DIVIDEND CAPITAL TRUST INC
Form 424B3
September 28, 2006
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FILED PURSUANT TO 424(b)(3)

REGISTRATION NO. 333-122260

SUPPLEMENT NO. 2, DATED SEPTEMBER 28, 2006

TO THE PROSPECTUS DATED JULY 14, 2006

OF DIVIDEND CAPITAL TRUST INC.

We are providing this Supplement No. 2 to you in order to supplement our prospectus dated July 14, 2006 and Supplement No. 1 to our prospectus dated July 14, 2006. Capitalized terms used in this supplement have the same meaning as in our prospectus unless otherwise defined herein. The sub-section Internalization Transaction within the section Recent Developments is considered to be a replacement of the sub-section Proposed Internalization Transaction within our prospectus. All other information in this supplement is considered to be an addition to, and should be read in conjunction with, the information in our prospectus, including the information contained in the following sections: (i) Recent Developments, (ii) Risk Factors, (iii) Management s Discussion and Analysis of Financial Condition and Results of Operations, (iv) Quantitative and Qualitative Disclosures About Market Risk, and (v) Financial Statements.

RECENT DEVELOPMENTS

Internalization Transaction

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

Since our inception, our common stock not been listed or traded on any securities exchange (Listed) or in the over-the-counter market. In addition to considering the Internalization, our board of directors has also been considering whether we should list our common stock on a national securities exchange (a Listing) and has decided that a Listing is likely to be beneficial to us and our stockholders. Accordingly, as described below, our board has recommended that our stockholders approve at our upcoming annual meeting a series of additional corporate actions that will better position us to pursue a Listing, if market conditions make it desirable to do so and it is otherwise in our best interest to do so.

Our board s review of strategic alternatives included a deliberation of whether we should pursue a Listing because of the advantages a Listing could bring. Among other things, a Listing would create greater liquidity for our stockholders, who at present have only very limited opportunities to sell their shares of common stock if and when they wish to do so. A Listing also could allow us greater access to capital to fund our future growth. Finally, our articles of incorporation (our Articles) require that, by February 2013, we either arrange for a Listing of our common stock on a national securities exchange or an over-the-counter market, or begin a liquidation of our assets in an orderly fashion. Completing a Listing well before 2013 could help eliminate uncertainty about whether we could be forced to liquidate at that time. After considering these factors, our board has decided that we should pursue a Listing

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following the consummation of the Internalization, if and when market conditions make it desirable to do so and it is otherwise in our best interest to do so. In connection with such a Listing, we may pursue a capital transaction, including a public offering of our common stock. However, there can be no assurance that we will in fact complete a Listing or that market conditions will permit us to do so. In addition, while we believe that the proposed Internalization should help facilitate a Listing, the Internalization we are proposing is not contingent upon completion of a Listing because we believe the Internalization will be beneficial to us whether or not we complete a Listing.

Contribution Agreement

On July 21, 2006, we entered into a contribution agreement with the Partnership and Dividend Capital Advisors Group LLC (the Advisor s Parent), the parent company of the Advisor, which provides for the Internalization. Our board of directors (Messrs. Thomas G. Wattles, Evan H. Zucker and James R. Mulvihill, who have material financial interests in the transaction, abstained from voting on the matter) approved the contribution agreement after receiving the unanimous recommendation of a special committee comprised of our four independent directors, which special committee retained its own legal and financial advisors.

The contribution agreement provides that, subject to the approval thereof by our stockholders and subject to the satisfaction of certain other conditions, the entire outstanding membership interest, and all economic interests, in the Advisor will be contributed by the Advisor s Parent to the Partnership for an aggregate consideration of 15,111,111 limited partnership units in the Partnership, which includes the modification of the Special Units held by the Advisor s Parent into limited partnership units in the Partnership.

The Internalization is subject to the satisfaction of certain conditions including, among others, approval of the Internalization by our stockholders and there can be no guarantee that the Internalization will be consummated. The annual meeting of our stockholders to vote upon, among other proposals, the Contribution Agreement and the Internalization is to be held on October 6, 2006. Were the Internalization to be consummated, the Advisor would become our wholly-owned subsidiary, we would enter into the employment agreements described below and we would become a fully-integrated, self-administered and self-advised REIT. As a result, we would no longer bear the cost of the advisory fees and other amounts payable under the advisory agreement with the Advisor nor would we be subject to certain of the risks and conflicts of interests relating to the Advisor that are described in our prospectus.

In connection with the closing of the Internalization, we will enter into certain other agreements including:

- a pledge and security agreement whereby the Advisor s Parent will pledge the limited partnership units received as consideration in the Internalization and certain other assets for certain periods to secure its indemnification obligations under the contribution agreement;

- a registration rights agreement whereby we will grant registration rights to the Advisor s Parent and its permitted transferees in respect of any shares of our common stock issued in exchange for the limited partnership units issued in the Internalization; and

- a non-competition agreement with each of Evan H. Zucker and James R. Mulvihill.

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Certain of our directors and officers have material financial interests in the Internalization. In particular, certain of our directors collectively have beneficial ownership and control with their respective spouses of an aggregate of a 58.9% membership interest in the Advisor s Parent and are collectively entitled to receive 32.644% of the net cash flow of the Advisor s Parent, and the Internalization will result in such persons collectively receiving indirect beneficial ownership with their respective spouses of approximately 4.9 million limited partnership units.

Our Current Report on Form 8-K dated July 21, 2006 and filed with the Securities and Exchange Commission (SEC) on July 27, 2006 contains certain additional information related to the Internalization, the Contribution Agreement, certain other related agreements and the material financial interests of certain of our management. This Current Report (excluding the exhibits) is attached as **Annex A** to this Supplement No. 2.

Charter Amendments

In connection with the Internalization, we are also recommending that our stockholders approve at the annual meeting an amendment and restatement of our Articles, which we refer to as the Pre-Listing Charter Amendment. Our Articles contain a number of guidelines for transactions between us and the Advisor and our and its respective affiliates. As described above, if the Internalization is consummated, the Advisor will become a wholly-owned subsidiary of the Partnership, its operations will therefore become part of our business and we will become self-advised. Accordingly, if the Internalization is consummated, the provisions in our Articles relating to the Advisor, its affiliates and to transactions and relations between us and the Advisor and its affiliates will no longer be applicable to our situation. One of the principal purposes of the Pre-Listing Charter Amendment is to remove these inapplicable provisions effective upon the completion of the Internalization. The other principal purpose of the Pre-Listing Charter Amendment is to change the name of our company to DCT Industrial Trust Inc.

Moreover, we are recommending that our stockholders approve at the annual meeting a second set of amendments to our Articles, which we refer to as the Post-Listing Charter Amendment, that would become effective only upon consummation of a Listing to conform more closely with the charters of companies that qualify as REITs for U.S. federal income tax purposes and whose securities are publicly traded and listed on the New York Stock Exchange, Inc. (Listed REITs). If a Listing occurs, it will be possible to remove a number of the limitations and restrictions that are included in our existing Articles, but which our board of directors believes restrict and could possibly prevent us from pursuing favorable investment opportunities. These restrictions are mandated by the Statement of Policy Regarding Real Estate Investment Trusts published by the North American Securities Administrators Association (the NASAA REIT Guidelines) and are currently applicable because we have raised funds through public offerings of our common stock without listing our securities on a national securities exchange. If our securities are Listed, those restrictions no longer will be required because the NASAA REIT Guidelines do not apply to offerings of shares that are Listed. The charters of most Listed REITs do not contain these kinds of limitations and restrictions, and accordingly, if we did not eliminate these restrictions effective upon the completion of a Listing, these restrictions could impair our ability to compete effectively for investments and management talent. Our board of directors believes that these limitations and restrictions should be removed so that we can be governed by a charter that is similar to the charters of Listed REITs. If the Post-Listing Charter Amendment is approved by our stockholders, certain stockholder voting provisions contained in our Articles will be eliminated. Although the amendments to our Articles contained in the Post-Listing Charter Amendment reduce or otherwise eliminate certain voting rights that our stockholders currently have, we are of the view that these proposed amendments will provide greater flexibility with respect to the implementation of our business plan and will make us more competitive with Listed REITs. If the two proposed charter amendments take effect, our bylaws will be amended to eliminate inconsistencies resulting from the proposed amendments to our Articles.

