ (632,000)	$ (887,000)	$ (469,000)	$ (300,000)		
(0.77)									
2,771									

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

Forma Condensed Consolidated Balance Sheet as of December 31, 2007.

heet as of December 31, 2007 included in this prospectus.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Medical Portfolio 1 property a
re subject to change.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Fort Road property. We have
n fees, was financed through a secured mortgage loan payable of $5,800,000 on the property with La Salle, borrowings of $3,000,000 u
t proceeds from the issuance of approximately 9,162 shares of common stock from our initial public offering. An acquisition fee of $26
te. We allocated the purchase price, plus closing costs, to the fair value of the assets acquired and liabilities assumed as follows: $1,571,
ace leases, $811,000 to tenant relationships, $175,000 to above market leases and $(87,000) to below market leases. The purchase price

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Liberty Falls property. We ha
n fees, was financed through borrowings of $7,600,000 under the secured revolving line of credit with LaSalle and KeyBank. An acquis
dvisor and its affiliate. We allocated the purchase price, plus closing costs, to the fair value of the assets acquired and liabilities assume
9,000 to master lease, $335,000 to in place leases, $225,000 to tenant relationships and $233,000 to above market leases. The purchase

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Epler B property. We have ass
s, was financed through borrowings of $6,100,000 under the secured revolving line of credit with LaSalle and KeyBank. An acquisition
d its affiliate. We allocated the purchase price, plus closing costs, to the fair value of the assets acquired and liabilities assumed as follo
n place leases, $380,000 to tenant relationships, and $220,000 to above market leases. The purchase price allocations are preliminary a

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Cypress Station property. We
nd acquisition fees, was financed through a secured mortgage loan payable of $7,300,000 on the property with National City Bank and
alle and KeyBank. An acquisition fee of $336,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. We allocated
nd liabilities assumed as follows: $1,345,000 to land, $8,294,000 to building and improvements, $1,231,000 to in place leases, $762,00
below market leases. The purchase price allocations are preliminary and are subject to change.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the Vista Professional property. W
d acquisition fees, was financed through borrowings of $5,300,000 under the secured revolving line of credit with LaSalle and KeyBan

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

ommon stock from our initial public offering. An acquisition fee of $158,000, or 3.0% of the purchase price, was paid to our advisor and
ue of the assets acquired and liabilities assumed as follows: $1,098,000 to land, $3,645,000 to building and improvements, $363,000 to i
low market leases. The purchase price allocations are preliminary and are subject to change.

e of the assets acquired and liabilities incurred or assumed by us in connection with the acquisition of the SCP 1 TX property. We hav
fees, was financed through a secured mortgage loan payable of $18,000,000 on the property with Red Mortgage Capital, Inc., or Red C
dit with LaSalle and KeyBank. An acquisition fee of $897,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. W
ts acquired and liabilities assumed as follows: $2,302,000 to land, $24,360,000 to building and improvements, $2,473,000 to in place le
es. The purchase price allocations are preliminary and are subject to change.

hase price of the assets being acquired and liabilities incurred or assumed by us in connection with the probable acquisition of the SCP
0,000, plus closing costs and acquisition fees, will be financed through a secured mortgage loan payable of $6,800,000 on the property
ings under the secured revolving line of credit with LaSalle and KeyBank. We anticipate an acquisition fee of $291,000, or 3.0% of the
allocated the proposed purchase price, plus closing costs, to the fair value of the assets acquired and liabilities assumed as follows: $4,
place leases, $440,000 to tenant relationships and $(1,395,000) to below market leases. The proposed purchase price allocations are prel

he Vista Professional property were acquired using proceeds, net of offering costs, received from our initial public offering through the
oceeds were raised as of December 31, 2007.

Forma Condensed Consolidated Statement of Operations for the Year ended December 31, 2007

of operations for the year ended December 31, 2007 included in this prospectus.

ated operations, including pro forma adjustments, from January 1, 2007 through the acquisition date of the Southpointe property, the Cr
s V property, the Peachtree property, the Thunderbird property, the Triumph property, the Gwinnett property, the 1 and 4 Market prope
rty, the EFSC property, the Northmeadow property, the Tucson Medical property, the Lima property, the Park Place property, the High
io 1 property (properties acquired in 2007 and 2008 that were previously reported) as if these assets had been acquired as of January 1,

ated operations, including pro forma adjustments, based on historical operations of the Fort Road property for the year ended Decembe

ated operations of the Liberty Falls property for the year ended December 31, 2007. Actual construction on the Liberty Falls property w

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

ced in January 2008. As such, no operations existed for the year ended December 31, 2007.

ated operations, including pro forma adjustments, based on historical operations of the Epler B property for the year ended December 3

ated operations, including pro forma adjustments, based on historical operations of the Cypress Station property for the year ended Dece

ated operations, including pro forma adjustments, based on historical operations of the Vista Professional property for the year ended D

ated operations, including pro forma adjustments, based on historical operations of the SCP 1 TX property for the year ended Decemb

ated operations, including pro forma adjustments, based on historical operations of the SCP 1 CA property for the year ended Decemb

portion of the purchase price allocated to building is recognized using the straight-line method and a 39 year life. Depreciation expense
mated useful life between 4 and 468 months. Amortization expense on the identified intangible assets excluding, above and below mark
life between 4 and 231 months.

market leases are included in identified intangible assets, net and below market lease values are included in identified intangible liabiliti
alance sheet and are amortized to rental income over the remaining term of the acquired leases with each property which range between

nd therefore depreciation and amortization expense, are preliminary and subject to change.

eement, our advisor or its affiliates are entitled to receive, for services in managing our properties, a monthly property management fee
ied. As a result, the pro forma amounts shown are reflective of our current advisory agreement.

an incremental property tax expense assuming the acquisition price and historical property tax rates.

eement, our advisor or its affiliates are entitled to receive a monthly asset management fee calculated at one-twelfth of 1.0% of average
month, subject to our stockholders receiving annualized distributions in an amount equal to at least 5.0% per annum on average invested
Falls property, the Epler B property, the Cypress Station property, the Vista Professional property, the SCP 1 TX and the SCP 1 CA
han 5.0% per annum. As such, we assumed an asset management fee was incurred for the year ended December 31, 2007.

Grubb & Ellis Healthcare REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

were financed using various debt instruments as noted above in notes (C) through (I). As such, this amount represents interest expense, a
nts. Some mortgage loan payables bear interest at a variable rate. In most cases, we have entered into fixed rate interest swap agreement
ap agreements. The secured revolving line of credit with LaSalle and KeyBank bears interest at a variable rate. If rates increase 0.125%,
related swap agreement and our secured revolving line of credit with LaSalle and KeyBank would increase $86,000 for the year ended

rage number of shares of common stock from our initial public offering required to generate sufficient offering proceeds to fund the pur
quired on January 1, 2007.

C-1

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

uance and Distribution

the approximate amount of the fees and expenses payable by the Registrant in connection with the issuance and distribution of the Shar

$	235,400
	75,500
	6,000,000
	2,000,000
	2,000,000
	8,000,000
	600,000
	2,000,000
	2,354,000
$	23,264,900

s

ors, as well as officers and employees of Healthcare/Office REIT Advisor, LLC, the Registrant s advisor, and its affiliates, may purcha
es shall be $9.05 per share reflecting the fact that selling commissions in the amount of $0.70 per share and the marketing support fee in
sales.

istered Securities

t was capitalized with the issuance to the Registrant s advisor of 200 shares of common stock for a purchase price of $10.00 per share f
ment and for the purpose of organizing the Registrant. The Registrant issued this common stock in reliance on an exemption from regist

ed 5,000 shares of restricted common stock to each of our independent directors. On October 4, 2006, we issued 5,000 shares of restricte
ent. On April 12, 2007, we issued an additional 5,000 shares of restricted common stock to a new independent director upon his initial
pendent directors were issued pursuant to our 2006 Incentive Directors Compensation Plan, a sub-plan of our 2006 Incentive Plan, in a
ecurities Act. Each of these shares of restricted common stock vested 20.0% on the grant date and 20.0% will vest on each of the first fo

additional 2,500 shares of restricted common stock to each of our five independent directors pursuant to our 2006 Incentive Plan in a pri
ecurities Act. Each of these restricted common stock awards vested 20.0% on the grant date and 20.0% will vest on each of the first four

rectors and Officers

ons set forth under Maryland law or below, (i) no director or officer of the Registrant shall be liable to the Registrant or its stockholders
ourse reasonable expenses in advance of the final disposition of a proceeding to (A) any individual who is a present or former director or
f the Registrant and at the request of the Registrant, serves or has served as a director, officer, partner or trustee of another corporation,

se; or (C) the advisor or any of its affiliates acting as an agent of the Registrant and

s, managers and employees, from and against any claim or liability to which such person may become subject or which such person ma

contrary contained in clause (i) or (ii) of the paragraph above, the Registrant shall not provide for indemnification of or hold harmless a
ny liability or loss suffered by any of them, unless all of the following conditions are met:

d, in good faith, that the course of conduct that caused the loss or liability was in the best interests of the Registrant;

behalf of or performing services for the Registrant;

the result of (A) negligence or misconduct, in the case that the Indemnitee is a director (other than an independent director), an advisor
, in the case that the Indemnitee is an independent director;

ement to hold harmless is recoverable only out of net assets and not from stockholders; and

y or expenses arising from or out of an alleged violation of federal or state securities laws, one or more of the following conditions are m
h count involving alleged securities law violations as to the Indemnitee; (B) such claims have been dismissed with prejudice on the mer
competent jurisdiction approves a settlement of the claims against the Indemnitee and finds that indemnification of the settlement and t
nnification has been advised of the position of the SEC and of the published position of any state securities regulatory authority in which
olations of securities laws.

l of the provision for indemnification in the Registrant s charter, nor the adoption or amendment or amendment of any other provision
or indemnification in the Registrant s charter, shall apply to or affect in any respect the applicability of the provision for indemnificatio
o such amendment, repeal or adoption.

ourse reasonable legal expenses and other costs incurred by the directors or its advisor or its affiliates in advance of the final disposition
land General Corporation Law) all of the following are satisfied: (a) the proceeding relates to acts or omissions with respect to the perfo
ng was initiated by a third party who is not a stockholder or, if by a stockholder acting in his or her capacity as such, a court of compete
ployees or agents or the advisor or its affiliates provide the Registrant with written affirmation of his or her good faith belief that he or
e to repay the amount paid or reimbursed by the Registrant, together with the applicable legal rate of interest thereon, if it is ultimately

into indemnification agreements with each of our independent directors, W. Bradley Blair, II, Maurice J. DeWald, Warren D. Fix, Gary
D. Peters, Danny Prosky and Andrea R. Biller. On March 1, 2007, we entered into an indemnification agreement with our officer, Shann
greement with our independent director, Larry L. Mathis. Pursuant to the terms of these indemnification agreements, we will indemnify
nection with any claims, suits or proceedings brought against such directors and officers as a result of his or her service, however, our in
nification agreements and in our charter.

from Stock Being Registered

and Exhibits

f

the merger of NNN Realty Advisors, Inc., which previously served as our sponsor, with and into a wholly owned subsidiary of our curr
care/Office REIT, Inc., NNN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT Advisor, LLC and NNN Healthcar
re REIT, Inc., Grubb & Ellis Healthcare REIT Holdings, L.P., Grubb & Ellis Healthcare REIT Advisor, LLC, and Grubb & Ellis Healt
fer to the entity names that were in effect during the periods presented by such financial statements and have not been updated to reflec
s Registration Statement and included in the Prospectus:

OF NNN HEALTHCARE/OFFICE REIT, INC.
ptember 30, 2007 and for the Period from April 28, 2006 (Date of Inception) through

e Sheets as of September 30, 2007 (Unaudited) and December 31, 2006 (Unaudited)
ent of Operations for the Three Months Ended September 30, 2007 and 2006 (Unaudited) and for the
0, 2007 and for the Period from April 28, 2006 (Date of Inception) through September 30, 2006

ent of Stockholders Equity (Deficit) for the Nine Months Ended September 30, 2007 (Unaudited)
ents of Cash Flows for the Nine Months Ended September 30, 2007 (Unaudited) and for the Period
eption) through September 30, 2006 (Unaudited)
d Financial Statements (Unaudited)
2006 (Date of Inception) through December 31, 2006
d Public Accounting Firm
of December 31, 2006 and April 28, 2006 (Date of Inception)
tions for the Period from April 28, 2006 (Date of Inception) through December 31, 2006
holders (Deficit) Equity for the Period from April 28, 2006 (Date of Inception) through December 31,

Flows for the Period from April 28, 2006 (Date of Inception) through December 31, 2006
Statements
OF REAL ESTATE PROPERTIES ACQUIRED:
Epler Parke I

in Expenses for the Year Ended December 31, 2006
and Certain Expenses
Park and Athens Surgery Center

in Expenses for the Year Ended December 31, 2006
and Certain Expenses
ing

in Expenses for the Year Ended December 31, 2006
and Certain Expenses

in Expenses for the Year Ended December 31, 2006
and Certain Expenses
ilding

n Expenses for the Three Months Ended March 31, 2007 (Unaudited) and the Year Ended December

and Certain Expenses
Shakerag Medical Center

n Expenses for the Three Months Ended March 31, 2007 (Unaudited) and the Year Ended December

and Certain Expenses

n Expenses for the Three Months Ended March 31, 2007 (Unaudited) and the Year Ended December

and Certain Expenses
nd Triumph Hospital Southwest

n Expenses for the Three Months Ended March 31, 2007 (Unaudited) and the Year Ended December

and Certain Expenses

n Expenses for the Six Months Ended June 30, 2007 (Unaudited) and for the Year Ended December

and Certain Expenses

n Expenses for the Six Months Ended June 30, 2007 (Unaudited) and for the Year Ended December

and Certain Expenses

n Expenses for the Six Months Ended June 30, 2007 (Unaudited) and for the Year Ended December

and Certain Expenses

n Expenses for the Six Months Ended June 30, 2007 (Unaudited) and for the Year Ended December

and Certain Expenses

n Expenses for the Six Months Ended June 30, 2007 (Unaudited) and for the Year Ended December

and Certain Expenses
olio

n Expenses for the Six Months Ended June 30, 2007 (Unaudited) and for the Year Ended December

and Certain Expenses

n Expenses for the Nine Months Ended September 30, 2007 (Unaudited) and for the Year Ended

and Certain Expenses
o

n Expenses for the Nine Months Ended September 30, 2007 (Unaudited) and for the Year Ended

and Certain Expenses

n Expenses for the Nine Months Ended September 30, 2007 (Unaudited) and for the Year Ended

and Certain Expenses
NFORMATION OF GRUBB & ELLIS HEALTHCARE REIT, INC.
d Consolidated Financial Statements
d Consolidated Balance Sheet as of September 30, 2007
d Consolidated Statement of Operations for the Nine Months Ended September 30, 2007
d Consolidated Statement of Operations for the Period from April 28, 2006 (Date of Inception)

ondensed Consolidated Financial Statements
ary 27, 2008
OF REAL ESTATE PROPERTIES ACQUIRED
laza

tain Expenses for the Nine Months Ended September 30, 2007 (Unaudited) and for the Year Ended

and Certain Expenses

tain Expenses for the Nine Months Ended September 30, 2007 (Unaudited) and for the Year Ended

and Certain Expenses

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in Expenses for the Two Months Ended September 30, 2007 (Unaudited)
and Certain Expenses

in Expenses for the Year Ended December 31, 2007
and Certain Expenses
NFORMATION
d Consolidated Financial Statements
d Consolidated Balance Sheet as of September 30, 2007
d Consolidated Statement of Operations for the Nine Months Ended September 30, 2007
d Consolidated Statement of Operations for the Period from April 28, 2006 (Date of Inception)

ondensed Consolidated Financial Statements
24, 2008
OF GRUBB & ELLIS HEALTHCARE REIT, INC.:
006 and for the Year Ended December 31, 2007 and for the Period from April 28, 2006 (Date of
31, 2006
d Public Accounting Firm
of December 31, 2007 and 2006
ations for the Year Ended December 31, 2007 and for the Period from April 28, 2006 (Date of
, 2006
kholders Equity (Deficit) for the Year Ended December 31, 2007 and for the Period from April 28,
December 31, 2006
Flows for the Year Ended December 31, 2007 and for the Period from April 28, 2006 (Date of
, 2006
Statements
t Schedules
OF REAL ESTATE PROPERTIES ACQUIRED:

in Expenses for the Year Ended December 31, 2007
and Certain Expenses

in Expenses for the Year Ended December 31, 2007
and Certain Expenses
ing

in Expenses for the Year Ended December 31, 2007
and Certain Expenses

in Expenses for the Year Ended December 31, 2007
and Certain Expenses

NFORMATION OF GRUBB & ELLIS HEALTHCARE REIT, INC.:
d Consolidated Financial Statements
d Consolidated Balance Sheet as of December 31, 2007
d Consolidated Statement of Operations for the Year Ended December 31, 2007
ondensed Consolidated Financial Statements

the merger of NNN Realty Advisors, Inc., which previously served as our sponsor, with and into a wholly owned subsidiary of Grubb &
NN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT Advisor, LLC and NNN Healthcare/Office Management, LL
Ellis Healthcare REIT Holdings, L.P., Grubb & Ellis Healthcare REIT Advisor, LLC and Grubb & Ellis Healthcare Management, LLC
rior to such name changes in order to accurately reflect the names of the parties on the documents listed.