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Compensation Plans

In addition, we are recommending that our stockholders approve the adoption of a 2006 Long-Term Incentive Plan and a 2006 Incentive Compensation Plan. These plans were established by our board of directors, which worked with its legal advisors and with employment compensation consultants to survey and study the market compensation ranges of our competitors.

Our board of directors believes that the ability to offer incentive compensation pursuant to the 2006 Long-Term Incentive Plan and the 2006 Incentive Compensation Plan will be important because it should help us to attract, retain and motivate highly qualified individuals, and to more directly align the interests of our management with those of our stockholders. If the 2006 Long-Term Incentive Plan is approved, no further grants will be made under our existing incentive plans. Many of our competitors have incentive compensation plans that are broader in some ways than our current plans and our board of directors believes that, if we do not adopt plans which provide adequate incentives to our management and other employees, in line competitively with plans of our competitors, we will be at a competitive disadvantage in our ability to attract and retain highly qualified employees. The 2006 Long-Term Incentive Plan is designed to achieve this objective. Our board of directors also believes that issuing shares of our common stock to management pursuant to the 2006 Long-Term Incentive Compensation Plan, under appropriate circumstances, more directly aligns their interests with those of our stockholders and can be used as an effective motivational tool.

The 2006 Incentive Compensation Plan is designed to take advantage of deductions available to us for performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Section 162(m) generally limits the U.S. federal income tax business expense deduction taken by a publicly-traded company for annual compensation paid to its chief executive officer and its four other most highly compensated officers to $1.0 million. However, there is no limit on the deductibility of qualified performance-based compensation.

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

Our Management After the Internalization

If the Internalization is consummated, Evan H. Zucker will resign as Chief Executive Officer, President, Secretary and a director and James R. Mulvihill will resign as Treasurer and Chief Financial Officer. Furthermore, Philip L. Hawkins will become our new Chief Executive Officer and a director and will devote substantially all of his business, time and attention to our company, James D. Cochran will become our new President, Stuart B. Brown will become our new Chief Financial Officer and Matthew T. Murphy will become our new Treasurer.

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Employment Agreements

In connection with the Internalization, on July 21, 2006, we also entered into employment agreements with the following employees of the Advisor or its affiliates: Thomas G. Wattles, James D. Cochran, Daryl H. Mechem, Matthew T. Murphy and Michael Ruen. Each of these persons is currently an officer of our company and has agreed to continue to serve as an officer of our company, effective as of the closing date of the Internalization. These agreements will become effective only if the Internalization is consummated and provide for the executives, upon the closing of the Internalization, to serve as follows: Mr. Wattles will serve as our Executive Chairman; Mr. Cochran will serve as our President and Chief Investment Officer; Mr. Mechem will serve as our Managing Director, Operations; Mr. Murphy will serve as our Senior Vice President, Finance; and Mr. Ruen will serve as our Senior Vice President. The terms of these employment agreements are described in more detail in our Current Report attached as **Annex A** to this Supplement No. 2.

On August 14, 2006, we entered into an employment agreement with Philip L. Hawkins. The employment agreement will become effective only if the Internalization is consummated, and provides for Mr. Hawkins to serve, upon the closing of the Internalization, as our Chief Executive Officer. It is also contemplated that Mr. Hawkins will become a director upon the closing of the Internalization. The terms of this employment agreement are described in more detail in our Current Report on From 8-K, dated August 14, 2006 and filed with the SEC on August 18, 2006. This Current Report is attached as **Annex B** to this Supplement No. 2.

On September 18, 2006, we entered into an employment agreement Stuart B. Brown. The employment agreement will become effective only if the Internalization is consummated, and provides for Mr. Brown to serve, upon the closing of the Internalization, as our Chief Financial Officer. The terms of this employment agreement are described in more detail in our Current Report on From 8-K, dated September 18, 2006 and filed with the SEC on September 22, 2006. This Current Report is attached as **Annex C** to this Supplement No. 2.

Filing of Our June 30, 2006 Quarterly Report on Form 10-Q

On August 14, 2006, we filed with the SEC our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006. This Quarterly Report (excluding the exhibits thereto) is attached as **Annex D** to this Supplement No. 2.

In particular, Item 1A of this Quarterly Report describes certain risks that relate to the Internalization, which you should review and consider.

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ANNEX A TO SUPPLEMENT NO. 2

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 21, 2006

DIVIDEND CAPITAL TRUST INC.

(Exact name of registrant as specified in its charter)

Maryland	**000-50724**	**82-0538520**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

518 17th Street, Suite 1700

Denver, CO 80202

(Address of principal executive offices)

(303) 228-2200

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.
Contribution Agreement

On July 21, 2006, we entered into a contribution agreement (the Contribution Agreement) with Dividend Capital Operating Partnership LP (our Operating Partnership) and Dividend Capital Advisors Group LLC (the Advisor s Parent), the parent company of Dividend Capital Advisors LLC (the Advisor). Our Board of Directors (excluding Messrs. Thomas Wattles, Evan Zucker and James Mulvihill, who have interests in the transaction that are different from, and may potentially conflict with, those of our stockholders and, accordingly, abstained) approved the Contribution Agreement after receiving the unanimous recommendation of a special committee comprised of our four independent directors, which special committee retained its own legal and financial advisors.

Pursuant to an amended and restated advisory agreement with us, the Advisor currently has responsibility for our day-to-day operations subject to the supervision of our Board of Directors, including investment analysis, acquisitions and developments, financing and refinancing, asset management and certain administrative services. The Advisor s Parent owns the entire outstanding membership interest in the Advisor. In addition, the Advisor s Parent holds a special series of units of limited partnership interest (the Special Units) in our Operating Partnership with special distribution rights.

The Contribution Agreement provides that, subject to the approval thereof by our stockholders and subject to the satisfaction of certain other conditions, the entire outstanding membership interest, and all economic interests, in the Advisor will be contributed by the Advisor s Parent to our Operating Partnership and the Special Units will be modified into units of limited partnership interest (OP Units) in our Operating Partnership for a total transaction consideration of 15,111,111 OP Units with an aggregate stated value of approximately $170.0 million (before transaction expenses) (the Internalization). As a result of the Internalization, the Advisor will become a wholly-owned subsidiary of our Operating Partnership and we will become self-advised. In connection with the Internalization, we anticipate that approximately 50 of the Advisor s employees will become our employees. In addition, we have entered into the Employment Agreements described below with certain of the Advisor s or its affiliates employees and, upon closing, such persons will become our employees.

We and the Advisor s Parent have made representations and warranties in the Contribution Agreement and we, our Operating Partnership and the Advisor s Parent have made certain covenants in the Contribution Agreement. In addition, we will submit the Contribution Agreement to our stockholders for approval at a meeting of our stockholders. Consummation of the Internalization is subject to a number of closing conditions, including, among others, (i) the approval of the Contribution Agreement and the transactions contemplated thereby by the affirmative vote of the holders of at least a majority of the shares represented in person or by proxy at a duly constituted meeting of our stockholders and actually voted on the matter and (ii) the receipt of certain consents and approvals. In connection with the closing of the Internalization, we will enter into certain other agreements including (i) noncompete agreements, which will generally restrict the ability of Evan Zucker, our Chief Executive Officer, President, Secretary and a director, and James Mulvihill, our Treasurer, Chief Financial Officer and a director, to engage in various activities in North America in respect of industrial real estate for three years, (ii) a pledge agreement with respect to the indemnification provisions of the Contribution Agreement, pursuant to which the Advisor s Parent will pledge in our favor, and we will hold a first priority security interest in, (a) for a period of 15 months after the Closing Date (the Lock-Up Period), all of the OP Units received in the Internalization, (b) for a period of nine months after the end of the Lock-Up Period (the First Follow-On Period), $20.0 million of cash and/or OP Units plus an amount reasonably sufficient to cover any unresolved claims asserted before the end of the First Follow-On Period, (c) for a period of 12 months after the end of the First Follow-On Period (the Second Follow-On Period), $10.0 million of cash and/or OP Units plus an amount reasonably sufficient to cover any unresolved claims asserted before the end of the Second Follow-On Period and (d) following the end of the Second Follow-On Period, assets equal to the amount of unresolved claims asserted before the end of the Second Follow-On Period until those claims are resolved and (iii) a registration rights agreement pursuant to which we will grant registration rights to the Advisor s Parent and to permitted transferees in respect of any shares of common stock issued to such persons in exchange for the OP Units issued in the Internalization.