Exhibit

Manager Agreement between NNN Healthcare/Office REIT, Inc. and NNN Capital Corp (included as Exhibit 1.1 to our
ly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
ment No. 1 to Dealer Manager Agreement between NNN Healthcare/Office REIT, Inc. and NNN Capital Corp.
f Participating Broker-Dealer Agreement
rticles of Amendment and Restatement of NNN Healthcare/Office REIT, Inc. (included as Exhibit 3.1 to our Annual Report on
0-K for the year ended December 31, 2006 and incorporated herein by reference)
of Amendment, effective December 10, 2007 (included as Exhibit 3.1 to our Current Report on Form 8-K filed December 10,

of NNN Healthcare/Office REIT, Inc.
f Subscription Agreement to be used for the period from the date of the Prospectus to December 31, 2007 (included as
B to the Prospectus)
f Subscription Agreement to be used beginning January 1, 2008 (included as Exhibit C to the Prospectus, an amended version
h is included in Supplement No. 7 to the Prospectus, dated April 24, 2008, filed herewith)
tion Reinvestment Plan (included as Appendix D to the Prospectus)
epurchase Plan (included as Appendix E to the Prospectus)
Agreement (included as Exhibit 4.4 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and
rated herein by reference)
of Venable LLP as to the legality of the shares being registered
of Alston & Bird LLP as to tax matters
y Agreement among NNN Healthcare/Office REIT, Inc., NNN Healthcare/Office REIT Holdings, L.P., NNN
are/Office REIT Advisor, LLC and Triple Net Properties, LLC (included as Exhibit 10.1 to our Quarterly Report on
0-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
ment No. 1 to Advisory Agreement among NNN Healthcare/Office REIT, Inc., NNN Healthcare/Office REIT Holdings, L.P.,
ealthcare/Office REIT Advisor, LLC and Triple Net Properties, LLC

Exhibit

ent of Limited Partnership of NNN Healthcare/Office REIT Holdings, L.P. (included as Exhibit 10.2 to our Quarterly Report 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
ealthcare/Office REIT, Inc. 2006 Incentive Plan (including the 2006 Independent Directors Compensation Plan)
ment to the NNN Healthcare/Office REIT, Inc. 2006 Incentive Plan (including the 2006 Independent Directors Compensation

Indemnification agreement executed by W. Bradley Blair, II, Maurice J. DeWald, Warren D. Fix, Gary T. Wescombe, Scott s, Danny Prosky, Andrea R. Biller, Shannon K S Johnson and Larry L. Mathis (included as Exhibit 10.1 to our Current Report 8-K filed on March 5, 2007 and incorporated herein by reference)
Secure Debt Note by and between Gwinnett Professional Center, Ltd. and Archon Financial, L.P., dated December 30, 2003 d as Exhibit 10.5 to our Current Report on Form 8-K filed on August 2, 2007 and incorporated herein by reference)
Secure Debt, Assignment of Rents and Security Agreement by Gwinnett Professional Center, Ltd. to Archon Financial, L.P., ecember 30, 2003 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on August 2, 2007 and incorporated y reference)
ory Note dated August 18, 2006 issued by NNN Southpointe, LLC to LaSalle Bank National Association
ory Note dated August 18, 2006 issued by NNN Southpointe, LLC and NNN Crawfordsville, LLC to LaSalle Bank National ion
e, Security Agreement and Fixture Filing dated August 18, 2006 by NNN Southpointe, LLC for the benefit of LaSalle Bank Association
nate Mortgage, Security Agreement and Fixture Filing dated August 18, 2006 by NNN Southpointe, LLC for the benefit of Bank National Association
y dated August 18, 2006 by Triple Net Properties, LLC for the benefit of LaSalle Bank National Association
y (Securities Laws) dated August 18, 2006 by Triple Net Properties, LLC in favor of LaSalle Bank National Association
y of Payment dated August 18, 2006 by Triple Net Properties, LLC for the benefit of LaSalle Bank National Association
ent of Leases and Rents dated August 18, 2006 by NNN Southpointe, LLC in favor of LaSalle Bank National Association
us Substance Indemnification Agreement dated August 18, 2006 by NNN Southpointe, LLC and Triple Net Properties, LLC enefit of LaSalle Bank National Association
ory Note dated September 12, 2006 issued by NNN Crawfordsville, LLC to LaSalle Bank National Association
e, Security Agreement and Fixture Filing dated September 12, 2006 by NNN Crawfordsville, LLC for the benefit of LaSalle tional Association
nate Mortgage, Security Agreement and Fixture Filing dated September 12, 2006 by NNN Crawfordsville, LLC for the benefit le Bank National Association
y dated September 12, 2006 by Triple Net Properties, LLC for the benefit of LaSalle Bank National Association
y (Securities Laws) dated September 12, 2006 by Triple Net Properties, LLC in favor of LaSalle Bank National Association
ent of Leases and Rents dated September 12, 2006 by NNN Crawfordsville, LLC in favor of LaSalle Bank National ion

Exhibit

us Substance Indemnification Agreement dated September 12, 2006 by NNN Crawfordsville, LLC and Triple Net Properties, the benefit of LaSalle Bank National Association

ent for Purchase and Sale of Real Property and Escrow Instructions by and between Liberty Falls, LLC, Triple Net Properties, d Dave Chrestensen and Todd Crawford, dated October 30, 2006 (included as Exhibit 10.1 to our Current Report on Form 8-K rch 25, 2008 and incorporated herein by reference)

nendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Liberty Falls, LLC, et Properties, LLC, and Dave Chrestensen and Todd Crawford, dated December 21, 2006 (included as Exhibit 10.2 to our Report on Form 8-K filed March 25, 2008 and incorporated herein by reference)

Promissory Note by and between NNN Lenox Medical, LLC and LaSalle Bank National Association, dated January 2, 2007 d as Exhibit 10.5 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)

Trust, Security Agreement and Fixtures Filings by and among NNN Lenox Medical, LLC and LaSalle Bank National ion, dated January 2, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on March 26, 2007 and ated herein by reference)

y by and among NNN Realty Advisors, Inc., and LaSalle Bank National Association, dated January 2, 2007 (included as 10.7 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)

y (Securities Laws) by and among LaSalle Bank National Association and NNN Realty Advisors, Inc., dated January 2, 2007 d as Exhibit 10.8 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)

us Substances Indemnification Agreement by and among NNN Lenox Medical, LLC, Triple Net Properties, LLC, and LaSalle tional Association, dated January 2, 2007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed on March 26, d incorporated herein by reference)

ent of Leases and Rents by and among NNN Lenox Medical, LLC and LaSalle Bank National Association, dated January 2, cluded as Exhibit 10.10 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)

ship Interest Purchase and Sale Agreement by and between NNN South Crawford Member, LLC, NNN Southpointe, LLC and ealthcare/Office REIT Holdings, L.P. dated January 22, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K January 25, 2007 and incorporated herein by reference)

ship Interest Assignment Agreement by and between NNN South Crawford Member, LLC, and NNN Healthcare/Office REIT s, L.P. dated January 22, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on January 25, 2007 and ated herein by reference)

ship Interest Purchase and Sale Agreement by and between NNN South Crawford Member, LLC, NNN Crawfordsville, LLC N Healthcare/Office REIT Holdings, L.P. dated January 22, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K January 25, 2007 and incorporated herein by reference)

ship Interest Assignment Agreement by and between NNN South Crawford Member, LLC, and NNN Healthcare/Office REIT s, L.P. dated January 22, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on January 25, 2007 and ated herein by reference)

to Transfer and Agreement by and among NNN South Crawford Member, LLC, NNN Southpointe, LLC, NNN re/Office REIT Holdings, L.P., Triple Net Properties, LLC and LaSalle Bank National Association, dated January 22, 2007 d as Exhibit 10.5 to our Current Report on Form 8-K filed on January 25, 2007 and incorporated herein by reference)

Exhibit

o Transfer and Agreement by and among NNN South Crawford Member, LLC, NNN Crawfordsville, LLC, NNN e/Office REIT Holdings, L.P., Triple Net Properties, LLC and LaSalle Bank National Association, dated January 22, 2007 as Exhibit 10.6 to our Current Report on Form 8-K filed on January 25, 2007 and incorporated herein by reference)
y Note issued by NNN Healthcare/Office REIT Holdings, L.P. in favor of NNN Realty Advisors, Inc. dated January 22, luded as Exhibit 10.7 to our Current Report on Form 8-K filed on January 25, 2007 and incorporated herein by reference)
, Security Agreement and Fixture Filing by and between NNN Gallery Medical, LLC, and LaSalle Bank National on, dated February 5, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on March 13, 2007 and ted herein by reference)
hip Interest Purchase and Sale Agreement by and between NNN Gallery Medical Member, LLC, NNN Gallery Medical, NNN Healthcare/Office REIT Holdings, L.P. dated March 9, 2007 (included as Exhibit 10.1 to our Current Report on filed on March 13, 2007 and incorporated herein by reference)
hip Interest Assignment Agreement by and between NNN Gallery Medical Member, LLC, and NNN Healthcare/Office REIT L.P. dated March 9, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on March 13, 2007 and ted herein by reference)
Promissory Note by and between NNN Gallery Medical, LLC and LaSalle Bank National Association, dated March 9, 2007 as Exhibit 10.4 to our Current Report on Form 8-K filed on March 13, 2007 and incorporated herein by reference)
d Promissory Note by and between NNN Healthcare/Office REIT Holdings, L.P., and NNN Realty Advisors, Inc., dated 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on March 13, 2007 and incorporated herein by)
o Transfer and Agreement by and among NNN Gallery Medical, LLC, NNN Healthcare/Office REIT Holdings, L.P., NNN Medical Member, LLC, NNN Realty Advisors, Inc., and LaSalle Bank National Association, dated March 9, 2007 (included 10.6 to our Current Report on Form 8-K filed on March 13, 2007 and incorporated herein by reference)
nt for Purchase and Sale of Real Property and Escrow Instructions by and between Commons V Investment Partnership, t Properties, LLC and Landamerica Title Company, dated March 16, 2007 (included as Exhibit 10.1 to our Current Report on filed on April 25, 2007 and incorporated herein by reference)
hip Interest Purchase and Sale Agreement by and between NNN Lenox Medical Member, LLC, Triple Net Properties, LLC, ox Medical, LLC, NNN Lenox Medical Land, LLC and NNN Healthcare/Office REIT Holdings, L.P., dated March 20, 2007 as Exhibit 10.1 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)
hip Interest Assignment Agreement by and between NNN Lenox Medical Member, LLC, and NNN Healthcare/Office REIT L.P., dated March 23, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on March 26, 2007 and ted herein by reference)
hip Interest Assignment Agreement by and between Triple Net Properties, LLC, and NNN Healthcare/Office REIT Holdings, d March 23, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated reference)
o Transfer and Assignment by and among NNN Lenox Medical, LLC, NNN Healthcare/Office REIT Holdings, L.P., NNN edical Member, LLC, NNN Realty Advisors, Inc., and LaSalle Bank National Association, dated March 23, 2007 (included 10.4 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)
nt of Sale and Purchase by and between Yorktown Building Holding Company, LLC and Triple Net Properties, LLC, dated , 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by)

Exhibit

eement and Escrow Instructions by and between 5410 & 5422 W. Thunderbird Road, LLC, et al. and 5310 West Thunderbird C, et al., Triple Net Properties, LLC and Chicago Title Company as Escrow Agent, dated April 6, 2007 (included as Exhibit r Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by reference)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Commons V nt Partnership and Triple Net Properties, LLC, dated April 9, 2007 (included as Exhibit 10.2 to our Current Report on Form on April 25, 2007 and incorporated herein by reference)

ent of Contract by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT Commons V, LLC, dated April (included as Exhibit 10.3 to our Current Report on Form 8-K filed on April 25, 2007 and incorporated herein by reference)

ent and Assumption Agreement by and between Commons V Investment Partnership and NNN Healthcare/Office REIT s V, LLC, dated April 24, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on April 25, 2007 and ted herein by reference)

nt for Purchase and Sale of Real Property and Escrow Instructions between Hollow Tree, L.L.P., Triple Net Properties, LLC, America Title Company as Escrow Agent, dated April 30, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K une 14, 2007 and incorporated herein by reference)

nt for Purchase and Sale of Real Property and Escrow Instructions between First Colony Investments, L.L.P., Triple Net s, LLC, and LandAmerica Title Company as Escrow Agent, dated April 30, 2007 (included as Exhibit 10.2 to our Current Form 8-K filed on June 14, 2007 and incorporated herein by reference)

ent of Contract by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT Peachtree, LLC, dated May 1, luded as Exhibit 10.2 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by reference)

Promissory Note by and between NNN Healthcare/Office REIT Peachtree, LLC and Wachovia Bank, National Association, y 1, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by)

ecure Debt, Security Agreement and Fixture Filing by and between NNN Healthcare/Office REIT Peachtree, LLC and a Bank National Association, dated May 1, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on 007 and incorporated herein by reference)

y and Guaranty Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, y 1, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by)

mnity and Guaranty Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National on, dated May 1, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated reference)

ental Indemnity Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, y 1, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by)

ent of Leases and Rents by and between NNN Healthcare/Office REIT Peachtree, LLC and Wachovia Bank, National on, dated May 1, 2007 (included as Exhibit 10.8 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated reference)

ent of Contract by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT Thunderbird Medical, LLC, y 11, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by)

Exhibit

endment to Sale Agreement and Escrow Instructions by and between NNN Healthcare/Office REIT Thunderbird Medical, 5310 West Thunderbird Road, LLC, et al., dated May 14, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K May 17, 2007 and incorporated herein by reference)

endment to Sale Agreement and Escrow Instructions by and between NNN Healthcare/Office REIT Thunderbird Medical, 5410 & 5422 W. Thunderbird Road, LLC, et al., dated May 14, 2007 (included as Exhibit 10.4 to our Current Report on filed on May 17, 2007 and incorporated herein by reference)

ry Note issued by NNN Healthcare/Office REIT Commons V, LLC in favor of Wachovia Bank, National Association, dated 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by)

, Security Agreement and Fixture Filing by and between NNN Healthcare/Office REIT Commons V, LLC and Wachovia tional Association, dated May 14, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on May 17, 2007 porated herein by reference)

y and Guaranty Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, y 14, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by)

ental Indemnity Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, y 14, 2007 (included as Exhibit 10.8 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by)

nt of Leases and Rents by and between NNN Healthcare/Office REIT Commons V, LLC and Wachovia Bank, National on, dated May 14, 2007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated reference)

te Purchase Agreement by and between Triple Net Properties, LLC and Gwinnett Professional Center Ltd., dated May 24, luded as Exhibit 10.1 to our Current Report on Form 8-K filed on August 2, 2007 and incorporated herein by reference)

nt of Contracts by Triple Net Properties, LLC to NNN Healthcare/Office REIT Triumph, LLC, dated June 8, 2007 (included 10.3 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated herein by reference)

ry Note issued by NNN Healthcare/Office REIT Thunderbird Medical, LLC in favor of Wachovia Bank, National on, dated June 8, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated reference)

Trust, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT Thunderbird Medical, LLC to TRSTE, Inc., as or the benefit of Wachovia Bank, National Association, dated June 8, 2007 (included as Exhibit 10.5 to our Current Report 8-K filed on June 14, 2007 and incorporated herein by reference)

y and Guaranty Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, e 8, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated herein by)

ental Indemnity Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, e 8, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated herein by)

nt of Leases and Rents by and between NNN Healthcare/Office REIT Thunderbird Medical, LLC and Wachovia Bank, Association, dated June 8, 2007 (included as Exhibit 10.8 to our Current Report on Form 8-K filed on June 14, 2007 and ted herein by reference)

d Promissory Note by and between NNN Healthcare/Office REIT Holdings, L.P., and NNN Realty Advisors, Inc., dated 007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated herein by)

Exhibit

nt for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical Office Park, L.P. and t Properties, LLC, dated June 12, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed on September 6, incorporated herein by reference)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical rk, L.P. and Triple Net Properties, LLC, dated June 25, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K eptember 6, 2007 and incorporated herein by reference)

Agreement by and between Triple Net Properties, LLC and St. Mary Physicians Center, LLC, dated June 26, 2007 (included t 10.1 to our Current Report on Form 8-K filed on September 11, 2007 and incorporated herein by reference)

mendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical rk, L.P. and Triple Net Properties, LLC, dated July 10, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K eptember 6, 2007 and incorporated herein by reference)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical rk, L.P. and Triple Net Properties, LLC, dated July 26, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K eptember 6, 2007 and incorporated herein by reference)

nt and Assumption of Real Estate Purchase Agreement by and between Triple Net Properties, LLC and NNN e/Office REIT Gwinnett, LLC, dated July 27, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on 2007 and incorporated herein by reference)

umption and Substitution Agreement by and among NNN Healthcare/Office REIT Gwinnett, LLC, NNN Healthcare/Office ., Gwinnett Professional Center, Ltd., and LaSalle Bank National Association, dated July 27, 2007 (included as Exhibit 10.3 rrent Report on Form 8-K filed on August 2, 2007 and incorporated herein by reference)

To Note by Gwinnett Professional Center, Ltd. to LaSalle Bank National Association, as Trustee, in favor of Archon L.P., dated, July 27, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on August 2, 2007 and ted herein by reference)

nt for Purchase and Sale of Real Property and Escrow Instructions by and between 4MX Partners, LLC, 515 Partners, LLC e Net Properties, LLC, dated July 30, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed on August 17, incorporated herein by reference)

Agreement by and between Lexington Valley Forge L.P. and Triple Net Properties, LLC, dated August 1, 2007 (included as 0.1 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)

nt for Purchase and Sale of Real Property and Escrow Instructions by and among Health Quest Realty XVII, Health Quest XII, Health Quest Realty XXXV and Triple Net Properties, LLC, dated August 6, 2007 (included as Exhibit 10.1 to our eport on Form 8-K filed October 4, 2007 and incorporated herein by reference)

mendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical rk, L.P. and Triple Net Properties, LLC, dated August 7, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K eptember 6, 2007 and incorporated herein by reference)

and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated August 14, 2007 as Exhibit 10.1 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by reference)

Exhibit

ent and Assumption of Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Triple Net es, LLC and NNN Healthcare/Office REIT Market Exchange, LLC, dated August 15, 2007 (included as Exhibit 10.2 to our Report on Form 8-K filed on August 17, 2007 and incorporated herein by reference)

ent and Assumption of Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Triple Net es, LLC and NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC, dated August 30, 2007 (included as 10.6 to our Current Report on Form 8-K filed on September 6, 2007 and incorporated herein by reference)

ed Promissory Note issued by NNN Healthcare/Office REIT Holdings, L.P. in favor of NNN Realty Advisors, Inc., dated 30, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed on September 6, 2007 and incorporated herein by e)

ent and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT Physician Center, LLC, dated September 5, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on ber 11, 2007 and incorporated herein by reference)

cured by Deed of Trust issued by NNN Healthcare/Office REIT St. Mary Physician Center, LLC in favor of St. Mary ns Center, LLC, dated September 5, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on September 11, d incorporated herein by reference)

Trust, Assignment of Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT St. Mary Physician LLC to Lone Oak Industries Inc., as Trustee, in favor of St. Mary Physicians Center, LLC, dated September 5, 2007 (included it 10.4 to our Current Report on Form 8-K filed on September 11, 2007 and incorporated herein by reference)

ed Promissory Note issued by NNN Healthcare/Office REIT Holdings, L.P. in favor of NNN Realty Advisors, Inc., dated ber 5, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on September 11, 2007 and incorporated herein ence)

ent and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT iagnostics, LLC, dated September 10, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on ber 14, 2007 and incorporated herein by reference)

greement by and between NNN Healthcare/Office REIT Holdings, L.P., The Financial Institutions Party Hereto, and LaSalle tional Association, dated September 10, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on ber 14, 2007 and incorporated herein by reference)

ory Note issued by NNN Healthcare/Office REIT Holdings, L.P. in favor of LaSalle Bank National Association, dated ber 10, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein ence)

ution Agreement by and between NNN Healthcare/Office REIT Holdings, L.P. and the Subsidiary Guarantors, dated ber 10, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein ence)

y of Payment executed by NNN Healthcare/Office REIT, Inc. for the benefit of LaSalle Bank National Association, dated ber 10, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein ence)

d Real Property Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing by NNN are/Office REIT Quest Diagnostics, LLC for the benefit of LaSalle Bank National Association, dated September 10, 2007 d as Exhibit 10.7 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)

Exhibit

rcial Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT
, LLC to Jeffrey C. Baker, as Trustee, for the benefit of LaSalle Bank National Association, dated September 10, 2007
d as Exhibit 10.8 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)
rcial Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT
, LLC to Jeffrey C. Baker, as Trustee, for the benefit of LaSalle Bank National Association, dated September 10, 2007
d as Exhibit 10.9 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)
mental Indemnity Agreement executed by NNN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT Quest
tics, LLC, and NNN Healthcare/Office REIT, Inc. for the benefit of LaSalle Bank National Association, dated September 10,
mmercial Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office
iumph, LLC to Jeffrey C. Baker, as Trustee, for the benefit of LaSalle Bank National Association, dated September 10, 2007
d as Exhibit 10.10 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)
mental Indemnity Agreement executed by NNN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT
, LLC, and NNN Healthcare/Office REIT, Inc. for the benefit of LaSalle Bank National Association, dated September 10,
mmercial Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office
iumph, LLC to Jeffrey C. Baker, as Trustee, for the benefit of LaSalle Bank National Association, dated September 10, 2007
d as Exhibit 10.11 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)
Agreement executed by NNN Healthcare/Office REIT Quest Diagnostics, LLC in favor of LaSalle Bank National Association,
ptember 10, 2007 (included as Exhibit 10.12 to our Current Report on Form 8-K filed on September 14, 2007 and
ated herein by reference)
Agreement executed by NNN Healthcare/Office REIT Triumph, LLC in favor of LaSalle Bank National Association, dated
er 10, 2007 (included as Exhibit 10.13 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated
y reference)
endment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated
er 19, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by
e)
greement by and between NNN Healthcare/Office REIT Market Exchange, LLC and Wachovia Financial Services, Inc., dated
er 27, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed October 3, 2007 and incorporated herein by
e)
ory Note by NNN Healthcare/Office REIT Market Exchange, LLC in favor of Wachovia Financial Services, Inc., dated
er 27, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed October 3, 2007 and incorporated herein by
e)
ent Guaranty by NNN Healthcare/Office REIT, Inc. in favor of Wachovia Financial Services, Inc., dated September 27, 2007
d as Exhibit 10.3 to our Current Report on Form 8-K filed October 3, 2007 and incorporated herein by reference)
nd Mortgage, Assignment, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT Market Exchange, LLC in
Wachovia Financial Services, Inc., dated September 27, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K
tober 3, 2007 and incorporated herein by reference)
mental Indemnity Agreement by NNN Healthcare/Office REIT Market Exchange, LLC and NNN Healthcare/Office REIT,
he benefit of Wachovia Financial Services, Inc., dated September 27, 2007 (included as Exhibit 10.5 to our Current Report on
K filed October 3, 2007 and incorporated herein by reference)

Exhibit

terest Rate Swap Agreement by and between NNN Healthcare/Office REIT Market Exchange, LLC and Wachovia Bank, Association, dated as of September 27, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed October 18, d incorporated herein by reference)

ent and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and NNN Healthcare/Office E LTC, LLC, dated September 28, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed October 4, 2007 and ated herein by reference)

greement by and between NNN Healthcare/Office REIT E Florida LTC, LLC and KeyBank National Association, dated er 28, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed October 4, 2007 and incorporated herein by e)

ory Note by NNN Healthcare/Office REIT E Florida LTC, LLC in favor of KeyBank National Association, dated September (included as Exhibit 10.4 to our Current Report on Form 8-K filed October 4, 2007 and incorporated herein by reference)

tional Payment Guaranty by NNN Healthcare/Office REIT, Inc. for the benefit of KeyBank National Association, dated er 28, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed October 4, 2007 and incorporated herein by e)

e, Assignment of Rents, Security Agreement and Fixture Filing (Jacksonville) by NNN Healthcare/Office REIT E Florida LC in favor of KeyBank National Association, dated September 28, 2007 (included as Exhibit 10.6 to our Current Report on K filed October 4, 2007 and incorporated herein by reference)

e, Assignment of Rents, Security Agreement and Fixture Filing (Winter Park) by NNN Healthcare/Office REIT E Florida LC in favor of KeyBank National Association, dated September 28, 2007 (included as Exhibit 10.7 to our Current Report on K filed October 4, 2007 and incorporated herein by reference)

e, Assignment of Rents, Security Agreement and Fixture Filing (Sunrise) by NNN Healthcare/Office REIT E Florida LTC, favor of KeyBank National Association, dated September 28, 2007 (included as Exhibit 10.8 to our Current Report on Form d October 4, 2007 and incorporated herein by reference)

mental and Hazardous Substances Indemnity Agreement by NNN Healthcare/Office REIT E Florida LTC, LLC for the benefit ank National Association, dated September 28, 2007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed 4, 2007 and incorporated herein by reference)

Amendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated er 28, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by e)

terest Rate Swap Agreement by and between NNN Healthcare/Office REIT E Florida LTC, LLC and KeyBank National ion, dated as of October 2, 2007, and as amended October 25, 2007 (included as Exhibit 10.1 to our Current Report on Form d October 25, 2007 and incorporated herein by reference)

ent for Purchase and Sale of Real Property and Escrow Instructions by and between Northmeadow Parkway, LLC and Triple perties, LLC, dated October 9, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed November 11, 2007 rporated herein by reference)

mendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated 10, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by e)

Amendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated 15, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by e)

Exhibit

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Northmeadow , LLC and Triple Net Properties, LLC, dated October 19, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K vember 11, 2007 and incorporated herein by reference)

endment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated er 2, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by e)

ent for Purchase and Sale of Real Property and Escrow Instructions by and between Fraze Enterprises, Inc. and Triple Net es, LLC, dated November 12, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed December 27, 2007 and ated herein by reference)

ent and Assumption of Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Triple Net es, LLC and NNN Healthcare/Office Northmeadow, LLC, dated November 15, 2007 (included as Exhibit 10.3 to our Current n Form 8-K filed November 11, 2007 and incorporated herein by reference)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Fraze Enterprises, Triple Net Properties, LLC, dated November 16, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed er 27, 2007 and incorporated herein by reference)

Amendment to Agreement for Purchase and Sales of Real Property and Escrow Instructions by and between Fraze Enterprises, Triple Net properties, LLC, dated November 27, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed er 27, 2007 and incorporated herein by reference)

e and Sale Agreement by and between BRCP Highlands Ranch, LLC and Triple Net Properties, LLC, dated November 29, cluded as Exhibit 10.1 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by reference)

greement by and between NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC and Wachovia Financial Services, ed December 5, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed December 11, 2007 and incorporated y reference)

ory Note by NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC in favor of Wachovia Financial Services, Inc., ecember 5, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed December 11, 2007 and incorporated y reference)

e, Assignment, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC of Wachovia Financial Services, Inc., dated December 5, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K cember 11, 2007 and incorporated herein by reference)

ent Guaranty by NNN Healthcare/Office REIT, Inc. in favor of Wachovia Financial Services, Inc., dated December 5, 2007 d as Exhibit 10.4 to our Current Report on Form 8-K filed December 11, 2007 and incorporated herein by reference)

mental Indemnity Agreement by NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC and NNN are/Office REIT, Inc. for the benefit of Wachovia Financial Services, Inc., dated December 5, 2007 (included as Exhibit 10.5 urrent Report on Form 8-K filed December 11, 2007 and incorporated herein by reference)

terest Rate Swap Agreement by and between NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC and ia Bank, National Association, entered into December 5, 2007, as amended (included as Exhibit 10.6 to our Current Report on K filed December 11, 2007 and incorporated herein by reference)

mendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated er 6, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by e)

Exhibit

ment and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and NNN Healthcare/Office Lima, ated December 7, 2007 (included as Exhibit 10.8 to our Current Report on Form 8-K filed December 13, 2007 and incorporated by reference)

cation of Loan Agreement by and among Grubb & Ellis Healthcare REIT Holdings, L.P. (f/k/a/ NNN Healthcare/Office REIT gs, L.P.), Grubb & Ellis Healthcare REIT, Inc. (f/n/a NNN Healthcare/Office REIT, Inc.), NNN Healthcare/Office REIT Quest stics, LLC, NNN Healthcare/Office REIT Triumph, LLC and LaSalle Bank National Association, dated December 12, 2007.

ed and Restated Promissory Note by Grubb & Ellis Healthcare REIT Holdings, L.P. (f/k/a NNN Healthcare/Office REIT gs, L.P.) in favor of LaSalle Bank National Association, dated December 12, 2007

ed and Restated Promissory Note by Grubb & Ellis Healthcare REIT Holdings, L.P. (f/k/a NNN Healthcare/Office REIT gs, L.P.) in favor of KeyBank Bank National Association, dated December 12, 2007

cation of Loan Agreement by and among Grubb & Ellis Healthcare REIT Holdings, L.P., Grubb & Ellis Healthcare REIT, Inc., Healthcare/Office REIT 2750 Monroe, LLC, NNN Healthcare/Office REIT Triumph, LLC and LaSalle Bank National ation, dated December 12, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed December 18, 2007 and orated herein by reference)

ed and Restated Promissory Note by Grubb & Ellis Healthcare REIT Holdings, L.P. in favor of LaSalle Bank National ation, dated December 12, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed December 18, 2007 and orated herein by reference)

ed and Restated Promissory Note by Grubb & Ellis Healthcare REIT Holdings, L.P. in favor of KeyBank National Association, December 12, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed December 18, 2007 and incorporated by reference)

ement Agreement by and between G&E Healthcare REIT/Duke Chesterfield Rehab, LLC and Triple Net Properties Realty, ted December 18, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed January 3, 2008 and incorporated by reference)

ment and Assumption of Purchase and Sale Agreement by and between Triple Net Properties, LLC and G&E Healthcare REIT Line Road, LLC, dated December 19, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed December 27, nd incorporated herein by reference)

greement by and between G&E Healthcare REIT County Line Road, LLC and Wachovia Bank, National Association, dated ber 19, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by ce)

sory Note by G&E Healthcare REIT County Line Road, LLC in favor of Wachovia Bank, National Association, dated ber 19, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by ce)

f Trust, Assignment, Security Agreement and Fixture Filing by G&E Healthcare REIT County Line Road, LLC for the benefit hovia Bank, National Association, dated December 19, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed ber 27, 2007 and incorporated herein by reference)

ment Guaranty by Grubb & Ellis Healthcare REIT, Inc. in favor of Wachovia Bank, National Association, dated December 19, ncluded as Exhibit 10.6 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by reference)

nmental Indemnity Agreement by G&E Healthcare REIT County Line Road, LLC and Grubb & Ellis Healthcare REIT, Inc. for efit of Wachovia Bank, National Association, dated December 19, 2007 (included as Exhibit 10.7 to our Current Report on -K filed December 27, 2007 and incorporated herein by reference)

Exhibit

ent of Sale by and among Triple Net Properties, LLC and TST Overland Park, L.P., TST El Paso Properties, Ltd., TST ville II, LLC, TST Tampa Bay, Ltd., TST Largo ASC, Ltd., TST Brandon, Ltd. and TST Lakeland, Ltd., dated December 19, cluded as Exhibit 10.1 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by reference)
nd Revolving Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing by NNN Healthcare/Office ma, LLC to and for the benefit of LaSalle Bank National Association, dated December 19, 2007 (included as Exhibit 10.1 to ent Report on Form 8-K filed January 2, 2008 and incorporated herein by reference)
nd Fee and Leasehold Revolving Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing by NNN are/Office REIT Lima, LLC to and for the benefit of LaSalle Bank National Association, dated December 19, 2007 (included it 10.2 to our Current Report on Form 8-K filed January 2, 2008 and incorporated herein by reference)
Agreement by NNN Healthcare/Office REIT Lima, LLC in favor of LaSalle Bank National Association, dated as of December (included as Exhibit 10.3 to our Current Report on Form 8-K filed January 2, 2008 and incorporated herein by reference)
mental Indemnity Agreement by Grubb and Ellis Healthcare REIT Holdings, L.P., NNN Healthcare/Office REIT Lima, LLC bb & Ellis Healthcare REIT, Inc. to and for the benefit of LaSalle Bank National Association, dated December 19, 2007 d as Exhibit 10.4 to our Current Report on Form 8-K filed January 2, 2008 and incorporated herein by reference)
ent and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and G&E Healthcare REIT Lincoln ulevard, LLC, dated December 20, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed December 27, d incorporated herein by reference)
greement by and between G&E Healthcare REIT Lincoln Park Boulevard, LLC and Wachovia Bank, National Association, ecember 20, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed December 27, 2007 and incorporated y reference)
ory Note by G&E Healthcare REIT Lincoln Park Boulevard, LLC in favor of Wachovia Financial Services, Inc., dated er 20, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by e)
nd Mortgage, Assignment, Security Agreement and Fixture Filing by G&E Healthcare REIT Lincoln Park Boulevard, LLC in Wachovia Financial Services, Inc., dated December 20, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K cember 27, 2007 and incorporated herein by reference)
ent Guaranty by Grubb & Ellis Healthcare REIT, Inc. in favor of Wachovia Financial Services, Inc., dated December 20, 2007 d as Exhibit 10.8 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by reference)
mental Indemnity Agreement by G&E Healthcare REIT Lincoln Park Boulevard, LLC and Grubb & Ellis Healthcare REIT, the benefit of Wachovia Financial Services, Inc., dated December 20, 2007 (included as Exhibit 10.9 to our Current Report on K filed December 27, 2007 and incorporated herein by reference)
Liability Company Agreement of G&E Healthcare REIT/Duke Chesterfield Rehab, LLC by and between BD St. Louis ment, LLC and Grubb & Ellis Healthcare REIT Holdings, L.P., executed on December 20, 2007 (included as Exhibit 10.1 to ent Report on Form 8-K filed January 3, 2008 and incorporated herein by reference)
tion Agreement by and among BD St. Louis Development, LLC, Grubb & Ellis Healthcare REIT Holdings, L.P. and G&E are REIT/Duke Chesterfield Rehab, LLC, executed on December 20, 2007 (included as Exhibit 10.2 to our Current Report on K filed January 3, 2008 and incorporated herein by reference)

Exhibit

ory Note by G&E Healthcare REIT Chesterfield Rehab Hospital, LLC in favor of National City Bank, dated December 20, cluded as Exhibit 10.4 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein by reference)
Trust, Assignment, Security Agreement, Assignment of Leases and Rents, and Fixture Filing by G&E Healthcare REIT ield Rehab Hospital, LLC to PSPM Trustee, Inc. for the benefit of National City Bank, dated December 20, 2007 (included as 10.5 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein by reference)
Ellis Healthcare REIT, Inc. Limited Guaranty of Payment by Grubb & Ellis Healthcare REIT, Inc. for the benefit of National nk, dated December 20, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed January 3, 2008 and ated herein by reference)
alty Limited Partnership Limited Guaranty of Payment by Duke Realty Limited Partnership for the benefit of National City ted December 20, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed January 3, 2008 and incorporated y reference)
mental Indemnity Agreement by G&E Healthcare REIT Chesterfield Rehab Hospital, LLC, Grubb & Ellis Healthcare REIT, Duke Realty Limited Partnership for the benefit of National City Bank, dated December 20, 2007 (included as Exhibit 10.8 to ent Report on Form 8-K filed January 3, 2008 and incorporated herein by reference)
Rate Swap Confirmation by and between G&E Healthcare REIT Chesterfield Rehab Hospital, LLC and National City Bank, ecember 20, 2007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein ence)
ld and Fee Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, and Environmental ty Agreement by NNN Healthcare/Office REIT Tucson Medical Office, LLC to and for the benefit of LaSalle Bank National ion, dated December 20, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed January 3, 2008 and ated herein by reference)
Agreement by NNN Healthcare/Office REIT Tucson Medical Office, LLC in favor of LaSalle Bank National Association, ecember 20, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein ence)
mental Indemnity Agreement by Grubb and Ellis Healthcare REIT Holdings, L.P., NNN Healthcare/Office REIT Tucson Office, LLC and Grubb & Ellis Healthcare REIT, Inc. to and for the benefit of LaSalle Bank National Association, dated er 20, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein by e)
terest Rate Swap Agreement by and between G&E Healthcare REIT County Line Road, LLC and Wachovia Bank, National ion, dated December 21, 2007, as amended on December 24, 2007 (included as Exhibit 10.8 to our Current Report on Form d December 27, 2007 and incorporated herein by reference)
terest Rate Swap Agreement by and between G&E Healthcare REIT Lincoln Park Boulevard, LLC and Wachovia Financial , Inc., dated December 31, 2007, as amended on December 21, 2007 and December 24, 2007 (included as Exhibit 10.10 to our Report on Form 8-K filed December 28, 2007 and incorporated herein by reference)
ent for Purchase and Sale of Real Property and Escrow Instructions by and between Fort Road Associated limited Partnership le Net Properties, LLC, dated January 14, 2008 (included as Exhibit 10.1 to our Current Report on Form 8-K filed March 12, d incorporated herein by reference)
endment to Agreement of Sale by and among TST Overland Park, L.P., TST El Paso Properties, Ltd., TST Jacksonville II, ST Tampa Bay, Ltd., TST Largo ASC, Ltd., TST Brandon, Ltd., and TST Lakeland, Ltd. and Triple Net Properties, LLC, dated 18, 2008 (included as Exhibit 10.2 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by e)