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Pursuant to the Contribution Agreement, subject to certain qualifications and limitations, the Advisor s Parent has agreed to indemnify and hold harmless us, our subsidiaries and certain other parties related to us from all losses relating to breaches of the representations and warranties made by the Advisor s Parent in the Contribution Agreement, breaches of the representations and warranties made by the Advisor s Parent in the pledge agreement and breaches of certain of the covenants made by the Advisor s Parent in the Contribution Agreement. In addition, subject to certain qualifications and limitations, we have agreed to indemnify and hold harmless the Advisor s Parent, the Advisor and certain other parties related to them from all losses relating to inaccuracies in the representations and warranties made by us or our Operating Partnership in the Contribution Agreement, the other transaction documents or certain certificates and breaches of certain of the covenants made by us or our Operating Partnership in the Contribution Agreement or the other transaction documents. In general, the representations and warranties survive the closing of the Internalization until 15 months after the Closing Date; provided, however, that certain of our representations and warranties respecting our Securities and Exchange Commission (SEC) filings, the absence of certain changes or events affecting our business and the disclosure in our representations and warranties do not survive the closing, the Advisor s Parent s ERISA representations and warranties survive until 36 months after the Closing Date and certain of the parties other representations and warranties survive until 60 days after the applicable statutes of limitation. Both the Advisor s Parent s indemnification obligations for breaches of representations and warranties and our Operating Partnership s indemnification obligations for breaches of representations and warranties are subject, with limited exceptions, to a $350,000 deductible and are subject to a cap of $170 million. The Advisor s Parent may elect to pay any indemnity obligation in cash or by surrender of the OP Units received in connection with the Internalization on the basis of the units market value, as defined in the Contribution Agreement, on the date of surrender.

The Contribution Agreement may be terminated at any time prior to the closing of the Internalization by the mutual written agreement of us and the Advisor s Parent or by either us or the Advisor s Parent in certain circumstances. In particular, the Contribution Agreement may be terminated by either us or the Advisor s Parent after January 31, 2007 if the closing of the Internalization shall not have occurred by such date.

Certain of our directors and officers have interests in connection with the Internalization and the Advisor. In particular, all of our officers and three of our directors are also employees of the Advisor. Moreover, Thomas Wattles, our Chairman and a director, has indirect beneficial ownership and control with his spouse of a 12.825% membership interest in the Advisor s Parent and is entitled to receive 8.084% of the net cash flow of the Advisor s Parent; Evan Zucker has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and is entitled to receive 12.280% of the net cash flow of the Advisor s Parent; and James Mulvihill has indirect beneficial ownership and control with his spouse of a 23.014% membership interest in the Advisor s Parent and is entitled to receive 12.280% of the net cash flow of the Advisor s Parent. Accordingly, the Internalization will result in Messrs. Wattles, Zucker and Mulvihill receiving indirect beneficial ownership with their respective spouses of approximately 4.9 million OP Units.

Holders of OP Units generally have the right to cause our Operating Partnership to redeem all or a portion of their OP Units for cash or, at our sole discretion, shares of our common stock, or a combination of both. If the Advisor s Parent exercised its redemption rights with respect to its OP Units and we elected to redeem the OP Units for shares of our common stock, Messrs. Wattles, Zucker and Mulvihill would have indirect beneficial ownership with their respective spouses of approximately 4.9 million shares of common stock representing approximately 2.926% of our outstanding shares of common stock, assuming all outstanding OP Units are exchanged for shares of common stock on an one-for-one basis, as of June 30, 2006. In addition, James Cochran, Daryl Mechem, Matthew Murphy and Michael Ruen, employees of the Advisor who are also our officers, pursuant to certain contractual arrangements, are entitled to receive an aggregate of 9.987% of the net cash flow of the Advisor s Parent, which, in connection with the Internalization, will entitle them to receive indirect beneficial ownership of an aggregate of approximately 1.5 million OP Units.

We have certain other relationships with the Advisor and its affiliates which are more fully described in our filings with the SEC, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 16, 2006 and amended on Form 10-K/A filed on April 28, 2006.

The foregoing description of the Internalization and the Contribution Agreement does not purport to be complete and is qualified in its entirety by reference to the Contribution Agreement, which is filed herewith as Exhibit 2.1 and incorporated herein by reference thereto.

The Contribution Agreement contains representations and warranties by us and the Advisor s Parent. The representations and warranties reflect negotiations between the parties to the Contribution Agreement and, in certain cases, merely represent allocation decisions among the parties and may not be statements of fact. As such, the representations and warranties are solely for the benefit of the parties to the Contribution Agreement and may be limited or modified by a variety of factors, including, but not limited to, subsequent events, information included in public filings, disclosures made

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during negotiations, correspondence between the parties and disclosure schedules to the Contribution Agreement. Accordingly, the representations and warranties may not describe the actual state of affairs at the date they were made or at any other time and you should not rely on them as statements of fact.

Employment Agreements

On July 21, 2006, we also entered into employment agreements with the following employees of the Advisor or its affiliates: Thomas Wattles, James Cochran, Daryl Mechem, Matthew Murphy and Michael Ruen (the Employment Agreements). Each of such persons is currently an officer of our company and each has agreed to continue to serve as an officer of our company, effective as of the closing date of the Internalization (the Closing Date). These agreements will become effective only if the Internalization is consummated.

1. Thomas Wattles

The employment agreement with Thomas Wattles (the Wattles Employment Agreement) provides for Mr. Wattles to serve as our Executive Chairman. The Wattles Employment Agreement s initial term commences on the Closing Date and continues for a three-year period.

The Wattles Employment Agreement provides for an annual salary of $200,000. In addition, Mr. Wattles may be eligible to receive a target cash bonus in an amount to be determined and a long-term incentive award.

If Mr. Wattles s employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of his annual base compensation and target bonus (if any) and six months continuing coverage under the group health plans. In addition, in that event, Mr. Wattles will be entitled to a prorated target bonus for the year of termination and the vesting of all outstanding equity awards, if applicable.

Mr. Wattles is subject to a number of restrictive covenants, including an up to one-year non-competition provision that becomes applicable following certain terminations, and non-solicitation, noninterference and confidentiality provisions.

The Wattles Employment Agreement resulted from an arms-length negotiation between us and Mr. Wattles.

2. James Cochran

The employment agreement with James Cochran (the Cochran Employment Agreement) provides for Mr. Cochran to serve as our President. The Cochran Employment Agreement s initial term commences on the Closing Date and continues for a three-year period.

The Cochran Employment Agreement provides for an annual salary of $300,000 and for a target cash bonus of $200,000. In addition to annual salary and target cash bonus, Mr. Cochran will be eligible to receive a long-term incentive award with an aggregate annual target value of $500,000 that vests in equal annual installments over four to five years, subject to the achievement or pre-established, performance-related goals.

If Mr. Cochran s employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of his annual base compensation and target bonus and two years continuing coverage under the group health plans. In addition, in that event, Mr. Cochran will be entitled to a prorated target bonus for the year of termination and the vesting of all outstanding equity awards. In addition, in the case of a termination by us without cause or by Mr. Cochran for good reason following certain changes in control of us, the termination payments will be two times salary and bonus rather than one times salary and bonus.

Mr. Cochran is subject to a number of restrictive covenants, including an up to one-year non-competition provision that becomes applicable following certain terminations, and non-solicitation, noninterference and confidentiality provisions. Upon the scheduled expiration of the employment term or upon a termination following a change of control of us, the non-competition provision will expire upon the date of the termination of employment. Upon a termination of employment by us without cause or by Mr. Cochran for good reason, the non-competition provision will expire six months following the termination of employment.

The Cochran Employment Agreement resulted from an arms-length negotiation between us and Mr. Cochran.

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3. Daryl Mechem

The employment agreement with Daryl Mechem (the Mechem Employment Agreement) provides for Mr. Mechem to serve as our Managing Director, Operations. The Mechem Employment Agreement s initial term commences on the Closing Date and continues for a three-year period.