Exhibit

aster Agreement by and between National City Bank and G&E Healthcare REIT Chesterfield Rehab Hospital, LLC, dated 20, 2008 (included as Exhibit 10.1 to our Current Report on Form 8-K filed February 1, 2008 and incorporated herein by e)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Fort Road Associates Partnership and Triple Net Properties, LLC, dated January 31, 2008 (included as Exhibit 10.2 to our Current Report on K filed March 12, 2008 and incorporated herein by reference)

Amendment to Agreement of Sale by and among TST Overland Park, L.P., TST El Paso Properties, Ltd., TST Jacksonville II, ST Tampa Bay, Ltd., TST Largo ASC, Ltd., TST Brandon, Ltd., TST Lakeland, Ltd., Triple Net Properties, LLC and erica Financial Group, Inc., dated February 1, 2008 (included as Exhibit 10.3 to our Current Report on Form 8-K filed 7, 2008 and incorporated herein by reference)

ent and Assumption of Agreement of Sale by and between Triple Net Properties, LLC and G&E Healthcare REIT Medical 1, LLC, dated February 1, 2008 (included as Exhibit 10.4 to our Current Report on Form 8-K filed February 7, 2008 and ated herein by reference)

greement by and between G&E Healthcare REIT Medical Portfolio 1, LLC and Wachovia Bank, National Association, dated 1, 2008 (included as Exhibit 10.5 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by e)

ory Note by G&E Healthcare REIT Medical Portfolio 1, LLC in favor of Wachovia Bank, National Association, dated 1, 2008 (included as Exhibit 10.6 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by e)

e, Assignment, Security Agreement and Fixture Filing (West Bay) by G&E Healthcare REIT Medical Portfolio 1, LLC in Wachovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.7 to our Current Report on Form 8-K ruary 7, 2008 and incorporated herein by reference)

e, Assignment, Security Agreement and Fixture Filing (Largo) by G&E Healthcare REIT Medical Portfolio 1, LLC in favor of ia Bank, National Association, dated February 1, 2008(included as Exhibit 10.8 to our Current Report on Form 8-K filed 7, 2008 and incorporated herein by reference)

e, Assignment, Security Agreement and Fixture Filing (Central Florida) by G&E Healthcare REIT Medical Portfolio 1, LLC of Wachovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.9 to our Current Report on Form l February 7, 2008 and incorporated herein by reference)

e, Assignment, Security Agreement and Fixture Filing (Brandon) by G&E Healthcare REIT Medical Portfolio 1, LLC in favor ovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.10 to our Current Report on Form 8-K filed 7, 2008 and incorporated herein by reference)

e, Assignment, Security Agreement and Fixture Filing (Overland Park) by G&E Healthcare REIT Medical Portfolio 1, LLC in Wachovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.11 to our Current Report on Form 8-K ruary 7, 2008 and incorporated herein by reference)

ent Guaranty by Grubb & Ellis Healthcare REIT, Inc. in favor of Wachovia Bank, National Association, dated February 1, cluded as Exhibit 10.12 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by reference)

mental Indemnity Agreement by G&E Healthcare REIT Medical Portfolio 1, LLC and Grubb & Ellis Healthcare REIT, Inc. enefit of Wachovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.13 to our Current Report on K filed February 7, 2008 and incorporated herein by reference)

Exhibit

terest Rate Swap Agreement by and between Triple Net Properties, LLC and Wachovia Bank, National Association, dated 1, 2008, as amended on February 6, 2008 (included as Exhibit 10.14 to our Current Report on Form 8-K filed February 7, d incorporated herein by reference)

endment to Promissory Note by and between NNN Gallery Medical, LLC, NNN Realty Advisors, Inc. and LaSalle Bank Association, released from escrow on February 20, 2008 and effective as of February 12, 2008 (included as Exhibit 10.1 to ent Report on Form 8-K filed February 26, 2008 and incorporated herein by reference)

ent for Purchase and Sale of Real Property and Escrow Instructions by and between NHP Cypress Station Partnership, LP and Ellis Realty Investors, LLC, dated February 22, 2008 (included as Exhibit 10.1 to our Current Report on Form 8-K filed 1, 2008 and incorporated herein by reference)

Amendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Fort Road es Limited Partnership and Triple Net Properties, LLC, dated March 5, 2008 (included as Exhibit 10.3 to our Current Report 8-K filed March 12, 2008 and incorporated herein by reference)

ent and Assumption of Purchase Agreement by and between Grubb & Ellis Realty Investors, LLC and G&E Healthcare REIT d Medical, LLC, dated March 6, 2008 (included as Exhibit 10.4 to our Current Report on Form 8-K filed March 12, 2008 and ated herein by reference)

ory Note by G&E Healthcare REIT Fort Road Medical, LLC in favor of LaSalle Bank National Association, dated March 6, cluded as Exhibit 10.5 to our Current Report on Form 8-K filed March 12, 2008 and incorporated herein by reference)

e, Security Agreement, Assignment of Leases and Rents and Fixture Filing by G&E Healthcare REIT Fort Road Medical, the benefit of LaSalle Bank National Association, dated March 6, 2008 (included as Exhibit 10.6 to our Current Report on K filed March 12, 2008 and incorporated herein by reference)

y of Payment by Grubb & Ellis Healthcare REIT, Inc. in favor of LaSalle Bank National Association, dated March 6, 2008 d as Exhibit 10.7 to our Current Report on Form 8-K filed March 12, 2008 and incorporated herein by reference)

mental Indemnity Agreement by G&E Healthcare REIT Fort Road Medical, LLC and Grubb & Ellis Healthcare REIT, Inc. for fit of LaSalle Bank National Association, dated March 6, 2008 (included as Exhibit 10.8 to our Current Report on Form 8-K rch 12, 2008 and incorporated herein by reference)

ent for Purchase and Sale of Real Property and Escrow Instructions by and between Epler Parke, LLC and Grubb & Ellis nvestors, LLC, dated March 6, 2008 (included as Exhibit 10.1 to our Current Report on Form 8-K filed March 28, 2008 and ated herein by reference)

terest Rate Swap Confirmation Letter Agreement by and between G&E Healthcare REIT Fort Road Medical, LLC and Bank National Association, dated March 10, 2008 (included as Exhibit 10.9 to our Current Report on Form 8-K filed 2, 2008 and incorporated herein by reference)

Amendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Liberty Falls, iple Net Properties, LLC, and Dave Chrestensen and Todd Crawford, dated March 11, 2008 (included as Exhibit 10.3 to our Report on Form 8-K filed March 25, 2008 and incorporated herein by reference)

ent and Assumption of Purchase Agreement by and between Grubb & Ellis Realty Investors, LLC and G&E Healthcare REIT Falls Medical Plaza, LLC, dated March 19, 2008 (included as Exhibit 10.4 to our Current Report on Form 8-K filed March 25, d incorporated herein by reference)

Exhibit

ent and Assumption of Purchase Agreement by and between Grubb & Ellis Realty Investors, LLC and G&E Healthcare REIT
rke Building B, LLC, dated March 24, 2008 (included as Exhibit 10.2 to our Current Report on Form 8-K filed March 28,
d incorporated herein by reference)
ent and Assumption of Purchase Agreement by and between Grubb & Ellis Realty Investors, LLC and G&E Healthcare REIT
Station, LLC, dated March 25, 2008 (included as Exhibit 10.2 to our Current Report on Form 8-K filed March 31, 2008 and
ated herein by reference)
ory Note by G&E Healthcare REIT Cypress Station, LLC in favor of National City Bank, dated March 25, 2008 (included as
10.3 to our Current Report on Form 8-K filed March 31, 2008 and incorporated herein by reference)
Trust, Security Agreement, Assignment of Leases and Rents and Financing Statement by G&E Healthcare REIT Cypress
LLC for the benefit of National City Bank, dated March 25, 2008 (included as Exhibit 10.4 to our Current Report on
K filed March 31, 2008 and incorporated herein by reference)
Guaranty of Payment by Grubb & Ellis Healthcare REIT, Inc. for the benefit of National City Bank, dated March 25, 2008
d as Exhibit 10.5 to our Current Report on Form 8-K filed March 31, 2008 and incorporated herein by reference)
mental Indemnity Agreement by G&E Healthcare REIT Cypress Station, LLC and Grubb & Ellis Healthcare REIT, Inc. for
fit of National City Bank, dated March 25, 2008 (included as Exhibit 10.6 to our Current Report on Form 8-K filed March 31,
d incorporated herein by reference)
ries of Grubb & Ellis Healthcare REIT, Inc.
of Venable LLP (included in Exhibit 5.1)
of Alston & Bird LLP (included in Exhibit 8.1)
of Deloitte & Touche LLP
of KMJ Corbin & Company LLP
f Attorney (included on signature page)
f Attorney of Larry L. Mathis

bilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursua
erwise, the Registrant has been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the
claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director,
action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, th
ed by controlling precedent, submit to a court of appropriate jurisdiction the question as to whether such indemnification by it is against
d by the final adjudication of such issue.

by undertakes:

which offers or sales are being made, a post-effective amendment to this registration statement:

uired by Section 10(a)(3) of the Securities Act of 1933;

ny facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) whi
rmation set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of common stock offe
hat which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the
aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in th
nd

rmation with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such info

mining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration stat
securities at that time shall be deemed to be the initial *bona fide* offering thereof.

dments will comply with the applicable forms, rules and regulations of the SEC in effect at the time such post-effective amendments are

by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

mining liability under the Securities Act of 1933 to any purchaser:

Rule 430B:

Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was dee

be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering m
he information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration stat
ffectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, fo
erwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration sta
that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statem
a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registratio
uch effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the regi
uch effective date; or

Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registratio
e on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness.
spectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the regist
to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registratio
any such document immediately prior to such date of first use.

securities of the Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to th
of any of the following communications, the undersigned will be a seller to the purchaser and will be considered to offer or sell such se

r prospectus of the Registrant relating to the offering required to be filed pursuant to Rule 424;

elating to the offering prepared by or on behalf of the Registrant or used or referred to by the Registrant;

writing prospectus relating to the offering containing material information about the Registrant or its securities provided by or on beha

at is an offer in the offering made by the Registrant to the purchaser;

t least on an annual basis a detailed statement of any transactions with the advisor or its affiliates, and of fees, commissions, compensat
cal year completed, showing the amount paid or accrued to each recipient and the services performed;

tockholders the financial statements as required by Form 10-K for the first full fiscal year of operations;

ursuant to Rule 424(c) under the Securities Act of 1933 during the distribution period describing each property not identified in the pro
roperty will be acquired and to consolidate all such stickers into a post-effective amendment filed at least once every three months, wit
usly to the existing stockholders. Each sticker supplement should disclose all compensation and fees received by the advisor and its affi
mendment shall include audited financial statements meeting the requirements of Rule 3-14 of Regulation S-X only for properties acqui

distribution period, a current report on Form 8-K containing the financial statements and any additional information required by Rule 3-
a binding purchase agreement) made after the end of the distribution period involving the use of 10 percent or more (on a cumulative ba
d in such report to the stockholders at least once each quarter after the distribution period of the offering has ended.

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAM (UNAUDITED)
PUBLIC PROGRAMS
December 31, 2007

properties by programs completed during the three years prior to December 31, 2007. The information provided is at 100.0% of the pro
rty by an affiliated program either directly or through the affiliated program s LLC. Additional information can be found in the Prior Pe

		G REIT, Inc.			**G REIT,**
		Opus Plaza at Ken Caryl			Eaton Fre
		Littleton, CO			Phoenix,
		Office			Industrial
			62,000		
			9/12/2005		
rchase	$		6,700,000	$	
	$		3,476,000	$	
uisition fee	$		10,176,000	$	
d/(credited)	$		(40,000)	$	
ed	$		150,000	$	
	$		10,286,000	$	
		NNN 2003 Value Fund, LLC			**NNN 200**
		Interwood			Woodside
		Houston, TX			Beaverton
		Office			Office
			80,000		
			1/26/2005		
rchase	$		5,500,000	$	
	$		2,500,000	$	
uisition fee	$		8,000,000	$	
d/(credited)	$		4,000	$	
ed	$		371,000	$	
	$		8,375,000	$	
		NNN 2003 Value Fund, LLC			**NNN 200**
		Daniels Road land parcel			3500 Map
		Heber City, UT			Dallas, TX
		Land			Office
			9.05 acres		
			10/14/2005		
rchase	$			$	
	$		729,000	$	
uisition fee	$		729,000	$	
d/(credited)	$		1,000	$	
ed	$		1,000	$	
	$		731,000	$	

erty through a membership interest in NNN 3500 Maple VF 2003, LLC, which owns 99.0% of the property.

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAM (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2007

	NNN 2003 Value Fund, LLC		**NNN 200**
	901 Civic Center Drive(1)		Chase To
	Santa Ana, CA		Austin, T
	Office		Office
		99,000	
		4/24/2006	
rchase	$		$
	$	15,147,000	$
uisition fee	$	15,147,000	$
d/(credited)	$	(7,000)	$
ed	$	29,000	$
	$	15,169,000	$
	NNN 2003 Value Fund, LLC		**NNN 200**
	Tiffany Square		Four Reso
	Colorado Springs, CO		Charlotte,
	Office		Office
		184,000	
		11/15/2006	
rchase	$		$
	$	11,052,000	$
uisition fee	$	11,052,000	$
d/(credited)	$		$
ed	$	150,000	$
	$	11,202,000	$
	NNN 2003 Value Fund, LLC		
	The Sevens Building		
	St. Louis, MO		
	Office		
		197,000	
		10/25/2007	
rchase	$	23,500,000	
	$	5,598,000	
uisition fee	$	29,098,000	
d/(credited)	$	(47,000)	
ed	$	705,000	
	$	29,756,000	

ty through a membership interest in NNN VF 901 Civic, LLC, which owns 96.9% of the property.
ommon interest in the property.

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAM (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2007

	Grubb & Ellis Apartment REIT, Inc. Walker Ranch Apartment Homes San Antonio, TX Apartment			**Grubb & Apartme** Hidden La San Anto Apartmen
feet of units		325/285,000		
		10/31/2006		
rchase	$	26,860,000	$	
	$	4,813,000	$	
uisition fee	$	31,673,000	$	
d/(credited)	$	(8,000)	$	
ed	$	141,000	$	
	$	31,806,000	$	
	Grubb & Ellis Apartment REIT, Inc. Park at Northgate Spring, TX Apartment			**Grubb & Apartme** Residence Charlotte, Apartmen
feet of units		248/231,000		
		6/12/2007		
rchase	$		$	
	$	17,098,000	$	
uisition fee	$	17,098,000	$	
d/(credited)	$	(125,000)	$	
ed	$	11,000	$	
	$	16,984,000	$	
	Grubb & Ellis Apartment REIT, Inc. Baypoint Resort Corpus Christi, TX Apartment			**Grubb & Apartme** Towne Cr Mansfield Apartmen
feet of units		350/338,000		
		8/2/2007		
rchase	$	35,212,000	$	
	$	(964,000)	$	
uisition fee	$	34,248,000	$	
d/(credited)	$		$	
ed	$	245,000	$	
	$	34,493,000	$	

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAM (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2007

	Grubb & Ellis Apartment REIT, Inc. Villas of El Dorado McKinney, TX Apartment			**Grubb & Apartme** The Heigh Portsmou Apartmen
feet of units		248/193,000		
		11/2/2007		
rchase	$	16,795,000	$	
	$	1,745,000	$	
uisition fee	$	18,540,000	$	
d/(credited)	$		$	
ed	$	215,000	$	
	$	18,755,000	$	
	Grubb & Ellis Apartment REIT, Inc. The Myrtles at Olde Towne Portsmouth, VA Apartment			
feet of units		246/221,000		
		12/21/07		
rchase	$	33,680,000		
	$	3,400,000		
uisition fee	$	37,080,000		
d/(credited)	$	(32,000)		
ed	$	642,000		
	$	37,690,000		
	Grubb & Ellis Healthcare REIT, Inc. Southpointe Office Parke and Epler Parke 1 Indianapolis, IN Medical Office			**Grubb & Healthca** Crawford Park and Crawford Medical
		97,000		
		1/22/2007		
rchase	$	14,261,000	$	
	$	983,000	$	
uisition fee	$	15,244,000	$	
d/(credited)	$	(45,000)	$	
ed	$	139,000	$	
	$	15,338,000	$	

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAM (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2007

	Grubb & Ellis Healthcare REIT, Inc. The Gallery Professional Building St. Paul, MN Medical Office			**Grubb & Healthca** Lenox Of Memphis, Office
		105,000		
		3/9/2007		
rchase	$	7,000,000	$	
	$	2,064,000	$	
uisition fee	$	9,064,000	$	
d/(credited)	$		$	
ed	$	267,000	$	
	$	9,331,000	$	
	Grubb & Ellis Healthcare REIT, Inc. Commons V Medical Office Building Naples, FL Medical Office			**Grubb & Healthca** Yorktown Shakerag Fayettevil Peachtree Medical C
		55,000		
		4/24/2007		
rchase	$		$	
	$	14,523,000	$	
uisition fee	$	14,523,000	$	
d/(credited)	$	(33,000)	$	
ed	$	297,000	$	
	$	14,787,000	$	
	Grubb & Ellis Healthcare REIT, Inc. Thunderbird Medical Plaza Glendale, AZ Medical Office			**Grubb & Healthca** Triumph Triumph Houston a Healthcar
		112,000		
		5/15/2007		
rchase	$		$	
	$	25,750,000	$	
uisition fee	$	25,750,000	$	
d/(credited)	$	(57,000)	$	

ted	$		22,000	$
	$		25,715,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAM (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2007

	Grubb & Ellis Healthcare REIT, Inc. Gwinnett Professional Center Lawrenceville, GA Medical Office		**Grubb & Healthca** 1 and 4 M Columbus Medical C
		60,000	
		7/27/2007	
rchase	$	5,734,000	$
	$	3,845,000	$
uisition fee	$	9,579,000	$
d/(credited)	$	(17,000)	$
ed	$	107,000	$
	$	9,669,000	$
	Grubb & Ellis Healthcare REIT, Inc. Kokomo Medical Office Park Kokomo, IN Medical Office		**Grubb & Healthca** St. Mary L Long Bea Medical C
		87,000	
		8/30/2007	
rchase	$	1,300,000	$
	$	12,451,000	$
uisition fee	$	13,751,000	$
d/(credited)	$	(9,000)	$
ed	$	3,000	$
	$	13,745,000	$
	Grubb & Ellis Healthcare REIT, Inc. 2750 Monroe Boulevard Valley Forge, PA Office		**Grubb & Healthca** East Flori Jacksonvi Sunrise, F Healthcar
		109,000	
		9/10/2007	
rchase	$	27,900,000	$
	$	(399,000)	$
uisition fee	$	27,501,000	$
d/(credited)	$	(153,000)	$
ed	$	522,000	$
	$	27,870,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAM (UNAUDITED) (Continued)
PUBLIC PROGRAMS
December 31, 2007

	Grubb & Ellis Healthcare REIT, Inc.		**Grubb & Healthca**
	Northmeadow Medical Center		Tucson M
	Roswell, GA		Tucson, A
	Medical Office		Medical C
		51,000	
		11/15/2007	
rchase	$	12,400,000	$
	$	(194,000)	$
uisition fee	$	12,206,000	$
d/(credited)	$	(50,000)	$
ed	$	(121,000)	$
	$	12,035,000	$

	Grubb & Ellis Healthcare REIT, Inc.		**Grubb & Healthca**
	Lima Medical Office Portfolio		Highlands
	Lima, OH		Highlands
	Medical Office		Medical C
		188,000	
		12/7/2007	
rchase	$	26,000,000	$
	$	8,000	$
uisition fee	$	26,008,000	$
d/(credited)	$	(160,000)	$
ed	$	269,000	$
	$	26,117,000	$

	Grubb & Ellis Healthcare REIT, Inc.		**Grubb & Healthca**
	Park Place Office Park		Chesterfie
	Dayton, OH		Center(1)
	Medical Office		Chesterfie
			Healthcar
		133,000	
		12/20/2007	
rchase	$	11,443,000	$
	$	5,243,000	$
uisition fee	$	16,686,000	$
d/(credited)	$	(65,000)	$
ed	$	349,000	$
	$	16,970,000	$

operty.

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED)
PRIVATE PROGRAMS
DECEMBER 31, 2007

properties by programs during the three years prior to December 31, 2007. The information provided is at 100.0% of the property s ac
er affiliated program or another affiliated program s investment through the program presented. Footnotes disclose the percentage own
ting in the program. More complete disclosure can be found in the Prior Performance Summary and Tables I through V.

	NNN SFS Town Center, LLC Town Center Business Park Santa Fe Springs, CA Office		**NNN 4 Hutto** 4 Hutton on t South Coast M Office	
		177,000		
		1/6/2005		
rchase	$	22,000,000	$	
	$	8,910,000	$	
uisition fee	$	30,910,000	$	
d/(credited)	$	(27,000)	$	
ed	$	343,000	$	
	$	31,226,000	$	

	NNN/Mission Collin Creek, LLC Mission Collin Creek Apartments Plano, TX Apartment		**NNN Satellit LLC** Satellite Place Duluth, GA Office	
		267,000		
		1/19/2005		
rchase	$	13,600,000	$	
	$	4,683,000	$	
uisition fee	$	18,283,000	$	
d/(credited)	$	(16,000)	$	
ed	$	257,000	$	
	$	18,524,000	$	

	NNN Chatsworth Business Park, LLC Chatsworth Business Park Chatsworth, CA Office		**NNN Met Ce** Austin, TX Office	
		232,000		
		3/30/2005		
rchase	$	33,750,000	$	
	$	13,025,000	$	
uisition fee	$	46,775,000	$	

d/(credited)	$		131,000	$
ed	$		(889,000)	$
	$		46,017,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN 2400 West Marshall Drive, LLC 2400 West Marshall Drive Grand Prairie, TX Office		**NNN 411** 411 East Milwauke Office
		111,000	
		4/12/2005	
rchase	$	6,875,000	$
	$	2,595,000	$
uisition fee	$	9,470,000	$
d/(credited)	$	(9,000)	$
ed	$	192,000	$
	$	9,653,000	$
	NNN Naples Tamiami Trail, LLC 4501 Tamiami Trail Naples, FL Office		**NNN Nap** 800 Laure Naples, F Office
		78,000	
		5/2/2005	
rchase	$	13,500,000	$
	$	7,500,000	$
uisition fee	$	21,000,000	$
d/(credited)	$	(10,000)	$
ed	$	312,000	$
	$	21,302,000	$
	NNN Park at Spring Creek, LLC The Park at Spring Creek Apartments Tomball, TX Apartment		**NNN Inv** **LLC** Inverness Englewoo Office
		185,000	
		6/8/2005	
rchase	$	11,040,000	$
	$	3,277,000	$
uisition fee	$	14,317,000	$
d/(credited)	$	(41,000)	$
ed	$	323,000	$
	$	14,599,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Waterway Plaza, LLC Waterway Plaza I and II The Woodlands, TX Office			**NNN Pap** Papago Sp Tempe, A Office
		366,000		
		6/20/2005		
rchase	$	60,000,000	$	
	$	14,148,000	$	
uisition fee	$	74,148,000	$	
d/(credited)	$	(66,000)	$	
ed	$	546,000	$	
	$	74,628,000	$	
	NNN Sanctuary at Highland Oak, DST The Sanctuary at Highland Oaks Tampa, FL Apartment			**NNN Me** Building Austin, T Office
		495,000		
		7/29/2005		
rchase	$	35,300,000	$	
	$	19,240,000	$	
uisition fee	$	54,540,000	$	
d/(credited)	$	162,000	$	
ed	$	867,000	$	
	$	55,569,000	$	
	NNN One Chesterfield Place, LLC One Chesterfield Place Chesterfield, MO Office			**NNN Ma** **LLC** Maitland Orlando, Office
		143,000		
		9/9/2005		
rchase	$	18,810,000	$	
	$	9,664,000	$	
uisition fee	$	28,474,000	$	
d/(credited)	$	(76,000)	$	
ed	$	346,000	$	
	$	28,744,000	$	

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Sixth Avenue West, LLC			**NNN St.**
	Sixth Avenue West			St. Charle
	Golden, CO			Kennesaw
	Office			Apartmen
		125,000		
		9/13/2005		
rchase	$	10,300,000	$	
	$	5,200,000	$	
uisition fee	$	15,500,000	$	
d/(credited)	$	(94,000)	$	
ed	$	(434,000)	$	
	$	14,972,000	$	
	NNN 123 Wacker, LLC			**NNN Net**
	123 North Wacker Drive			Netpark T
	Chicago, IL			Tampa, F
	Office			Office
		541,000		
		9/28/2005		
rchase	$	136,000,000	$	
	$	37,680,000	$	
uisition fee	$	173,680,000	$	
d/(credited)	$	958,000	$	
ed	$	2,652,000	$	
	$	177,290,000	$	
	NNN Britannia Business Center III, LLC			**NNN Brit Center II**
	Britannia Business Center			Britannia
	Pleasanton, CA			Pleasanto
	Office			Office
		191,000		
		9/30/2005		
rchase	$	35,000,000	$	
	$	10,290,000	$	
uisition fee	$	45,290,000	$	
d/(credited)	$	(101,000)	$	
ed	$	467,000	$	
	$	45,656,000	$	

d, LLC, an affiliated public entity, sold its 50.0% tenant in common interest in the property to an affiliated
k II, LLC.

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Woodside Corporate Park, LLC Woodside Corporate Park Beaverton, OR Office		**NNN Brit** **Center I,** Britannia Pleasanto Office
		383,000	
		9/30/2005	
rchase	$	33,500,000	$
	$	12,000,000	$
uisition fee	$	45,500,000	$
d/(credited)	$	(405,000)	$
ed	$	550,000	$
	$	45,645,000	$
	NNN Saturn Business Park, LLC Saturn Business Park Brea, CA Office		**NNN Par** Parkway Asheville Apartmen
		121,000	
		10/20/2005	
rchase	$	16,100,000	$
	$	6,560,000	$
uisition fee	$	22,660,000	$
d/(credited)	$	14,000	$
ed	$	60,000	$
	$	22,734,000	$
	NNN Forest Office Park, LLC Forest Office Park Richmond, VA Office		**NNN Dor** Doral Cou Miami, Fl Office
		223,000	
		11/9/2005	
rchase	$	15,300,000	$
	$	5,550,000	$
uisition fee	$	20,850,000	$
d/(credited)	$	(87,000)	$
ed	$	406,000	$
	$	21,169,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Talavi Corp Center, LLC			**NNN On**
	Talavi Corporate Center			One Nash
	Glendale, AZ			Nashville
	Office			Office
		153,000		
		11/23/2005		
rchase	$	24,000,000	$	
	$	8,875,000	$	
uisition fee	$	32,875,000	$	
d/(credited)	$	17,000	$	
ed	$	375,000	$	
	$	33,267,000	$	
	NNN 633 17th Street, LLC			**NNN 300**
	633 17th Street			300 Four
	Denver, CO			W. Consh
	Office			Office
		553,000		
		12/9/2005		
rchase	$	67,500,000	$	
	$	24,780,000	$	
uisition fee	$	92,280,000	$	
d/(credited)	$	(70,000)	$	
ed	$	1,087,000	$	
	$	93,297,000	$	
	NNN 3500 Maple, LLC			**NNN The**
	3500 Maple			The Land
	Dallas, TX			Durham,
	Office			Apartmen
		375,000		
		12/27/2005		
rchase	$	58,320,000	$	
	$	8,180,000	$	
uisition fee	$	66,500,000	$	
d/(credited)	$	(638,000)	$	
ed	$	(749,000)	$	
	$	65,113,000	$	

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Caledon Wood, LLC Caledon Wood Apartments Greenville, SC Apartment			**NNN Mis** Misson Sc Riverside Office
		348,000		
		1/3/2006		
rchase	$	17,000,000	$	
	$	6,816,000	$	
uisition fee	$	23,816,000	$	
d/(credited)	$	51,000	$	
ed	$	89,000	$	
	$	23,956,000	$	
	NNN Highbrook Apartments, LLC Highbrook Apartments High Point, NC Apartment			**NNN Gat** Gateway St. Louis, Office
		280,000		
		1/19/2006		
rchase	$	16,925,000	$	
	$	6,466,000	$	
uisition fee	$	23,391,000	$	
d/(credited)	$	(4,000)	$	
ed	$	330,000	$	
	$	23,717,000	$	
	NNN 1818 Market Street, LLC 1818 Market Street Philadelphia, PA Office			**NNN Mea** **LLC** The Mead Asheville Apartmen
		983,000		
		2/21/2006		
rchase	$	132,000,000	$	
	$	25,384,000	$	
uisition fee	$	157,384,000	$	
d/(credited)	$	1,943,000	$	
ed	$	5,384,000	$	
	$	164,711,000	$	

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Enclave at Deep River, LLC		**NNN Opp LLC**
	The Enclave at Deep River		Executive
	Plantation		Brookfiel
	High Point, NC		Office
	Apartment		
		224,000	
		3/17/2006	
rchase	$	13,725,000	$
	$	5,307,000	$
uisition fee	$	19,032,000	$
d/(credited)	$	(81,000)	$
ed	$	112,000	$
	$	19,063,000	$
	NNN Aventura Harbour, LLC		**NNN Arb LLC**
	Harbour Centre		Arbor Tra
	Aventura, FL		Virginia B
	Office		Apartmen
		214,000	
		4/28/2006	
rchase	$	51,180,000	$
	$	20,015,000	$
uisition fee	$	69,595,000	$
d/(credited)	$	(660,000)	$
ed	$	5,276,000	$
	$	74,211,000	$
	NNN Lake Center, LLC		**NNN 305**
	Lake Center Four		3050 Sup
	Marlton, NJ		Rochester
	Office		Office
		89,000	
		5/18/2006	
rchase	$	14,830,000	$
	$	4,969,000	$
uisition fee	$	19,799,000	$
d/(credited)	$	(56,000)	$
ed	$	791,000	$
	$	20,534,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Las Colinas Highlands, LLC		**NNN 220 LLC**
	Las Colinas Highlands		220 Virgi
	Irving, TX		Indianapo
	Office		Office
		199,000	
		6/27/2006	
rchase	$	32,000,000	$
	$	12,148,000	$
uisition fee	$	44,148,000	$
d/(credited)	$	(235,000)	$
ed	$	784,000	$
	$	44,697,000	$
	NNN Chase Tower, LLC		**NNN Vill**
	Chase Tower (1)		Villas by
	Austin, TX		Jonesboro
	Office		Apartmen
		389,000	
		7/3/2006	
rchase	$	54,800,000	$
	$	17,700,000	$
uisition fee	$	72,500,000	$
d/(credited)	$	5,000	$
ed	$	1,475,000	$
	$	73,980,000	$
	NNN 2716 North Tenaya, LLC		**NNN We**
	2716 North Tenaya Way		Westlake
	Las Vegas, NV		San Anto
	Medical Office		Apartmen
		204,000	
		7/25/2006	
rchase	$	50,750,000	$
	$	23,500,000	$
uisition fee	$	74,250,000	$
d/(credited)	$	(42,000)	$
ed	$	1,892,000	$
	$	76,100,000	$

.8% of the property. The balance of the property is owned by two affiliated programs, NNN Opportunity
47.5% ownership and NNN 2003 Value Fund, LLC with 14.8% ownership. The remaining 10.9% of the property
iated entity.

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN 400 Capitol, LLC The Regions Center Little Rock, AR Office		**NNN Sou** **LLC** Southcree Overland Office
		532,000	
		8/18/2006	
rchase	$	32,000,000	$
	$	6,368,000	$
uisition fee	$	38,368,000	$
d/(credited)	$	(167,000)	$
ted	$	1,746,000	$
	$	39,947,000	$
	NNN Chatham Court/ Reflections, LLC Chatham Court and Chatham Reflections Dallas, TX Apartment		**NNN Arb** Arbors at Simpsonv Apartmen
		378,000	
		9/8/2006	
rchase	$	18,938,000	$
	$	7,070,000	$
uisition fee	$	26,008,000	$
d/(credited)	$	(207,000)	$
ted	$	826,000	$
	$	26,627,000	$
	NNN 1 & 2 Met Center, LLC Met Center 1 & 2 Austin, TX Office		**NNN 250** 250 East Cincinnat Office
		95,000	
		10/13/2006	
rchase	$	8,600,000	$
	$	3,420,000	$
uisition fee	$	12,020,000	$
d/(credited)	$	(234,000)	$
ted	$	104,000	$
	$	11,890,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	One Northlake Place, LLC		**NN**
	11500 Northlake Drive		De
	Cincinnati, OH		Fa
	Office		Pla
			Of
		177,000	
		10/27/2006	
rchase	$	13,350,000	$
	$	4,100,000	$
uisition fee	$	17,450,000	$
d/(credited)	$	4,000	$
ed	$	272,000	$
	$	17,726,000	$
	NNN Beechwood Apartments, LLC		**NN**
	Beechwood Apartments		We
	Greensboro, NC		Irv
	Apartment		Of
		173,000	
		11/17/2006	
rchase	$	8,625,000	$
	$	3,220,000	$
uisition fee	$	11,845,000	$
d/(credited)	$	(7,000)	$
ed	$	268,000	$
	$	12,106,000	$
	NNN Castaic Town Center, LLC		**NN**
	Castaic Town Center		No
	Castaic, CA		Co
	Retail		Of
		40,000	
		11/30/2006	
rchase	$	11,250,000	$
	$	4,150,000	$
uisition fee	$	15,400,000	$
d/(credited)	$	26,000	$
ed	$	572,000	$
	$	15,998,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN 50 Lake Center , LLC Lake Center V Marlton, NJ Office		**NNN M** **LLC** The Tr Apartm Mempl Apartm
		89,000	
		12/15/2006	
rchase	$	16,425,000	$
	$	6,075,000	$
uisition fee	$	22,500,000	$
d/(credited)	$	(634,000)	$
ed	$	628,000	$
	$	22,494,000	$
	NNN 1600 Parkwood, LLC 1600 Parkwood Circle Atlanta, GA Office		**NNN E** Royal 4 Alphar Office
		151,000	
		12/28/2006	
rchase	$	18,250,000	$
	$	9,275,000	$
uisition fee	$	27,525,000	$
d/(credited)	$	2,000	$
ed	$	241,000	$
	$	27,768,000	$
	NNN Lenox Park, LLC Lenox Office Park (Bldg A and B) Memphis, TN Office		**NNN A** **Orthop** Advanc Richm Medica
		193,000	
		1/3/2007	
rchase	$	17,300,000	$
	$	6,925,000	$
uisition fee	$	24,225,000	$
d/(credited)	$	133,000	$
ed	$	342,000	$
	$	24,700,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Woodbridge Apartments, LLC		**NNN H**
	Woodbridge Apartments		Hunter
	San Antonio, TX		Irving,
	Apartment		Retail
	224,000		
	1/16/2007		
rchase	$ 9,750,000		$
	$ 3,640,000		$
uisition fee	$ 13,390,000		$
d/(credited)	$ (25,000)		$
ed	$ 344,000		$
	$ 13,709,000		$
	NNN Three Resource Square, LLC		**NNN I LLC**
	Three Resource Square		Durhan
	Charlotte, NC		Durhan
	Office		Medica
	122,000		
	3/7/2007		
rchase	$ 16,250,000		$
	$ 7,283,000		$
uisition fee	$ 23,533,000		$
d/(credited)	$ 54,000		$
ed	$ 505,000		$
	$ 24,092,000		$
	NNN 4101 Interwood, LLC		**NNN V Apartn**
	Interwood Office Park		Vineya
	Houston, TX		San An
	Office		Apartm
	80,000		
	3/14/2007		
rchase	$ 8,250,000		$
	$ 3,080,000		$
uisition fee	$ 11,330,000		$
d/(credited)	$ (47,000)		$
ed	$ 107,000		$
	$ 11,390,000		$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Parkway 400, LLC		**NNN**
	Parkway 400		**LLC**
	Alpharetta, GA		Spring
	Office		Durha
			Apart
		193,000	
		3/26/2007	
rchase	$	25,500,000	$
	$	9,280,000	$
uisition fee	$	34,780,000	$
d/(credited)	$	40,000	$
ed	$	401,000	$
	$	35,221,000	$
	NNN North Scottsdale Medical Office, LLC		**NNN**
			LLC
	North Scottsdale Medical Office Portfolio		Culve
			Culve
	Scottsdale, AZ		Medic
	Medical Office		
		154,000	
		3/29/2007	
rchase	$	36,500,000	$
	$	9,850,000	$
uisition fee	$	46,350,000	$
d/(credited)	$	69,000	$
ed	$	1,221,000	$
	$	47,640,000	$
	NNN Northmark Business Center II, LLC		**NNN**
			Charty
	Northmark Business Center II		Houst
	Cincinnati, OH		Apart
	Office		
		100,000	
		5/15/2007	
rchase	$	9,120,000	$
	$	2,622,000	$
uisition fee	$	11,742,000	$
d/(credited)	$	49,000	$
ed	$	58,000	$
	$	11,849,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Siena Office Park I, LLC Siena Office Park I Henderson, NV Office		**NNN 8** **LLC** Expres St. Lou Medica
		101,000	
		6/4/2007	
rchase	$	28,620,000	$
	$	8,228,000	$
uisition fee	$	36,848,000	$
d/(credited)	$	52,000	$
ed	$	229,000	$
	$	37,129,000	$