The Mechem Employment Agreement provides for an annual salary of $250,000 and for a target cash bonus of $125,000. In addition to annual salary and target cash bonus, Mr. Mechem will be eligible to receive a long-term incentive award with an aggregate annual target value of $225,000 that vests in equal annual installments over four to five years, subject to the achievement or pre-established, performance-related goals.

If Mr. Mechem s employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of his annual base compensation and target bonus and six months continuing coverage under the group health plans. In addition, in that event, Mr. Mechem will be entitled to a prorated target bonus for the year of termination and the vesting of all outstanding equity awards.

Mr. Mechem is subject to a number of restrictive covenants, including an up to one-year non-competition provision that becomes applicable following certain terminations, and non-solicitation, noninterference and confidentiality provisions. Upon the scheduled expiration of the employment term or upon a termination following a change of control of us, the non-competition provision will expire upon the date of the termination of employment. Upon a termination of employment by us without cause or by Mr. Mechem for good reason, the non-competition provision will expire six months following the termination of employment.

The Mechem Employment Agreement resulted from an arms-length negotiation between us and Mr. Mechem.

4. Matthew Murphy

The employment agreement with Matthew Murphy (the Murphy Employment Agreement) provides for Mr. Murphy to serve as our Senior Vice President, Finance. The Murphy Employment Agreement s initial term commences on the Closing Date and continues for an eighteen-month period.

The Murphy Employment Agreement provides for an annual salary of $200,000 and for a target cash bonus of $75,000. In addition to annual salary and target cash bonus, Mr. Murphy will be eligible to receive a long-term incentive award with an aggregate annual target value of $25,000 that vests in equal annual installments over four to five years, subject to the achievement or pre-established, performance-related goals.

If Mr. Murphy s employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of his annual base compensation and target bonus and six months continuing coverage under the group health plans. In addition, in that event, Mr. Murphy will be entitled to a prorated target bonus for the year of termination and the vesting of all outstanding equity awards.

Mr. Murphy is subject to a number of restrictive covenants, including an up to one-year non-competition provision that becomes applicable following certain terminations, and non-solicitation, noninterference and confidentiality provisions. Upon the scheduled expiration of the employment term or upon a termination following a change of control of us, the non-competition provision will expire upon the date of the termination of employment. Upon a termination of employment by us without cause or by Mr. Murphy for good reason, the non-competition provision will expire six months following the termination of employment.

The Murphy Employment Agreement resulted from an arms-length negotiation between us and Mr. Murphy.

5. Michael Ruen

The employment agreement with Michael Ruen (the Ruen Employment Agreement) provides for Mr. Ruen to serve as our Senior Vice President. The Ruen Employment Agreement s initial term commences on the Closing Date and continues for a three-year period.

The Ruen Employment Agreement provides for an annual salary of $235,000 and for a target cash bonus of $90,000. In addition to annual salary and target cash bonus, Mr. Ruen will be eligible to receive a long-term incentive award with an aggregate annual target value of $275,000 that vests in equal annual installments over four to five years, subject to the achievement or pre-established, performance-related goals.

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If Mr. Ruen s employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of his annual base compensation and target bonus and two years continuing coverage under the group health plans. In addition, in that event, Mr. Ruen will be entitled to a prorated target bonus for the year of termination and the vesting of all outstanding equity awards.

Mr. Ruen is subject to a number of restrictive covenants, including an up to one-year non-competition provision that becomes applicable following certain terminations, and non-solicitation, noninterference and confidentiality provisions. Upon a termination of employment on or after the second anniversary of the date of the Ruen Employment Agreement or upon a termination following a change of control of us, the non-competition provision will expire upon the date of his termination of employment. Upon a termination of employment by us without cause or by Mr. Ruen for good reason that occurs prior to the second anniversary of the date of the agreement and that does not follow a change of control, the non-competition provision will expire six months following the termination of employment. In addition, Mr. Ruen will forfeit his entire interest in his long-term incentive awards (both vested and unvested) if he terminates without good reason or is terminated for cause on or after the second anniversary of the Ruen Employment Agreement.

The Ruen Employment Agreement resulted from an arms-length negotiation between us and Mr. Ruen.

Item 3.02 Unregistered Sales of Equity Securities.

The information contained in Item 1.01 of this Current Report is incorporated by reference in this Item 3.02. The OP Units to be issued and sold to the Advisor s Parent pursuant to the Contribution Agreement will be issued and sold in reliance on Section 4(2) of the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

2.1	Contribution Agreement by and among Dividend Capital Trust Inc., Dividend Capital Operating Partnership LP and Dividend Capital Advisors Group LLC, dated as of July 21, 2006
10.1	Form of Noncompete Agreement
10.2	Form of Pledge Agreement
10.3	Form of Registration Rights Agreement

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		DIVIDEND CAPITAL TRUST INC.
July 27, 2006	By:	/s/ *Evan H. Zucker* Evan H. Zucker Chief Executive Officer

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ANNEX B TO SUPPLEMENT NO. 2

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 14, 2006

DIVIDEND CAPITAL TRUST INC.

(Exact name of registrant as specified in its charter)

Maryland	**000-50724**	**82-0538520**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

518 17th Street, Suite 1700

Denver, CO 80202

(Address of principal executive offices)

(303) 228-2200

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

x Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.
Employment Agreement with Philip L. Hawkins

As previously disclosed in our Current Report on Form 8-K filed on July 27, 2006, we have entered into a contribution agreement (the Contribution Agreement), dated as of July 21, 2006, with Dividend Capital Operating Partnership LP (our Operating Partnership) and Dividend Capital Advisors Group LLC (the Advisor s Parent), the parent company of Dividend Capital Advisors LLC (the Advisor), our external advisor. The Contribution Agreement provides that, subject to approval by our stockholders and subject to the satisfaction of certain other conditions, the entire outstanding membership interest and all economic interests in the Advisor will be contributed by the Advisor s Parent to our Operating Partnership in exchange for aggregate consideration of 15,111,111 units of limited partnership interest (OP Units) in our Operating Partnership, which includes the modification of a special series of units of limited partnership interest in our Operating Partnership held by the Advisor s Parent into OP Units. We refer to this transaction as the Internalization. In connection with the proposed Internalization, we are also proposing the adoption of our 2006 Long-Term Incentive Plan, which plan will be submitted to our stockholders for approval.

In connection with the Internalization, on August 14, 2006, we entered into an employment agreement (the Employment Agreement) with Philip L. Hawkins. The Employment Agreement will become effective only if the proposed Internalization is consummated.

The Employment Agreement provides for Mr. Hawkins to serve, upon the closing of the proposed Internalization, as our Chief Executive Officer. It is also contemplated that Mr. Hawkins will become a director upon the closing of the proposed Internalization. The Employment Agreement has a three-year term, which, commencing August 14, 2009, will automatically renew for successive one-year periods unless Mr. Hawkins or we give notice of non-renewal or his employment otherwise terminates.

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

Pursuant to the Employment Agreement, Mr. Hawkins will be reimbursed for reasonable moving and relocation expenses related to his relocation to the Denver, Colorado area, with a gross-up for taxes; we will also provide him with a reasonable allowance for temporary housing extending possibly through September 15, 2007 at the latest; and he will be entitled to reimbursement for travel, including commuting costs prior to the relocation of his family to Denver.

If Mr. Hawkins s employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to the sum of two times annual salary, two times the greater of the target bonus for the year of termination and the average of the actual bonuses for the two years prior to the year of termination, two years of continuing coverage under the group health plan, and payments in respect of certain relocation-related obligations. In addition, in that event, Mr. Hawkins will be entitled to a pro-rated target bonus for the year of termination and the vesting of all outstanding equity awards. Mr. Hawkins s equity compensation awards will also vest in the event of a change in control. If the payments under the Employment Agreement, including compensation triggered by a change in control, constitute a parachute payment under the Internal Revenue Code of 1986, as amended, such that an excise tax is imposed, Mr. Hawkins is generally entitled to receive a gross-up payment equal to the amount of such excise tax owed (including any penalties and interest for underpayments) plus the amount necessary to put him in the same after-tax position as if no excise tax had been imposed. Upon his death or termination by us on account of his disability, a pro-rated target bonus for the year of termination will be payable, and any exclusively time-based (as opposed to performance-based) vesting conditions on his equity compensation awards will become inapplicable.