	NNN San Marin Apartments, LLC San Marin Apartments Corpus Christi, TX Apartment		**NNN C** 9720 C Housto Office
		192,000	
		6/5/2007	
rchase	$	12,000,000	$
	$	4,480,000	$
uisition fee	$	16,480,000	$
d/(credited)	$	(66,000)	$
ed	$	444,000	$
	$	16,858,000	$

	NNN Mainstreet at Flatiron, LLC Mainstreet at Flatiron Broomfield, CO Office / Retail		**NNN 8** **LLC** 824 No Wilmin Office
		93,000	
		6/21/2007	
rchase	$	12,640,000	$
	$	3,634,000	$
uisition fee	$	16,274,000	$
d/(credited)	$	(8,000)	$
ed	$	96,000	$
	$	16,362,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Century Hills, LLC Century Hills Apartments Augusta, GA Apartment	**NNN F** **LLC** Retreat Lithoni Apartm
	221,000	
	6/29/2007	
rchase	$ 15,750,000	$
	$ 5,880,000	$
uisition fee	$ 21,630,000	$
d/(credited)	$ 27,000	$
ed	$ 401,000	$
	$ 22,058,000	$
	NNN Engineering Drive, LLC 3550 Engineering Drive Norcross, GA Office	**NNN S** **Center** Sugar L Sugar L Medica
	99,000	
	7/6/2007	
rchase	$ 13,522,000	$
	$ 6,233,000	$
uisition fee	$ 19,755,000	$
d/(credited)	$ 58,000	$
ed	$ 151,000	$
	$ 19,964,000	$
	NNN Harbour Landing, LLC Harbour Landing Apartments Corpus Christi, TX Apartment	**NNN C** **Center** Church Evanst Medica
	193,000	
	7/31/2007	
rchase	$ 11,063,000	$
	$ 4,130,000	$
uisition fee	$ 15,193,000	$
d/(credited)	$ (3,000)	$
ed	$ 648,000	$
	$ 15,838,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN River Ridge, LLC		**NNN**
	River Ridge Apartments		One a
	Asheville, NC		Pewau
	Apartment		Office
		270,000	
		8/16/2007	
rchase	$	19,646,000	$
	$	7,335,000	$
uisition fee	$	26,981,000	$
d/(credited)	$	60,000	$
ed	$	918,000	$
	$	27,959,000	$
	NNN Old Line Professional Centre, LLC		**NNN LLC**
	Old Line Professional Centre		One R
	Waldorf, MD		Fort W
	Medical Office		Office
		81,000	
		8/17/2007	
rchase	$	9,400,000	$
	$	2,960,000	$
uisition fee	$	12,360,000	$
d/(credited)	$	95,000	$
ed	$	688,000	$
	$	13,143,000	$
	NNN Wesley Paces, LLC		**NNN**
	Wesley Paces		Biewe
	Norcross, GA		Boston
	Apartment		Medic
		296,000	
		8/17/2007	
rchase	$	20,089,000	$
	$	7,500,000	$
uisition fee	$	27,589,000	$
d/(credited)	$	(7,000)	$
ed	$	1,024,000	$
	$	28,606,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Tupper Building, LLC	**NNN**
	Tupper Building	**LLC**
	Boston, MA	Darien
	Medical Office	Darien
		Medic
	98,000	
	9/5/2007	
rchase	$ 43,920,000	$
	$ 12,293,000	$
uisition fee	$ 56,213,000	$
d/(credited)	$ 191,000	$
ed	$ 1,309,000	$
	$ 57,713,000	$
	NNN Ashley Overlook, LLC	**NNN**
	Ashley Overlook	Park C
	North Charleston, SC	Atlant
	Office	Office
	107,000	
	10/1/2007	
rchase	$ 15,100,000	$
	$ 8,900,000	$
uisition fee	$ 24,000,000	$
d/(credited)	$ 12,000	$
ed	$ 48,000	$
	$ 24,060,000	$
	NNN Emberwood Apartments, LLC	**NNN**
	Emberwood Apartments	Excha
	Lafayette, LA	Jackso
	Apartment	Office
	267,000	
	12/4/2007	
rchase	$ 16,050,000	$
	$ 5,992,000	$
uisition fee	$ 22,042,000	$
d/(credited)	$ 41,000	$
ed	$ 1,648,000	$
	$ 23,731,000	$

TABLE VI
ACQUISITION OF PROPERTIES BY PROGRAMS (UNAUDITED) (Continued)
PRIVATE PROGRAMS
DECEMBER 31, 2007

	NNN Woodside, LLC Woodside Corporate Park Beaverton, OR Office	**NNN** **LLC** Town Phoen Office
	193,000	
	12/13/2007	
rchase	$ 19,380,000	$
	$ 12,865,000	$
uisition fee	$ 32,245,000	$
d/(credited)	$ 58,000	$
ed	$ 1,070,000	$
	$ 33,373,000	$

	NNN Eastern Wisconsin Medical Portfolio, LLC Aurora Health Care - Multi Site Various Cities, WI Medical Office
	153,000
	12/21/2007
rchase	$ 32,300,000
	$ 9,930,000
uisition fee	$ 42,230,000
d/(credited)	$ (20,000)
ed	$ 961,000
	$ 43,171,000

SIGNATURE PAGE

he Securities Act of 1933, as amended, the Registrant certifies that is has reasonable grounds to believe that it meets all of the requireme
to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Ana, State of California, on the 24th day o

RE REIT, INC.

By: /s/ Scott D. Peters

ident

he Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the

Signature	**Title**
/s/ Scott D. Peters Scott D. Peters	Chief Executive Officer, President and Chairman of the Board (Principal Executive Officer)
/ Shannon K S Johnson Shannon K S Johnson	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
* W. Bradley Blair, II	Director
* Maurice J. DeWald	Director
*	Director

Warren D. Fix

* Director

Larry L. Mathis

* Director

Gary T. Wescombe

*
/s/ Scott D. Peters

D. Peters, as attorney-in-fact

EXHIBIT INDEX

he merger of NNN Realty Advisors, Inc., which previously served as our sponsor, with and into a wholly owned subsidiary of Grubb &
NN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT Advisor, LLC and NNN Healthcare/Office Management, LL
Ellis Healthcare REIT Holdings, L.P., Grubb & Ellis Healthcare REIT Advisor, LLC and Grubb & Ellis Healthcare Management, LLC
ior to the December 10, 2007 name changes in order to accurately reflect the names of the parties on the documents listed.

Exhibit

Manager Agreement between NNN Healthcare/Office REIT, Inc. and NNN Capital Corp (included as Exhibit 1.1 to our
ly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
ment No. 1 to Dealer Manager Agreement between NNN Healthcare/Office REIT, Inc. and NNN Capital Corp.
f Participating Broker-Dealer Agreement
rticles of Amendment and Restatement of NNN Healthcare/Office REIT, Inc. (included as Exhibit 3.1 to our Annual Report on
0-K for the year ended December 31, 2006 and incorporated herein by reference)
of Amendment, effective December 10, 2007 (included as Exhibit 3.1 to our Current Report on Form 8-K filed December 10,

of NNN Healthcare/Office REIT, Inc.
f Subscription Agreement to be used for the period from the date of the Prospectus to December 31, 2007 (included as
B to the Prospectus)
f Subscription Agreement to be used beginning January 1, 2008 (included as Exhibit C to the Prospectus, an amended version
h is included in Supplement No. 7 to the Prospectus, dated April 24, 2008, filed herewith)
tion Reinvestment Plan (included as Appendix D to the Prospectus)
epurchase Plan (included as Appendix E to the Prospectus)
Agreement (included as Exhibit 4.4 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and
rated herein by reference)
of Venable LLP as to the legality of the shares being registered
of Alston & Bird LLP as to tax matters
y Agreement among NNN Healthcare/Office REIT, Inc., NNN Healthcare/Office REIT Holdings, L.P., NNN
are/Office REIT Advisor, LLC and Triple Net Properties, LLC (included as Exhibit 10.1 to our Quarterly Report on
0-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
ment No. 1 to Advisory Agreement among NNN Healthcare/Office REIT, Inc., NNN Healthcare/Office REIT Holdings, L.P.,
ealthcare/Office REIT Advisor, LLC and Triple Net Properties, LLC
ent of Limited Partnership of NNN Healthcare/Office REIT Holdings, L.P. (included as Exhibit 10.2 to our Quarterly Report
10-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
ealthcare/Office REIT, Inc. 2006 Incentive Plan (including the 2006 Independent Directors Compensation Plan)
ment to the NNN Healthcare/Office REIT, Inc. 2006 Incentive Plan (including the 2006 Independent Directors Compensation

Exhibit

Indemnification agreement executed by W. Bradley Blair, II, Maurice J. DeWald, Warren D. Fix, Gary T. Wescombe, Scott s, Danny Prosky, Andrea R. Biller, Shannon K S Johnson and Larry L. Mathis (included as Exhibit 10.1 to our Current Report 8-K filed on March 5, 2007 and incorporated herein by reference)

Secure Debt Note by and between Gwinnett Professional Center, Ltd. and Archon Financial, L.P., dated December 30, 2003 d as Exhibit 10.5 to our Current Report on Form 8-K filed on August 2, 2007 and incorporated herein by reference)

Secure Debt, Assignment of Rents and Security Agreement by Gwinnett Professional Center, Ltd. to Archon Financial, L.P., ecember 30, 2003 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on August 2, 2007 and incorporated y reference)

ory Note dated August 18, 2006 issued by NNN Southpointe, LLC to LaSalle Bank National Association

ory Note dated August 18, 2006 issued by NNN Southpointe, LLC and NNN Crawfordsville, LLC to LaSalle Bank National ion

e, Security Agreement and Fixture Filing dated August 18, 2006 by NNN Southpointe, LLC for the benefit of LaSalle Bank Association

nate Mortgage, Security Agreement and Fixture Filing dated August 18, 2006 by NNN Southpointe, LLC for the benefit of Bank National Association

y dated August 18, 2006 by Triple Net Properties, LLC for the benefit of LaSalle Bank National Association

y (Securities Laws) dated August 18, 2006 by Triple Net Properties, LLC in favor of LaSalle Bank National Association

y of Payment dated August 18, 2006 by Triple Net Properties, LLC for the benefit of LaSalle Bank National Association

ent of Leases and Rents dated August 18, 2006 by NNN Southpointe, LLC in favor of LaSalle Bank National Association

us Substance Indemnification Agreement dated August 18, 2006 by NNN Southpointe, LLC and Triple Net Properties, LLC enefit of LaSalle Bank National Association

ory Note dated September 12, 2006 issued by NNN Crawfordsville, LLC to LaSalle Bank National Association

e, Security Agreement and Fixture Filing dated September 12, 2006 by NNN Crawfordsville, LLC for the benefit of LaSalle tional Association

nate Mortgage, Security Agreement and Fixture Filing dated September 12, 2006 by NNN Crawfordsville, LLC for the benefit le Bank National Association

y dated September 12, 2006 by Triple Net Properties, LLC for the benefit of LaSalle Bank National Association

y (Securities Laws) dated September 12, 2006 by Triple Net Properties, LLC in favor of LaSalle Bank National Association

ent of Leases and Rents dated September 12, 2006 by NNN Crawfordsville, LLC in favor of LaSalle Bank National ion

us Substance Indemnification Agreement dated September 12, 2006 by NNN Crawfordsville, LLC and Triple Net Properties, the benefit of LaSalle Bank National Association

ent for Purchase and Sale of Real Property and Escrow Instructions by and between Liberty Falls, LLC, Triple Net Properties, d Dave Chrestensen and Todd Crawford, dated October 30, 2006 (included as Exhibit 10.1 to our Current Report on Form 8-K rch 25, 2008 and incorporated herein by reference)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Liberty Falls, LLC, et Properties, LLC, and Dave Chrestensen and Todd Crawford, dated December 21, 2006 (included as Exhibit 10.2 to our Report on Form 8-K filed March 25, 2008 and incorporated herein by reference)

Exhibit

Promissory Note by and between NNN Lenox Medical, LLC and LaSalle Bank National Association, dated January 2, 2007 as Exhibit 10.5 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)
Trust, Security Agreement and Fixtures Filings by and among NNN Lenox Medical, LLC and LaSalle Bank National on, dated January 2, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on March 26, 2007 and ted herein by reference)
by and among NNN Realty Advisors, Inc., and LaSalle Bank National Association, dated January 2, 2007 (included as 0.7 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)
(Securities Laws) by and among LaSalle Bank National Association and NNN Realty Advisors, Inc., dated January 2, 2007 as Exhibit 10.8 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)
s Substances Indemnification Agreement by and among NNN Lenox Medical, LLC, Triple Net Properties, LLC, and LaSalle ional Association, dated January 2, 2007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed on March 26, incorporated herein by reference)
ent of Leases and Rents by and among NNN Lenox Medical, LLC and LaSalle Bank National Association, dated January 2, luded as Exhibit 10.10 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)
hip Interest Purchase and Sale Agreement by and between NNN South Crawford Member, LLC, NNN Southpointe, LLC and lthcare/Office REIT Holdings, L.P. dated January 22, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K anuary 25, 2007 and incorporated herein by reference)
hip Interest Assignment Agreement by and between NNN South Crawford Member, LLC, and NNN Healthcare/Office REIT L.P. dated January 22, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on January 25, 2007 and ted herein by reference)
hip Interest Purchase and Sale Agreement by and between NNN South Crawford Member, LLC, NNN Crawfordsville, LLC Healthcare/Office REIT Holdings, L.P. dated January 22, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K anuary 25, 2007 and incorporated herein by reference)
hip Interest Assignment Agreement by and between NNN South Crawford Member, LLC, and NNN Healthcare/Office REIT L.P. dated January 22, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on January 25, 2007 and ted herein by reference)
o Transfer and Agreement by and among NNN South Crawford Member, LLC, NNN Southpointe, LLC, NNN e/Office REIT Holdings, L.P., Triple Net Properties, LLC and LaSalle Bank National Association, dated January 22, 2007 as Exhibit 10.5 to our Current Report on Form 8-K filed on January 25, 2007 and incorporated herein by reference)
o Transfer and Agreement by and among NNN South Crawford Member, LLC, NNN Crawfordsville, LLC, NNN e/Office REIT Holdings, L.P., Triple Net Properties, LLC and LaSalle Bank National Association, dated January 22, 2007 as Exhibit 10.6 to our Current Report on Form 8-K filed on January 25, 2007 and incorporated herein by reference)
ry Note issued by NNN Healthcare/Office REIT Holdings, L.P. in favor of NNN Realty Advisors, Inc. dated January 22, luded as Exhibit 10.7 to our Current Report on Form 8-K filed on January 25, 2007 and incorporated herein by reference)
, Security Agreement and Fixture Filing by and between NNN Gallery Medical, LLC, and LaSalle Bank National on, dated February 5, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on March 13, 2007 and ted herein by reference)
hip Interest Purchase and Sale Agreement by and between NNN Gallery Medical Member, LLC, NNN Gallery Medical, NNN Healthcare/Office REIT Holdings, L.P. dated March 9, 2007 (included as Exhibit 10.1 to our Current Report on filed on March 13, 2007 and incorporated herein by reference)

Exhibit

hip Interest Assignment Agreement by and between NNN Gallery Medical Member, LLC, and NNN Healthcare/Office REIT L.P. dated March 9, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on March 13, 2007 and ted herein by reference)

Promissory Note by and between NNN Gallery Medical, LLC and LaSalle Bank National Association, dated March 9, 2007 as Exhibit 10.4 to our Current Report on Form 8-K filed on March 13, 2007 and incorporated herein by reference)

d Promissory Note by and between NNN Healthcare/Office REIT Holdings, L.P., and NNN Realty Advisors, Inc., dated 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on March 13, 2007 and incorporated herein by)

o Transfer and Agreement by and among NNN Gallery Medical, LLC, NNN Healthcare/Office REIT Holdings, L.P., NNN Medical Member, LLC, NNN Realty Advisors, Inc., and LaSalle Bank National Association, dated March 9, 2007 (included 10.6 to our Current Report on Form 8-K filed on March 13, 2007 and incorporated herein by reference)

nt for Purchase and Sale of Real Property and Escrow Instructions by and between Commons V Investment Partnership, t Properties, LLC and Landamerica Title Company, dated March 16, 2007 (included as Exhibit 10.1 to our Current Report on filed on April 25, 2007 and incorporated herein by reference)

hip Interest Purchase and Sale Agreement by and between NNN Lenox Medical Member, LLC, Triple Net Properties, LLC, ox Medical, LLC, NNN Lenox Medical Land, LLC and NNN Healthcare/Office REIT Holdings, L.P., dated March 20, 2007 as Exhibit 10.1 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)

hip Interest Assignment Agreement by and between NNN Lenox Medical Member, LLC, and NNN Healthcare/Office REIT L.P., dated March 23, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on March 26, 2007 and ted herein by reference)

hip Interest Assignment Agreement by and between Triple Net Properties, LLC, and NNN Healthcare/Office REIT Holdings, d March 23, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated reference)

o Transfer and Assignment by and among NNN Lenox Medical, LLC, NNN Healthcare/Office REIT Holdings, L.P., NNN edical Member, LLC, NNN Realty Advisors, Inc., and LaSalle Bank National Association, dated March 23, 2007 (included 10.4 to our Current Report on Form 8-K filed on March 26, 2007 and incorporated herein by reference)

nt of Sale and Purchase by and between Yorktown Building Holding Company, LLC and Triple Net Properties, LLC, dated , 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by)

eement and Escrow Instructions by and between 5410 & 5422 W. Thunderbird Road, LLC, et al. and 5310 West Thunderbird C, et al., Triple Net Properties, LLC and Chicago Title Company as Escrow Agent, dated April 6, 2007 (included as Exhibit r Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by reference)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Commons V nt Partnership and Triple Net Properties, LLC, dated April 9, 2007 (included as Exhibit 10.2 to our Current Report on Form on April 25, 2007 and incorporated herein by reference)

ent of Contract by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT Commons V, LLC, dated April (included as Exhibit 10.3 to our Current Report on Form 8-K filed on April 25, 2007 and incorporated herein by reference)

ent and Assumption Agreement by and between Commons V Investment Partnership and NNN Healthcare/Office REIT s V, LLC, dated April 24, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on April 25, 2007 and ted herein by reference)