Under the Employment Agreement, Mr. Hawkins is subject to a number of restrictive covenants, including a non-competition provision for up to one year that becomes applicable following certain terminations, and non-solicitation, non-interference and confidentiality provisions. Upon the scheduled expiration of the employment term, the non-competition provision will expire upon the date of the termination of employment.

Additional Information and Where to Find It

The information contained in this Current Report on Form 8-K shall not constitute an offer of any securities for sale. Dividend Capital Trust has filed a preliminary proxy statement with the Securities and Exchange Commission, and will file will a definitive proxy statement and other materials with the SEC, relating to its upcoming stockholders meeting. At the stockholders meeting, stockholders will be asked to approve, among other proposals, a proposal relating to Dividend Capital Trust s proposed internalization of its external management advisor, Dividend Capital Advisors. Investors and security holders are urged to read the preliminary proxy statement, and the definitive proxy statement and these other materials when they become available, because they will contain important information about Dividend Capital Trust, the stockholders meeting, the proposed internalization and other proposals. Investors and security holders may obtain a free copies of the preliminary proxy statement, and the definitive proxy statement and other documents when filed with the SEC, containing information about Dividend Capital Trust, at the SEC s website at *www.sec.gov*. The preliminary proxy statement, and the definitive proxy statement and Dividend Capital Trust s other SEC filings are also available on Dividend Capital Trust s web site at *www.dividendcapitaltrust.com*, and may also be obtained free of charge from Dividend Capital Trust by directing such request in writing to: Dividend Capital Trust Inc., 518 17th Street, Suite 1700, Denver, Colorado 80202, Attention: Investor Relations. Investors and security holders are urged to read the preliminary proxy statement, and the definitive proxy statement and other relevant material when they become available, before making any voting or investment decisions with respect to the proposed internalization.

Participants in the Solicitation

Dividend Capital Trust and its executive officers and directors and Dividend Capital Advisors and its affiliates may be deemed, under SEC rules, to be participants in the solicitation of proxies from Dividend Capital Trust s stockholders with respect to the stockholders meeting, the proposed internalization and the other proposals. Detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, are set forth in the preliminary proxy statement, which was filed with the SEC on August 14, 2006, and will be set forth in the definitive proxy statement and other materials to be filed with the SEC in connection with the stockholders meeting, the proposed internalization and the other proposals.

Item 3.02 Unregistered Sales of Equity Securities.

The information contained in Item 1.01 of this Current Report on Form 8-K is incorporated by reference in this Item 3.02. The 88,889 shares of our common stock to be issued and sold to Mr. Hawkins upon the closing of the proposed Internalization pursuant to his Employment Agreement will be issued and sold in reliance on the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as amended.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DIVIDEND CAPITAL TRUST INC.

August 18, 2006	By: */s/ Evan H. Zucker*
	Name: Evan H. Zucker
	Title: Chief Executive Officer

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ANNEX C TO SUPPLEMENT NO. 2

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 18, 2006

DIVIDEND CAPITAL TRUST INC.

(Exact name of registrant as specified in its charter)

Maryland	**000-50724**	**82-0538520**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

518 17th Street, Suite 1700

Denver, CO 80202

(Address of principal executive offices)

(303) 228-2200

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.
Employment Agreement with Stuart B. Brown

As previously disclosed in our Current Report on Form 8-K filed on July 27, 2006, we have entered into a contribution agreement (the Contribution Agreement), dated as of July 21, 2006, with Dividend Capital Operating Partnership LP (our Operating Partnership) and Dividend Capital Advisors Group LLC (the Advisor s Parent), the parent company of Dividend Capital Advisors LLC (the Advisor), our external advisor. The Contribution Agreement provides that, subject to approval by our stockholders and subject to the satisfaction of certain other conditions, the entire outstanding membership interest, and all economic interests, in the Advisor will be contributed by the Advisor s Parent to our Operating Partnership in exchange for aggregate consideration of 15,111,111 units of limited partnership interest (OP Units) in our Operating Partnership, which includes the modification of a special series of units of limited partnership interest in our Operating Partnership held by the Advisor s Parent into OP Units. We refer to this transaction as the Internalization. In connection with the proposed Internalization, we are also proposing the adoption of our 2006 Long-Term Incentive Plan, which plan will be submitted to our stockholders for approval.

In connection with the Internalization, on September 18, 2006, we entered into an employment agreement (the Employment Agreement) with the Advisor s Parent and Stuart B. Brown. The Advisor s Parent is a party to the Employment Agreement solely in respect of the consulting arrangement described below. Except with respect to the consulting arrangement described below, the Employment Agreement will become effective only if the proposed Internalization is consummated. Furthermore, the term of Mr. Brown s employment with us will not commence and Mr. Brown will not become an employee if the consulting arrangement described below is terminated at or before the time of the closing of the Internalization.

The Employment Agreement provides for Mr. Brown to serve, upon the closing of the proposed Internalization, as our Chief Financial Officer. The Employment Agreement has a three-year term, which, commencing September 18, 2009, will automatically renew for successive one-year periods unless Mr. Brown or we give notice of non-renewal or his employment otherwise terminates.

The Employment Agreement provides for an annual salary of $250,000 and a target annual bonus of $200,000 based on a Bonus Formula (as defined in our 2006 Long-Term Incentive Plan). For 2006, Mr. Brown will be entitled to a prorated portion of a minimum annual guaranteed bonus of $200,000 and, for 2007, Mr. Brown will be entitled to a minimum guaranteed bonus of $160,000. Mr. Brown will also be entitled to receive an annual long-term incentive compensation award with an aggregate annual target value of $250,000, which will vest in equal annual installments over four to five years, subject to the achievement of pre-established, performance-related goals. The 2007 long-term incentive compensation award will be made in February 2007 and will have a value of $250,000. In addition, as contemplated by the Employment Agreement, as a signing bonus, Mr. Brown will receive upon the closing date of the Internalization (the Start Date) a $35,000 cash bonus and, under our 2006 Long-Term Incentive Plan, subject to the approval of the plan by our stockholders, 51,111 restricted shares of our common stock (or equivalent full value awards and including either dividend rights or dividend equivalent rights) vesting over five years (0%, 0%, 25%, 25% and 50%) commencing on the first anniversary of the Start Date.

Pursuant to the Employment Agreement, Mr. Brown will be reimbursed for reasonable moving and relocation expenses related to his relocation to the Denver, Colorado area, with a gross-up for taxes (if applicable); we will also provide him with a reasonable allowance for temporary housing extending up to six months from the Start Date; and he will be entitled to reimbursement for travel, including commuting costs prior to the relocation of his family to Denver, until the date that is six months after the Start Date at the latest.

If Mr. Brown s employment is terminated by us without cause or by him for good reason, he will be entitled to severance generally equal to (i) the greater of (A) his annual aggregate cash compensation for the year of termination and (B) his actual annual cash compensation for the year prior to the year of termination, (ii) one year of continuing coverage under the group health plan and (iii) payments in respect of certain relocation-related obligations. In addition, in that event, Mr. Brown will be entitled to a pro-rated target bonus for the year of termination and the vesting of all outstanding equity awards. Mr. Brown s equity compensation awards will also vest in the event of a change in control. In addition, if we do not become listed on a national securities exchange or market within 24 months after the Start Date and if Mr. Brown then terminates his employment without good reason no later than 27 months after the Start Date, Mr. Brown will also receive, in addition to any other amounts, a cash payment of $250,000. If the payments made by us under the Employment Agreement, including compensation triggered by a change in control, constitute a parachute payment under the Internal

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Revenue Code of 1986, as amended, such that an excise tax is imposed, Mr. Brown is generally entitled to receive a gross-up payment equal to the amount of such excise tax owed (including any penalties and interest for underpayments) plus the amount necessary to put him in the same after-tax position as if no excise tax had been imposed. Upon his death or termination by us on account of his disability, a pro-rated target bonus for the year of termination will be payable, and any exclusively time-based (as opposed to performance-based) vesting conditions on his equity compensation awards will be eliminated.