Exhibit

nt for Purchase and Sale of Real Property and Escrow Instructions between Hollow Tree, L.L.P., Triple Net Properties, LLC, America Title Company as Escrow Agent, dated April 30, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K une 14, 2007 and incorporated herein by reference)

nt for Purchase and Sale of Real Property and Escrow Instructions between First Colony Investments, L.L.P., Triple Net s, LLC, and LandAmerica Title Company as Escrow Agent, dated April 30, 2007 (included as Exhibit 10.2 to our Current Form 8-K filed on June 14, 2007 and incorporated herein by reference)

ent of Contract by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT Peachtree, LLC, dated May 1, luded as Exhibit 10.2 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by reference)

Promissory Note by and between NNN Healthcare/Office REIT Peachtree, LLC and Wachovia Bank, National Association, y 1, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by)

ecure Debt, Security Agreement and Fixture Filing by and between NNN Healthcare/Office REIT Peachtree, LLC and Bank National Association, dated May 1, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on 007 and incorporated herein by reference)

y and Guaranty Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, y 1, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by)

mnity and Guaranty Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National on, dated May 1, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated reference)

ental Indemnity Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, y 1, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated herein by)

ent of Leases and Rents by and between NNN Healthcare/Office REIT Peachtree, LLC and Wachovia Bank, National on, dated May 1, 2007 (included as Exhibit 10.8 to our Current Report on Form 8-K filed on May 7, 2007 and incorporated reference)

ent of Contract by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT Thunderbird Medical, LLC, y 11, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by)

endment to Sale Agreement and Escrow Instructions by and between NNN Healthcare/Office REIT Thunderbird Medical, 5310 West Thunderbird Road, LLC, et al., dated May 14, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K May 17, 2007 and incorporated herein by reference)

endment to Sale Agreement and Escrow Instructions by and between NNN Healthcare/Office REIT Thunderbird Medical, 5410 & 5422 W. Thunderbird Road, LLC, et al., dated May 14, 2007 (included as Exhibit 10.4 to our Current Report on filed on May 17, 2007 and incorporated herein by reference)

ry Note issued by NNN Healthcare/Office REIT Commons V, LLC in favor of Wachovia Bank, National Association, dated 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by)

, Security Agreement and Fixture Filing by and between NNN Healthcare/Office REIT Commons V, LLC and Wachovia tional Association, dated May 14, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on May 17, 2007 porated herein by reference)

y and Guaranty Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, y 14, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by)

Exhibit

ental Indemnity Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, y 14, 2007 (included as Exhibit 10.8 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated herein by)

nt of Leases and Rents by and between NNN Healthcare/Office REIT Commons V, LLC and Wachovia Bank, National on, dated May 14, 2007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed on May 17, 2007 and incorporated reference)

te Purchase Agreement by and between Triple Net Properties, LLC and Gwinnett Professional Center Ltd., dated May 24, luded as Exhibit 10.1 to our Current Report on Form 8-K filed on August 2, 2007 and incorporated herein by reference)

nt of Contracts by Triple Net Properties, LLC to NNN Healthcare/Office REIT Triumph, LLC, dated June 8, 2007 (included 10.3 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated herein by reference)

y Note issued by NNN Healthcare/Office REIT Thunderbird Medical, LLC in favor of Wachovia Bank, National on, dated June 8, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated reference)

rust, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT Thunderbird Medical, LLC to TRSTE, Inc., as or the benefit of Wachovia Bank, National Association, dated June 8, 2007 (included as Exhibit 10.5 to our Current Report -K filed on June 14, 2007 and incorporated herein by reference)

and Guaranty Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, e 8, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated herein by)

ental Indemnity Agreement by and between NNN Healthcare/Office REIT, Inc. and Wachovia Bank, National Association, e 8, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated herein by)

nt of Leases and Rents by and between NNN Healthcare/Office REIT Thunderbird Medical, LLC and Wachovia Bank, Association, dated June 8, 2007 (included as Exhibit 10.8 to our Current Report on Form 8-K filed on June 14, 2007 and ted herein by reference)

d Promissory Note by and between NNN Healthcare/Office REIT Holdings, L.P., and NNN Realty Advisors, Inc., dated 007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed on June 14, 2007 and incorporated herein by)

nt for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical Office Park, L.P. and t Properties, LLC, dated June 12, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed on September 6, incorporated herein by reference)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical rk, L.P. and Triple Net Properties, LLC, dated June 25, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K eptember 6, 2007 and incorporated herein by reference)

Agreement by and between Triple Net Properties, LLC and St. Mary Physicians Center, LLC, dated June 26, 2007 (included 10.1 to our Current Report on Form 8-K filed on September 11, 2007 and incorporated herein by reference)

mendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical rk, L.P. and Triple Net Properties, LLC, dated July 10, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K eptember 6, 2007 and incorporated herein by reference)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical rk, L.P. and Triple Net Properties, LLC, dated July 26, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K eptember 6, 2007 and incorporated herein by reference)

Exhibit

ent and Assumption of Real Estate Purchase Agreement by and between Triple Net Properties, LLC and NNN e/Office REIT Gwinnett, LLC, dated July 27, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on 2007 and incorporated herein by reference)

umption and Substitution Agreement by and among NNN Healthcare/Office REIT Gwinnett, LLC, NNN Healthcare/Office ., Gwinnett Professional Center, Ltd., and LaSalle Bank National Association, dated July 27, 2007 (included as Exhibit 10.3 rrent Report on Form 8-K filed on August 2, 2007 and incorporated herein by reference)

To Note by Gwinnett Professional Center, Ltd. to LaSalle Bank National Association, as Trustee, in favor of Archon L.P., dated, July 27, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on August 2, 2007 and ted herein by reference)

nt for Purchase and Sale of Real Property and Escrow Instructions by and between 4MX Partners, LLC, 515 Partners, LLC e Net Properties, LLC, dated July 30, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed on August 17, incorporated herein by reference)

Agreement by and between Lexington Valley Forge L.P. and Triple Net Properties, LLC, dated August 1, 2007 (included as 0.1 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)

nt for Purchase and Sale of Real Property and Escrow Instructions by and among Health Quest Realty XVII, Health Quest XII, Health Quest Realty XXXV and Triple Net Properties, LLC, dated August 6, 2007 (included as Exhibit 10.1 to our eport on Form 8-K filed October 4, 2007 and incorporated herein by reference)

mendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Kokomo Medical rk, L.P. and Triple Net Properties, LLC, dated August 7, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K eptember 6, 2007 and incorporated herein by reference)

and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated August 14, 2007 as Exhibit 10.1 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by reference)

ent and Assumption of Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Triple Net s, LLC and NNN Healthcare/Office REIT Market Exchange, LLC, dated August 15, 2007 (included as Exhibit 10.2 to our eport on Form 8-K filed on August 17, 2007 and incorporated herein by reference)

ent and Assumption of Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Triple Net s, LLC and NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC, dated August 30, 2007 (included as 0.6 to our Current Report on Form 8-K filed on September 6, 2007 and incorporated herein by reference)

d Promissory Note issued by NNN Healthcare/Office REIT Holdings, L.P. in favor of NNN Realty Advisors, Inc., dated 0, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed on September 6, 2007 and incorporated herein by)

ent and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT Physician Center, LLC, dated September 5, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on r 11, 2007 and incorporated herein by reference)

ured by Deed of Trust issued by NNN Healthcare/Office REIT St. Mary Physician Center, LLC in favor of St. Mary s Center, LLC, dated September 5, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on September 11, incorporated herein by reference)

Trust, Assignment of Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT St. Mary Physician LC to Lone Oak Industries Inc., as Trustee, in favor of St. Mary Physicians Center, LLC, dated September 5, 2007 (included t 10.4 to our Current Report on Form 8-K filed on September 11, 2007 and incorporated herein by reference)

Exhibit

ed Promissory Note issued by NNN Healthcare/Office REIT Holdings, L.P. in favor of NNN Realty Advisors, Inc., dated
er 5, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on September 11, 2007 and incorporated herein
ence)
ent and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and NNN Healthcare/Office REIT
iagnostics, LLC, dated September 10, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed on
er 14, 2007 and incorporated herein by reference)
greement by and between NNN Healthcare/Office REIT Holdings, L.P., The Financial Institutions Party Hereto, and LaSalle
tional Association, dated September 10, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed on
er 14, 2007 and incorporated herein by reference)
ory Note issued by NNN Healthcare/Office REIT Holdings, L.P. in favor of LaSalle Bank National Association, dated
er 10, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein
ence)
tion Agreement by and between NNN Healthcare/Office REIT Holdings, L.P. and the Subsidiary Guarantors, dated
er 10, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein
ence)
y of Payment executed by NNN Healthcare/Office REIT, Inc. for the benefit of LaSalle Bank National Association, dated
er 10, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein
ence)
d Real Property Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing by NNN
are/Office REIT Quest Diagnostics, LLC for the benefit of LaSalle Bank National Association, dated September 10, 2007
d as Exhibit 10.7 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)
rcial Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT
, LLC to Jeffrey C. Baker, as Trustee, for the benefit of LaSalle Bank National Association, dated September 10, 2007
d as Exhibit 10.8 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)
rcial Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT
, LLC to Jeffrey C. Baker, as Trustee, for the benefit of LaSalle Bank National Association, dated September 10, 2007
d as Exhibit 10.9 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)
mental Indemnity Agreement executed by NNN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT Quest
tics, LLC, and NNN Healthcare/Office REIT, Inc. for the benefit of LaSalle Bank National Association, dated September 10,
mmercial Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office
iumph, LLC to Jeffrey C. Baker, as Trustee, for the benefit of LaSalle Bank National Association, dated September 10, 2007
d as Exhibit 10.10 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)
mental Indemnity Agreement executed by NNN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT
, LLC, and NNN Healthcare/Office REIT, Inc. for the benefit of LaSalle Bank National Association, dated September 10,
mmercial Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by NNN Healthcare/Office
iumph, LLC to Jeffrey C. Baker, as Trustee, for the benefit of LaSalle Bank National Association, dated September 10, 2007
d as Exhibit 10.11 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated herein by reference)
Agreement executed by NNN Healthcare/Office REIT Quest Diagnostics, LLC in favor of LaSalle Bank National Association,
ptember 10, 2007 (included as Exhibit 10.12 to our Current Report on Form 8-K filed on September 14, 2007 and
ated herein by reference)
Agreement executed by NNN Healthcare/Office REIT Triumph, LLC in favor of LaSalle Bank National Association, dated
er 10, 2007 (included as Exhibit 10.13 to our Current Report on Form 8-K filed on September 14, 2007 and incorporated
y reference)

Exhibit

nendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated
er 19, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by
e)
greement by and between NNN Healthcare/Office REIT Market Exchange, LLC and Wachovia Financial Services, Inc., dated
er 27, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed October 3, 2007 and incorporated herein by
e)
ory Note by NNN Healthcare/Office REIT Market Exchange, LLC in favor of Wachovia Financial Services, Inc., dated
er 27, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed October 3, 2007 and incorporated herein by
e)
ent Guaranty by NNN Healthcare/Office REIT, Inc. in favor of Wachovia Financial Services, Inc., dated September 27, 2007
d as Exhibit 10.3 to our Current Report on Form 8-K filed October 3, 2007 and incorporated herein by reference)
nd Mortgage, Assignment, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT Market Exchange, LLC in
Wachovia Financial Services, Inc., dated September 27, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K
tober 3, 2007 and incorporated herein by reference)
mental Indemnity Agreement by NNN Healthcare/Office REIT Market Exchange, LLC and NNN Healthcare/Office REIT,
he benefit of Wachovia Financial Services, Inc., dated September 27, 2007 (included as Exhibit 10.5 to our Current Report on
K filed October 3, 2007 and incorporated herein by reference)
terest Rate Swap Agreement by and between NNN Healthcare/Office REIT Market Exchange, LLC and Wachovia Bank,
Association, dated as of September 27, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed October 18,
d incorporated herein by reference)
ent and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and NNN Healthcare/Office E
LTC, LLC, dated September 28, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed October 4, 2007 and
ated herein by reference)
greement by and between NNN Healthcare/Office REIT E Florida LTC, LLC and KeyBank National Association, dated
er 28, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed October 4, 2007 and incorporated herein by
e)
ory Note by NNN Healthcare/Office REIT E Florida LTC, LLC in favor of KeyBank National Association, dated September
(included as Exhibit 10.4 to our Current Report on Form 8-K filed October 4, 2007 and incorporated herein by reference)
tional Payment Guaranty by NNN Healthcare/Office REIT, Inc. for the benefit of KeyBank National Association, dated
er 28, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed October 4, 2007 and incorporated herein by
e)
e, Assignment of Rents, Security Agreement and Fixture Filing (Jacksonville) by NNN Healthcare/Office REIT E Florida
LC in favor of KeyBank National Association, dated September 28, 2007 (included as Exhibit 10.6 to our Current Report on
K filed October 4, 2007 and incorporated herein by reference)
e, Assignment of Rents, Security Agreement and Fixture Filing (Winter Park) by NNN Healthcare/Office REIT E Florida
LC in favor of KeyBank National Association, dated September 28, 2007 (included as Exhibit 10.7 to our Current Report on
K filed October 4, 2007 and incorporated herein by reference)
e, Assignment of Rents, Security Agreement and Fixture Filing (Sunrise) by NNN Healthcare/Office REIT E Florida LTC,
favor of KeyBank National Association, dated September 28, 2007 (included as Exhibit 10.8 to our Current Report on Form
d October 4, 2007 and incorporated herein by reference)
mental and Hazardous Substances Indemnity Agreement by NNN Healthcare/Office REIT E Florida LTC, LLC for the benefit
ank National Association, dated September 28, 2007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed
4, 2007 and incorporated herein by reference)

Exhibit

Amendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated
er 28, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by
e)
terest Rate Swap Agreement by and between NNN Healthcare/Office REIT E Florida LTC, LLC and KeyBank National
ion, dated as of October 2, 2007, and as amended October 25, 2007 (included as Exhibit 10.1 to our Current Report on Form
d October 25, 2007 and incorporated herein by reference)
ent for Purchase and Sale of Real Property and Escrow Instructions by and between Northmeadow Parkway, LLC and Triple
perties, LLC, dated October 9, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed November 11, 2007
rporated herein by reference)
mendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated
10, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by
e)
Amendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated
15, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by
e)
nendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Northmeadow
, LLC and Triple Net Properties, LLC, dated October 19, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K
vember 11, 2007 and incorporated herein by reference)
mendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated
er 2, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by
e)
ent for Purchase and Sale of Real Property and Escrow Instructions by and between Fraze Enterprises, Inc. and Triple Net
es, LLC, dated November 12, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed December 27, 2007 and
ated herein by reference)
ent and Assumption of Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Triple Net
es, LLC and NNN Healthcare/Office Northmeadow, LLC, dated November 15, 2007 (included as Exhibit 10.3 to our Current
n Form 8-K filed November 11, 2007 and incorporated herein by reference)
nendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Fraze Enterprises,
Triple Net Properties, LLC, dated November 16, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed
er 27, 2007 and incorporated herein by reference)
Amendment to Agreement for Purchase and Sales of Real Property and Escrow Instructions by and between Fraze Enterprises,
Triple Net properties, LLC, dated November 27, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed
er 27, 2007 and incorporated herein by reference)
e and Sale Agreement by and between BRCP Highlands Ranch, LLC and Triple Net Properties, LLC, dated November 29,
cluded as Exhibit 10.1 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by reference)
greement by and between NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC and Wachovia Financial Services,
ed December 5, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed December 11, 2007 and incorporated
y reference)
ory Note by NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC in favor of Wachovia Financial Services, Inc.,
ecember 5, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed December 11, 2007 and incorporated
y reference)

Exhibit

ge, Assignment, Security Agreement and Fixture Filing by NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC
r of Wachovia Financial Services, Inc., dated December 5, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K
ecember 11, 2007 and incorporated herein by reference)
ment Guaranty by NNN Healthcare/Office REIT, Inc. in favor of Wachovia Financial Services, Inc., dated December 5, 2007
ed as Exhibit 10.4 to our Current Report on Form 8-K filed December 11, 2007 and incorporated herein by reference)
nmental Indemnity Agreement by NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC and NNN
care/Office REIT, Inc. for the benefit of Wachovia Financial Services, Inc., dated December 5, 2007 (included as Exhibit 10.5
Current Report on Form 8-K filed December 11, 2007 and incorporated herein by reference)
nterest Rate Swap Agreement by and between NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC and
via Bank, National Association, entered into December 5, 2007, as amended (included as Exhibit 10.6 to our Current Report on
-K filed December 11, 2007 and incorporated herein by reference)
Amendment to Purchase and Sale Agreement by and between St. Rita s Medical Center and Triple Net Properties, LLC, dated
ber 6, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed December 13, 2007 and incorporated herein by
ce)
ment and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and NNN Healthcare/Office Lima,
ated December 7, 2007 (included as Exhibit 10.8 to our Current Report on Form 8-K filed December 13, 2007 and incorporated
by reference)
cation of Loan Agreement by and among Grubb & Ellis Healthcare REIT Holdings, L.P. (f/k/a/ NNN Healthcare/Office REIT
gs, L.P.), Grubb & Ellis Healthcare REIT, Inc. (f/n/a NNN Healthcare/Office REIT, Inc.), NNN Healthcare/Office REIT Quest
stics, LLC, NNN Healthcare/Office REIT Triumph, LLC and LaSalle Bank National Association, dated December 12, 2007.
ed and Restated Promissory Note by Grubb & Ellis Healthcare REIT Holdings, L.P. (f/k/a NNN Healthcare/Office REIT
gs, L.P.) in favor of LaSalle Bank National Association, dated December 12, 2007
ed and Restated Promissory Note by Grubb & Ellis Healthcare REIT Holdings, L.P. (f/k/a NNN Healthcare/Office REIT
gs, L.P.) in favor of KeyBank Bank National Association, dated December 12, 2007
cation of Loan Agreement by and among Grubb & Ellis Healthcare REIT Holdings, L.P., Grubb & Ellis Healthcare REIT, Inc.,
Healthcare/Office REIT 2750 Monroe, LLC, NNN Healthcare/Office REIT Triumph, LLC and LaSalle Bank National
ation, dated December 12, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed December 18, 2007 and
orated herein by reference)
ed and Restated Promissory Note by Grubb & Ellis Healthcare REIT Holdings, L.P. in favor of LaSalle Bank National
ation, dated December 12, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed December 18, 2007 and
orated herein by reference)
ed and Restated Promissory Note by Grubb & Ellis Healthcare REIT Holdings, L.P. in favor of KeyBank National Association,
December 12, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed December 18, 2007 and incorporated
by reference)
ement Agreement by and between G&E Healthcare REIT/Duke Chesterfield Rehab, LLC and Triple Net Properties Realty,
ated December 18, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed January 3, 2008 and incorporated
by reference)
ment and Assumption of Purchase and Sale Agreement by and between Triple Net Properties, LLC and G&E Healthcare REIT
Line Road, LLC, dated December 19, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed December 27,
nd incorporated herein by reference)