Under the Employment Agreement, Mr. Brown is subject to a number of restrictive covenants, including a non-competition provision for up to one-year that becomes applicable following certain terminations, and non-solicitation, non-interference and confidentiality provisions. Upon the scheduled expiration of the employment term, the non-competition provision will expire upon the date of the termination of employment.

In addition, the Employment Agreement provides that, prior to the Start Date, Mr. Brown will be retained by the Advisor s Parent as a consultant pursuant to a consulting arrangement, which will terminate on the first day of the term of Mr. Brown s employment with us. In addition, either Mr. Brown or the Advisor s Parent may terminate the consulting arrangement before the commencement of the term of Mr. Brown s employment with us at any time upon 10 days notice.

A description of certain relationships between the Advisor s Parent and our company and our affiliates can be found in the section entitled Certain Relationships and Related Transactions in our definitive Proxy Statement filed with the Securities and Exchange Commission on September 1, 2006 and is incorporated by reference into this item.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DIVIDEND CAPITAL TRUST INC.

September 22, 2006

By: */s/ Evan H. Zucker*
Name: Evan H. Zucker
Title: Chief Executive Officer

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ANNEX D TO SUPPLEMENT NO. 2

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2006

OR

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________

Commission File Number 000-50724

DIVIDEND CAPITAL TRUST INC.

(Exact name of registrant as specified in its charter)

Maryland **(State or other jurisdiction of incorporation or organization)**	**82-0538520** **(I.R.S. Employer Identification No.)**
518 Seventeenth Street, Suite 1700 Denver, Colorado **(Address of principal executive offices)**	**80202** **(Zip Code)**

(303) 228-2200

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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As of July 31, 2006, 150,965,616 shares of common stock of Dividend Capital Trust Inc., par value $0.01 per share, were outstanding.

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Dividend Capital Trust Inc. and Subsidiaries

Index to Form 10-Q

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Dividend Capital Trust Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share information)

	June 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Land	$ 453,844	$ 327,428
Buildings and improvements	2,133,227	1,499,414
Intangible lease assets	206,701	155,276
Construction in progress	29,999	12,807
Total Investment in Properties	2,823,771	1,994,925
Less accumulated depreciation and amortization	(147,445)	(96,604)
Net Investment in Properties	2,676,326	1,898,321
Investments in and advances to unconsolidated joint ventures	16,982	6,090
Net Investment in Real Estate	2,693,308	1,904,411
Cash and cash equivalents	44,849	94,918
Restricted cash	7,048	5,027
Notes receivable	9,231	9,670
Deferred loan costs, net	6,096	6,498
Deferred loan costs financing obligation, net	19,435	12,270
Deferred acquisition costs and deposits	1,849	2,855
Straight line rent and other receivables	15,617	18,347
Other assets, net	7,206	3,699
Total Assets	$ 2,804,639	$ 2,057,695
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 29,801	$ 26,139
Distributions payable	24,451	19,787
Tenant prepaids and security deposits	13,507	9,321
Other liabilities	5,869	6,769
Intangible lease liability, net	14,370	10,320
Lines of credit	132,016	16
Unsecured notes	425,000	
Mortgage notes	650,941	642,242
Financing obligations	228,633	154,713
Total Liabilities	1,524,588	869,307
Minority interests	35,016	55,577

Shareholders equity:		
Preferred shares, 50,000,000 shares authorized, none outstanding		
Shares-in-trust, 100,000,000 shares authorized, none outstanding		
Common shares, $0.01 par value, 350,000,000 shares authorized, 149,598,403 and 133,206,784 shares issued and outstanding, at June 30, 2006 and December 31, 2005, respectively	1,496	1,332
Additional paid-in capital	1,387,485	1,235,156
Distributions in excess of earnings	(147,472)	(100,888)
Accumulated other comprehensive income (loss)	3,526	(2,789)
Total Shareholders Equity	1,245,035	1,132,811
Total Liabilities and Shareholders Equity	$ 2,804,639	$ 2,057,695

The accompanying notes are an integral part of these consolidated financial statements.

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited, in thousands, except per share information)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
REVENUE:				
Rental revenue	$ 51,294	$ 26,375	$ 97,974	$ 45,977
Institutional capital management fees	126		178	
Total Revenue	51,420	26,375	98,152	45,977
EXPENSES:				
Rental expenses	4,859	2,415	9,321	4,850
Real estate taxes	6,587	2,944	13,068	5,328
Depreciation and amortization expense	27,199	14,192	51,691	26,542
General and administrative expense	1,452	701	2,182	1,429
Asset management fees, related party	4,297	1,524	7,815	2,703
Total Expenses	44,394	21,776	84,077	40,852
Operating Income	7,026	4,599	14,075	5,125
Other Income and Expenses:				
Equity in losses of unconsolidated joint ventures, net	(129)		(182)	
Gain recognized on dispositions of real estate interests	4,044		8,032	
Interest expense	(14,755)	(4,827)	(26,436)	(8,545)
Interest income and other	2,060	979	4,522	1,589
Total Other Income and Expenses	(8,780)	(3,848)	(14,064)	(6,956)
Income (Loss) Before Minority Interests	(1,754)	751	11	(1,831)
Minority Interests	108	(3)	298	(3)
NET INCOME (LOSS)	$ (1,646)	$ 748	$ 309	$ (1,834)
NET INCOME (LOSS) PER COMMON SHARE				
Basic	$ (0.01)	$ 0.01	$ 0.00	$ (0.02)
Diluted	$ (0.01)	$ 0.01	$ 0.00	$ (0.02)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	150,053	88,066	147,812	81,331
Diluted	150,053	88,473	150,315	81,331

The accompanying notes are an integral part of these consolidated financial statements.

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statement of Shareholders Equity

And Other Comprehensive Income (Loss)

For the Six Months Ended June 30, 2006

(Unaudited, in thousands)

	Common Shares					
	Shares	Amount	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity
Balance at December 31, 2005	133,207	$ 1,332	$ 1,235,156	$ (100,888)	$ (2,789)	$ 1,132,811
Comprehensive income:						
Net income				309		309
Net unrealized gain on cash flow hedging derivatives					5,986	5,986
Amortization of cash flow hedging derivatives					329	329
Comprehensive income						6,624
Issuance of common shares, net of offering costs	17,313	173	161,218			161,391
Redemption of common shares	(922)	(9)	(8,921)			(8,930)
Amortization of stock options			32			32
Distributions on common shares				(46,893)		(46,893)
Balance at June 30, 2006	149,598	$ 1,496	$ 1,387,485	$ (147,472)	$ 3,526	$ 1,245,035

The accompanying notes are an integral part of these consolidated financial statements.

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited, in thousands)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
OPERATING ACTIVITIES:		
Net income (loss)	$ 309	$ (1,834)
Minority interests	(298)	3
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity in losses of unconsolidated joint ventures, net	182	
Gain recognized on disposition of real estate interests	(8,032)	
Real estate depreciation and amortization	51,691	26,542
Other depreciation and amortization	1,591	127
Loss on hedging activities	11	72
Changes in operating assets and liabilities:		
Other assets	(2,037)	(1,102)
Accounts payable, accrued expenses and other liabilities	5,320	3,539
Net cash provided by operating activities	48,737	27,347
INVESTING ACTIVITIES:		
Real estate investments	(965,557)	(202,068)
Proceeds from dispositions of real estate investments	116,418	
Decrease (increase) in deferred acquisition costs	1,007	(6,384)
Decrease in restricted cash		4,854
Originations of notes receivable from unconsolidated joint ventures	(650)	(3,940)
Proceeds from repayment of notes receivable	1,542	
Master lease payments received	105	1,981
Net cash used by investing activities	(847,135)	(205,557)
FINANCING ACTIVITIES:		
Net proceeds on line of credit	132,000	8
Proceeds from unsecured notes	425,000	
Proceeds from mortgage notes		57,000
Principal payments on mortgage notes	(3,112)	(1,053)
Proceeds from financing obligations	98,465	36,332
Principal payments on financing obligations	(2,723)	(553)
Increase in deferred loan costs	(479)	(1,408)
Increase in deferred loan costs financing obligation	(10,288)	(3,191)
Proceeds from sale of common shares	154,471	291,053
Offering costs for issuance of common shares, related party	(12,241)	(27,658)
Redemption of common shares	(12,870)	(3,151)
Increase in restricted cash	(15)	(6,412)
Settlement of cash flow hedging derivative		(2,232)
Distributions to common shareholders	(18,483)	(10,024)
Distributions to minority interests	(1,396)	
Net cash provided by financing activities	748,329	328,711

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(50,069)	150,501
CASH AND CASH EQUIVALENTS, beginning of period	94,918	23,520
CASH AND CASH EQUIVALENTS, end of period	$ 44,849	$ 174,021
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest expense	$ 25,012	$ 7,970
Assumption of secured debt in connection with real estate acquired	$ 12,369	$ 91,627
Amount issued pursuant to the distribution reinvestment plan	$ 24,087	$ 11,456

The accompanying notes are an integral part of these consolidated financial statements.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

Note 1 Organization and Summary of Significant Accounting Policies

Organization

Dividend Capital Trust Inc. was formed as a Maryland corporation in April 2002 in order to invest in commercial real estate properties, consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. We have qualified, and intend to continue to qualify, as a real estate investment trust (REIT) for federal tax purposes. We are structured as an umbrella partnership REIT (UPREIT) under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, Dividend Capital Operating Partnership LP (our partnership), a Delaware limited partnership, for which Dividend Capital Trust is the sole general partner. As used herein, Dividend Capital Trust , we and us refer to Dividend Capital Trust Inc. and its consolidated subsidiaries and partnerships except where the context otherwise requires.

Our day-to-day activities are managed by Dividend Capital Advisors LLC (our Advisor), an affiliate, under the terms and conditions of an advisory agreement. Our Advisor is currently majority owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. In addition, under the terms of certain dealer manager agreements, Dividend Capital Securities LLC (the Dealer Manager) serves as the dealer manager of our public and private offerings. The Dealer Manager is also indirectly owned by three of our directors and certain officers and/or their affiliates and other third parties. Our Advisor and its affiliates, including the Dealer Manager, receive various forms of compensation, reimbursements and fees for services relating to our private offerings and for the investment and management of our real estate assets.

Currently, there are no employees of Dividend Capital Trust and its subsidiaries. All management and administrative personnel responsible for conducting our business are currently employed by our Advisor and the Dealer Manager. Currently, our Advisor and its affiliates have over 100 full-time employees engaged in business activities on our behalf.

On July 21, 2006, we entered into a contribution agreement with our partnership and Dividend Capital Advisors Group LLC (the Advisor s Parent), the parent company of our Advisor, which provides that the entire outstanding membership interest, and all economic interests, in our Advisor will be contributed by the Advisor s Parent to our partnership for an aggregate consideration of 15,111,111 limited partnership units in our partnership, which includes the modification of the Special Units (which are described below in Note 7 Minority Interests) held by the Advisor s Parent into limited partnership units in our partnership. We refer to this transaction as the Internalization. The Internalization is subject to the satisfaction of certain conditions including, among others, approval of the Internalization by our shareholders. The annual meeting of our shareholders to vote upon, among other proposals, the contribution agreement and the Internalization is to be held on a date to be determined. See Note 13 Subsequent Event for additional information regarding the contribution agreement.

Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting only of normal recurring items necessary for their fair presentation in conformity with GAAP. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with our audited consolidated financial statements as of December 31, 2005, and related notes thereto as filed on Form 10-K on March 16, 2006 and amended on Form 10-K/A filed on April 28, 2006.

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Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain items in the consolidated financial statements for periods in 2005 have been reclassified to conform to the current period classifications.

Investment in Real Estate

We capitalize direct costs associated with the acquisition, development or improvement of real estate, including acquisition fees and leasing costs paid to our Advisor. Costs associated with acquisition or development pursuits are capitalized as incurred and if the pursuit is abandoned, these costs are expensed in the period in which the pursuit is abandoned. Costs associated with the improvement of our real estate assets are also capitalized as incurred. However, costs incurred in making repairs to, and for maintaining, our real estate which do not extend the life of our assets are expensed as incurred.

Upon acquisition, the total cost of a property is allocated to land, building, building and land improvements, tenant improvements and intangible lease assets and liabilities pursuant to Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS No. 141). The allocation of the total cost to land, building, building and land improvements and tenant improvements is based on our estimate of their fair value based on all available information such as the replacement cost of such assets, appraisals, property condition reports, market data and other related information. Pursuant to SFAS No. 141, the difference between the fair value and the face value of debt assumed in an acquisition is recorded as a premium or discount and amortized to interest expense over the life of the debt assumed. The valuation of assumed liabilities is based on the current market rate for similar liabilities. The allocation of the total cost of a property to an intangible lease asset includes the value associated with the in-place leases which may include leasing commissions, legal and other costs. In addition, the allocation of the total cost of a property requires allocating costs to an intangible asset or liability resulting from in-place leases being above or below the market rental rates on the date of the acquisition. These assets or liabilities will be amortized over the life of the remaining in-place leases as an adjustment to revenue.

Aggregate net amortization for intangible assets and liabilities recognized pursuant to SFAS No. 141 was approximately $8.2 million and $15.8 million for the three and six months ended June 30, 2006, respectively, and $5.1 million and $9.1 million for the same periods in 2005, respectively. The following table describes the estimated net amortization of such intangible assets and liabilities for the next five years:

For the 12 Months Ended June 30,	Estimated Net Amortization
2007	$ 36,735
2008	32,900
2009	26,977
2010	20,382
2011	8,221
	$ 125,215

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Real estate, including land, building, building and land improvements, tenant improvements and leasing costs, and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the related assets or liabilities as follows:

Description	Standard Depreciable Life
Land	Not depreciated
Building	40 years
Building and land improvements	20 years
Tenant improvements	Over lease term
Lease commissions	Over lease term
Intangible lease assets and liabilities	Average term of leases for property
Above/below market rent assets/liabilities	Over lease term

The table above reflects the standard depreciable lives typically used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities. The cost of assets sold or retired and the related accumulated depreciation and/or amortization is removed from the accounts and the resulting gain or loss is reflected in the consolidated statement of operations in the period in which such sale or retirement occurs.

Equity Method

We present investments in unconsolidated joint ventures under the equity method. The equity method is used when we have the ability to exercise significant influence over the operating and financial policies of a joint venture but do not control the joint venture. Under the equity method, these investments (including advances to the joint venture) are initially recorded on our consolidated balance sheets at our cost and are subsequently adjusted to reflect our proportionate share of net earnings or losses of each of the joint ventures, distributions received, contributions made and certain other adjustments, as appropriate. Such investments are included in investments in and advances to unconsolidated joint ventures on the accompanying consolidated balance sheets (see Note 8 Investments in and Advances to Unconsolidated Joint Ventures).

Comprehensive Income (Loss)

We report comprehensive income (loss) in the accompanying consolidated statement of shareholders equity and other comprehensive income (loss). Amounts reported in accumulated other comprehensive income (loss) related to hedging transactions will be amortized to interest expense over the life of our hedged debt issuances. Any ineffectiveness, as defined by SFAS No. 133 (defined below), related to our hedging transactions is reported in the accompanying consolidated statements of operations. See Note 4 Hedging Activities for additional information.

Derivative Instruments and Hedging Activities

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS No. 133, we record all derivatives on our consolidated balance sheets at fair value. Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the designation of the derivative. Derivatives used to hedge our exposure to changes in the fair value of an asset, liability, or firm commitments attributable to a particular risk are considered fair value hedges. Derivatives used to hedge our exposure to variability in expected future interest payments, or other types of forecasted transactions, are considered cash flow hedges.

As of June 30, 2006, all of the hedges entered into by us had been designated as cash flow hedges. For derivatives designated as cash flow hedges, the changes in the fair value of the derivative that represent changes in expected future cash flows that are effectively hedged by the derivative are initially reported in other comprehensive income (loss) on our consolidated statement of shareholders equity and other comprehensive income (loss) (i.e., not included in earnings) until the derivative is settled. Upon settlement, the effective portion of the hedge is recognized

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in other comprehensive income (loss) and amortized over the term of the designated cash flow or transaction the derivative was intended to hedge. The change in value of any derivative that is deemed to be ineffective is charged directly to earnings when the determination of ineffectiveness is made. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. We do not use derivatives for trading or speculative purposes.