Exhibit

greement by and between G&E Healthcare REIT County Line Road, LLC and Wachovia Bank, National Association, dated er 19, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by e)

ory Note by G&E Healthcare REIT County Line Road, LLC in favor of Wachovia Bank, National Association, dated er 19, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by e)

Trust, Assignment, Security Agreement and Fixture Filing by G&E Healthcare REIT County Line Road, LLC for the benefit ovia Bank, National Association, dated December 19, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed er 27, 2007 and incorporated herein by reference)

ent Guaranty by Grubb & Ellis Healthcare REIT, Inc. in favor of Wachovia Bank, National Association, dated December 19, cluded as Exhibit 10.6 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by reference)

mental Indemnity Agreement by G&E Healthcare REIT County Line Road, LLC and Grubb & Ellis Healthcare REIT, Inc. for fit of Wachovia Bank, National Association, dated December 19, 2007 (included as Exhibit 10.7 to our Current Report on K filed December 27, 2007 and incorporated herein by reference)

ent of Sale by and among Triple Net Properties, LLC and TST Overland Park, L.P., TST El Paso Properties, Ltd., TST ville II, LLC, TST Tampa Bay, Ltd., TST Largo ASC, Ltd., TST Brandon, Ltd. and TST Lakeland, Ltd., dated December 19, cluded as Exhibit 10.1 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by reference)

nd Revolving Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing by NNN Healthcare/Office ma, LLC to and for the benefit of LaSalle Bank National Association, dated December 19, 2007 (included as Exhibit 10.1 to ent Report on Form 8-K filed January 2, 2008 and incorporated herein by reference)

nd Fee and Leasehold Revolving Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing by NNN are/Office REIT Lima, LLC to and for the benefit of LaSalle Bank National Association, dated December 19, 2007 (included it 10.2 to our Current Report on Form 8-K filed January 2, 2008 and incorporated herein by reference)

Agreement by NNN Healthcare/Office REIT Lima, LLC in favor of LaSalle Bank National Association, dated as of December (included as Exhibit 10.3 to our Current Report on Form 8-K filed January 2, 2008 and incorporated herein by reference)

mental Indemnity Agreement by Grubb and Ellis Healthcare REIT Holdings, L.P., NNN Healthcare/Office REIT Lima, LLC bb & Ellis Healthcare REIT, Inc. to and for the benefit of LaSalle Bank National Association, dated December 19, 2007 d as Exhibit 10.4 to our Current Report on Form 8-K filed January 2, 2008 and incorporated herein by reference)

ent and Assumption of Purchase Agreement by and between Triple Net Properties, LLC and G&E Healthcare REIT Lincoln ulevard, LLC, dated December 20, 2007 (included as Exhibit 10.4 to our Current Report on Form 8-K filed December 27, d incorporated herein by reference)

greement by and between G&E Healthcare REIT Lincoln Park Boulevard, LLC and Wachovia Bank, National Association, ecember 20, 2007 (included as Exhibit 10.5 to our Current Report on Form 8-K filed December 27, 2007 and incorporated y reference)

ory Note by G&E Healthcare REIT Lincoln Park Boulevard, LLC in favor of Wachovia Financial Services, Inc., dated er 20, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by e)

nd Mortgage, Assignment, Security Agreement and Fixture Filing by G&E Healthcare REIT Lincoln Park Boulevard, LLC in Wachovia Financial Services, Inc., dated December 20, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K cember 27, 2007 and incorporated herein by reference)

Exhibit

ent Guaranty by Grubb & Ellis Healthcare REIT, Inc. in favor of Wachovia Financial Services, Inc., dated December 20, 2007
d as Exhibit 10.8 to our Current Report on Form 8-K filed December 27, 2007 and incorporated herein by reference)
mental Indemnity Agreement by G&E Healthcare REIT Lincoln Park Boulevard, LLC and Grubb & Ellis Healthcare REIT,
the benefit of Wachovia Financial Services, Inc., dated December 20, 2007 (included as Exhibit 10.9 to our Current Report on
K filed December 27, 2007 and incorporated herein by reference)
Liability Company Agreement of G&E Healthcare REIT/Duke Chesterfield Rehab, LLC by and between BD St. Louis
ment, LLC and Grubb & Ellis Healthcare REIT Holdings, L.P., executed on December 20, 2007 (included as Exhibit 10.1 to
ent Report on Form 8-K filed January 3, 2008 and incorporated herein by reference)
ution Agreement by and among BD St. Louis Development, LLC, Grubb & Ellis Healthcare REIT Holdings, L.P. and G&E
are REIT/Duke Chesterfield Rehab, LLC, executed on December 20, 2007 (included as Exhibit 10.2 to our Current Report on
K filed January 3, 2008 and incorporated herein by reference)
ory Note by G&E Healthcare REIT Chesterfield Rehab Hospital, LLC in favor of National City Bank, dated December 20,
cluded as Exhibit 10.4 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein by reference)
Trust, Assignment, Security Agreement, Assignment of Leases and Rents, and Fixture Filing by G&E Healthcare REIT
ield Rehab Hospital, LLC to PSPM Trustee, Inc. for the benefit of National City Bank, dated December 20, 2007 (included as
10.5 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein by reference)
Ellis Healthcare REIT, Inc. Limited Guaranty of Payment by Grubb & Ellis Healthcare REIT, Inc. for the benefit of National
nk, dated December 20, 2007 (included as Exhibit 10.6 to our Current Report on Form 8-K filed January 3, 2008 and
ated herein by reference)
alty Limited Partnership Limited Guaranty of Payment by Duke Realty Limited Partnership for the benefit of National City
ted December 20, 2007 (included as Exhibit 10.7 to our Current Report on Form 8-K filed January 3, 2008 and incorporated
y reference)
mental Indemnity Agreement by G&E Healthcare REIT Chesterfield Rehab Hospital, LLC, Grubb & Ellis Healthcare REIT,
Duke Realty Limited Partnership for the benefit of National City Bank, dated December 20, 2007 (included as Exhibit 10.8 to
ent Report on Form 8-K filed January 3, 2008 and incorporated herein by reference)
Rate Swap Confirmation by and between G&E Healthcare REIT Chesterfield Rehab Hospital, LLC and National City Bank,
ecember 20, 2007 (included as Exhibit 10.9 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein
ence)
ld and Fee Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, and Environmental
ty Agreement by NNN Healthcare/Office REIT Tucson Medical Office, LLC to and for the benefit of LaSalle Bank National
ion, dated December 20, 2007 (included as Exhibit 10.1 to our Current Report on Form 8-K filed January 3, 2008 and
ated herein by reference)
Agreement by NNN Healthcare/Office REIT Tucson Medical Office, LLC in favor of LaSalle Bank National Association,
ecember 20, 2007 (included as Exhibit 10.2 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein
ence)
mental Indemnity Agreement by Grubb and Ellis Healthcare REIT Holdings, L.P., NNN Healthcare/Office REIT Tucson
Office, LLC and Grubb & Ellis Healthcare REIT, Inc. to and for the benefit of LaSalle Bank National Association, dated
er 20, 2007 (included as Exhibit 10.3 to our Current Report on Form 8-K filed January 3, 2008 and incorporated herein by
e)
terest Rate Swap Agreement by and between G&E Healthcare REIT County Line Road, LLC and Wachovia Bank, National
ion, dated December 21, 2007, as amended on December 24, 2007 (included as Exhibit 10.8 to our Current Report on Form
l December 27, 2007 and incorporated herein by reference)

Exhibit

terest Rate Swap Agreement by and between G&E Healthcare REIT Lincoln Park Boulevard, LLC and Wachovia Financial , Inc., dated December 31, 2007, as amended on December 21, 2007 and December 24, 2007 (included as Exhibit 10.10 to our Report on Form 8-K filed December 28, 2007 and incorporated herein by reference)

ent for Purchase and Sale of Real Property and Escrow Instructions by and between Fort Road Associated limited Partnership le Net Properties, LLC, dated January 14, 2008 (included as Exhibit 10.1 to our Current Report on Form 8-K filed March 12, d incorporated herein by reference)

endment to Agreement of Sale by and among TST Overland Park, L.P., TST El Paso Properties, Ltd., TST Jacksonville II, T Tampa Bay, Ltd., TST Largo ASC, Ltd., TST Brandon, Ltd., and TST Lakeland, Ltd. and Triple Net Properties, LLC, dated 18, 2008 (included as Exhibit 10.2 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by e)

aster Agreement by and between National City Bank and G&E Healthcare REIT Chesterfield Rehab Hospital, LLC, dated 20, 2008 (included as Exhibit 10.1 to our Current Report on Form 8-K filed February 1, 2008 and incorporated herein by e)

endment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Fort Road Associates Partnership and Triple Net Properties, LLC, dated January 31, 2008 (included as Exhibit 10.2 to our Current Report on K filed March 12, 2008 and incorporated herein by reference)

Amendment to Agreement of Sale by and among TST Overland Park, L.P., TST El Paso Properties, Ltd., TST Jacksonville II, T Tampa Bay, Ltd., TST Largo ASC, Ltd., TST Brandon, Ltd., TST Lakeland, Ltd., Triple Net Properties, LLC and erica Financial Group, Inc., dated February 1, 2008 (included as Exhibit 10.3 to our Current Report on Form 8-K filed 7, 2008 and incorporated herein by reference)

ent and Assumption of Agreement of Sale by and between Triple Net Properties, LLC and G&E Healthcare REIT Medical 1, LLC, dated February 1, 2008 (included as Exhibit 10.4 to our Current Report on Form 8-K filed February 7, 2008 and ated herein by reference)

greement by and between G&E Healthcare REIT Medical Portfolio 1, LLC and Wachovia Bank, National Association, dated 1, 2008 (included as Exhibit 10.5 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by e)

ory Note by G&E Healthcare REIT Medical Portfolio 1, LLC in favor of Wachovia Bank, National Association, dated 1, 2008 (included as Exhibit 10.6 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by e)

e, Assignment, Security Agreement and Fixture Filing (West Bay) by G&E Healthcare REIT Medical Portfolio 1, LLC in Wachovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.7 to our Current Report on Form 8-K ruary 7, 2008 and incorporated herein by reference)

e, Assignment, Security Agreement and Fixture Filing (Largo) by G&E Healthcare REIT Medical Portfolio 1, LLC in favor of ia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.8 to our Current Report on Form 8-K filed 7, 2008 and incorporated herein by reference)

e, Assignment, Security Agreement and Fixture Filing (Central Florida) by G&E Healthcare REIT Medical Portfolio 1, LLC of Wachovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.9 to our Current Report on Form d February 7, 2008 and incorporated herein by reference)

e, Assignment, Security Agreement and Fixture Filing (Brandon) by G&E Healthcare REIT Medical Portfolio 1, LLC in favor ovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.10 to our Current Report on Form 8-K filed 7, 2008 and incorporated herein by reference)

Exhibit

e, Assignment, Security Agreement and Fixture Filing (Overland Park) by G&E Healthcare REIT Medical Portfolio 1, LLC in Wachovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.11 to our Current Report on Form 8-K ruary 7, 2008 and incorporated herein by reference)

ent Guaranty by Grubb & Ellis Healthcare REIT, Inc. in favor of Wachovia Bank, National Association, dated February 1, cluded as Exhibit 10.12 to our Current Report on Form 8-K filed February 7, 2008 and incorporated herein by reference)

mental Indemnity Agreement by G&E Healthcare REIT Medical Portfolio 1, LLC and Grubb & Ellis Healthcare REIT, Inc. enefit of Wachovia Bank, National Association, dated February 1, 2008 (included as Exhibit 10.13 to our Current Report on K filed February 7, 2008 and incorporated herein by reference)

terest Rate Swap Agreement by and between Triple Net Properties, LLC and Wachovia Bank, National Association, dated 1, 2008, as amended on February 6, 2008 (included as Exhibit 10.14 to our Current Report on Form 8-K filed February 7, d incorporated herein by reference)

endment to Promissory Note by and between NNN Gallery Medical, LLC, NNN Realty Advisors, Inc. and LaSalle Bank Association, released from escrow on February 20, 2008 and effective as of February 12, 2008 (included as Exhibit 10.1 to ent Report on Form 8-K filed February 26, 2008 and incorporated herein by reference)

ent for Purchase and Sale of Real Property and Escrow Instructions by and between NHP Cypress Station Partnership, LP and Ellis Realty Investors, LLC, dated February 22, 2008 (included as Exhibit 10.1 to our Current Report on Form 8-K filed 1, 2008 and incorporated herein by reference)

Amendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Fort Road es Limited Partnership and Triple Net Properties, LLC, dated March 5, 2008 (included as Exhibit 10.3 to our Current Report 8-K filed March 12, 2008 and incorporated herein by reference)

ent and Assumption of Purchase Agreement by and between Grubb & Ellis Realty Investors, LLC and G&E Healthcare REIT d Medical, LLC, dated March 6, 2008 (included as Exhibit 10.4 to our Current Report on Form 8-K filed March 12, 2008 and ated herein by reference)

ory Note by G&E Healthcare REIT Fort Road Medical, LLC in favor of LaSalle Bank National Association, dated March 6, cluded as Exhibit 10.5 to our Current Report on Form 8-K filed March 12, 2008 and incorporated herein by reference)

e, Security Agreement, Assignment of Leases and Rents and Fixture Filing by G&E Healthcare REIT Fort Road Medical, the benefit of LaSalle Bank National Association, dated March 6, 2008 (included as Exhibit 10.6 to our Current Report on K filed March 12, 2008 and incorporated herein by reference)

y of Payment by Grubb & Ellis Healthcare REIT, Inc. in favor of LaSalle Bank National Association, dated March 6, 2008 d as Exhibit 10.7 to our Current Report on Form 8-K filed March 12, 2008 and incorporated herein by reference)

mental Indemnity Agreement by G&E Healthcare REIT Fort Road Medical, LLC and Grubb & Ellis Healthcare REIT, Inc. for fit of LaSalle Bank National Association, dated March 6, 2008 (included as Exhibit 10.8 to our Current Report on Form 8-K rch 12, 2008 and incorporated herein by reference)

ent for Purchase and Sale of Real Property and Escrow Instructions by and between Epler Parke, LLC and Grubb & Ellis nvestors, LLC, dated March 6, 2008 (included as Exhibit 10.1 to our Current Report on Form 8-K filed March 28, 2008 and ated herein by reference)

terest Rate Swap Confirmation Letter Agreement by and between G&E Healthcare REIT Fort Road Medical, LLC and Bank National Association, dated March 10, 2008 (included as Exhibit 10.9 to our Current Report on Form 8-K filed 2, 2008 and incorporated herein by reference)

Exhibit

Amendment to Agreement for Purchase and Sale of Real Property and Escrow Instructions by and between Liberty Falls, iple Net Properties, LLC, and Dave Chrestensen and Todd Crawford, dated March 11, 2008 (included as Exhibit 10.3 to our Report on Form 8-K filed March 25, 2008 and incorporated herein by reference)
ent and Assumption of Purchase Agreement by and between Grubb & Ellis Realty Investors, LLC and G&E Healthcare REIT Falls Medical Plaza, LLC, dated March 19, 2008 (included as Exhibit 10.4 to our Current Report on Form 8-K filed March 25, d incorporated herein by reference)
ent and Assumption of Purchase Agreement by and between Grubb & Ellis Realty Investors, LLC and G&E Healthcare REIT rke Building B, LLC, dated March 24, 2008 (included as Exhibit 10.2 to our Current Report on Form 8-K filed March 28, d incorporated herein by reference)
ent and Assumption of Purchase Agreement by and between Grubb & Ellis Realty Investors, LLC and G&E Healthcare REIT Station, LLC, dated March 25, 2008 (included as Exhibit 10.2 to our Current Report on Form 8-K filed March 31, 2008 and ated herein by reference)
ory Note by G&E Healthcare REIT Cypress Station, LLC in favor of National City Bank, dated March 25, 2008 (included as 10.3 to our Current Report on Form 8-K filed March 31, 2008 and incorporated herein by reference)
Trust, Security Agreement, Assignment of Leases and Rents and Financing Statement by G&E Healthcare REIT Cypress LLC for the benefit of National City Bank, dated March 25, 2008 (included as Exhibit 10.4 to our Current Report on K filed March 31, 2008 and incorporated herein by reference)
Guaranty of Payment by Grubb & Ellis Healthcare REIT, Inc. for the benefit of National City Bank, dated March 25, 2008 d as Exhibit 10.5 to our Current Report on Form 8-K filed March 31, 2008 and incorporated herein by reference)
mental Indemnity Agreement by G&E Healthcare REIT Cypress Station, LLC and Grubb & Ellis Healthcare REIT, Inc. for fit of National City Bank, dated March 25, 2008 (included as Exhibit 10.6 to our Current Report on Form 8-K filed March 31, d incorporated herein by reference)
ries of Grubb & Ellis Healthcare REIT, Inc.
of Venable LLP (included in Exhibit 5.1)
of Alston & Bird LLP (included in Exhibit 8.1)
of Deloitte & Touche LLP
of KMJ Corbin & Company LLP
f Attorney (included on signature page)
f Attorney of Larry L. Mathis