Our objective in using derivatives is to add stability to future interest expense and to manage our exposure to interest rate volatility associated with our forecasted debt issuances and certain variable rate borrowings. To accomplish this objective, we primarily use treasury locks and forward-starting swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate fluctuations by providing a future fixed interest rate for a limited, pre-determined period of time. During the six months ended June 30, 2006 and 2005, such derivatives were used to hedge the variability in existing and future interest expense associated with existing variable rate borrowings and forecasted issuances of debt, which include the issuance of new debt, as well as refinancing of existing debt upon maturity.

Revenue Recognition

We record rental revenue for the full term of each lease on a straight-line basis. Certain properties have leases that provide for customer occupancy during periods that no rent is due or where minimum rent payments increase during the term of the lease. Accordingly, we record a receivable from customers that we expect to collect over the remaining lease term rather than currently, which will be recorded as straight-line rents receivable. When we acquire a property, the term of existing leases is considered to commence as of the acquisition date for the purposes of this calculation. For the three and six months ended June 30, 2006, the total increase to rental revenues due to straight-line rent adjustments was approximately $1.8 million and $4.1 million, respectively. For the three and six months ended June 30, 2005, the total increase to rental revenues due to straight-line rent adjustments was approximately $0.7 million and $1.5 million, respectively.

In connection with property acquisitions, we may acquire leases with rental rates above and/or below the market rental rates. Such differences are recorded as an intangible asset or liability pursuant to SFAS No. 141 and amortized to rental revenues over the life of the respective leases. For the three and six months ended June 30, 2006, the total net decrease to rental revenues due to the amortization of above and below market rents was approximately $0.4 million and $0.8 million, respectively. The total net decrease during the same periods in 2005 was approximately $0.4 million and $0.9 million, respectively.

In connection with certain property acquisitions, we have entered into master lease agreements with various sellers whereby the sellers are obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or the commencement of rent from a new customer. For financial reporting purposes, rental payments under master lease agreements are reflected as a reduction of the basis of the underlying property rather than rental revenue. For the three and six months ended June 30, 2006, the total master lease payments received were approximately $18,000 and $105,000, respectively. For the three and six months ended June 30, 2005, the total master lease payments received were approximately $1.0 million and $2.0 million, respectively.

During the three and six months ended June 30, 2006, the net loss associated with early lease terminations was $0.3 million and $0.1 million, respectively. During the three months ended June 30, 2005, we had a customer in a building located in Atlanta, Georgia terminate its lease early and pay an early termination fee of approximately $3.7 million, resulting in a recognized gain of approximately $2.8 million. Gains (losses) associated with early termination of leases are included in rental revenue in the accompanying consolidated statements of operations.

Stock-Based Compensation

We have adopted an employee stock option plan (the Employee Option Plan) and an independent director stock option plan which we use in an effort to attract and retain qualified independent directors (the Independent Director Option Plan). We previously accounted for these plans pursuant to SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), and effective January 1, 2006, we adopted the provisions of SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)) and its related interpretations (see Note 10 Stock Option

Plans and Warrant Purchase Agreements). Options granted under our Employee Option Plan and the Independent Director Option Plan are valued using the Black-Scholes option-pricing model (Black-Scholes) and are amortized to salary expense on a straight-line basis over the period during which the right to exercise such options fully vests. Such expense is included in general and administrative expense on the accompanying consolidated statements of operations.

New Accounting Pronouncements

On July 13, 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, (FIN 48). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification of interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. We will be required to adopt this interpretation in the first quarter of 2007. We are currently evaluating the requirements of FIN 48. We do not believe such adoption will have a material impact on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123(R) which is a revision of SFAS No. 123. SFAS No. 123(R) establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for publicly listed companies for the annual period beginning after December 15, 2005. The adoption of SFAS No. 123(R) requires the unamortized portion of any options issued prior to 2002 to be amortized over the remaining life of those options. We adopted SFAS No. 123(R) during the first quarter of 2006 and there was no material impact on our consolidated financial statements.

In June 2005, the Emerging Issues Task Force, or EITF, issued EITF Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights.* Under this consensus, a sole general partner is presumed to control a limited partnership (or similar entity) and should consolidate that entity unless the limited partners possess kick-out rights or other substantive participating rights as described in EITF Issue No. 96-16, *Investor s Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights.* As of June 29, 2005, this consensus was effective immediately for all new or modified agreements, and effective beginning in the first reporting period ending after December 15, 2005 for all existing agreements. We adopted the requirements of this consensus in the third quarter of 2005 and such adoption did not have a material impact on our consolidated financial statements.

Note 2 Real Estate

Our consolidated real estate assets consist of operating properties, properties under development and land held for future development. Our real estate assets, presented at historical cost, include the following as of June 30, 2006 and December 31, 2005 (amounts in thousands):

	June 30, 2006	December 31, 2005
Operating properties	$ 2,782,671	$ 1,978,475
Properties under development	31,963	8,401
Land held for development	9,137	8,049
Total investment in properties	2,823,771	1,994,925
Less accumulated depreciation and amortization	(147,445)	(96,604)
Net investment in properties	$ 2,676,326	$ 1,898,321

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Acquisition Activity

During the six months ended June 30, 2006, we acquired 117 properties located in 17 markets, aggregating approximately 17.2 million square feet for a total cost of approximately $926.8 million, which includes acquisition fees paid to our Advisor. These properties were acquired using net proceeds from our public and private offerings, debt issuances and existing cash balances. For all properties acquired and consolidated, the results of operations for such properties are included in our consolidated statements of operations from the dates of acquisition.

Notable Acquisitions

Cal TIA Portfolio

On June 9, 2006, we purchased a portfolio of 78 buildings comprising approximately 7.9 million rentable square feet located in eight markets, as well as a land parcel comprising 9.2 acres located in the Orlando market (collectively referred to as the Cal TIA Portfolio), for a total estimated cost of approximately $500.7 million (which includes an acquisition fee of $4.9 million that is payable to our Advisor). Upon acquisition, this portfolio was 92.2% leased and occupied. This portfolio was acquired from an unrelated third party. We funded this purchase using our existing cash balances, net proceeds from public offerings, our partnership s private placement and debt proceeds of approximately $387.0 million. These debt proceeds consisted of borrowings from our senior unsecured revolving credit facility in the amount of $112.0 million and the issuance of $275.0 million of senior unsecured notes. See Note 3 Debt for additional information regarding our debt issuances. The preliminary allocation of the purchase price was based on our estimate of the fair value based on all available information and will be finalized during the remainder of 2006.

PC Portfolio

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

OCMI Portfolio

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

Disposition Activity

Contribution of Properties to an Institutional Fund

On February 21, 2006, we entered into a joint venture with affiliates of Boubyan Bank of Kuwait (our Partner), an unrelated third party, to create an institutional fund, DCT Fund I LLC (the Fund), that owns and operates industrial properties located in the United States. We contributed six industrial properties to the Fund, comprising approximately 2.6 million rentable square feet after the completion of a 330,000 square foot expansion project. The contribution value of the six buildings upon completion of the expansion was approximately $122.8 million. Contemporaneously with our contribution, the Fund issued $84.4 million of secured non-recourse debt and our Partner contributed $19.7 million of equity to the Fund. Upon receipt of these proceeds, the Fund made a special distribution to us of approximately $102.7 million. The expansion was completed during June 2006, and contemporaneously with the completion of the expansion, the Fund issued $11.1 million of additional secured non-recourse debt and our Partner contributed $2.6 million of equity to the Fund. Upon receipt of these proceeds, the Fund made a special distribution to us of approximately $13.7 million. With the completion of these transactions, our ownership of the Fund is approximately 20% and our Partner s ownership of the Fund is approximately 80%.

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The contribution of the six properties into the Fund (exclusive of the expansion project) resulted in a gain of approximately $5.0 million of which approximately $4.0 million was recognized in our earnings for the three months ended March 31, 2006. The completion of the expansion in June 2006 resulted in an additional gain of approximately $5.1 million of which approximately $4.1 million was recognized in earnings. In total, the transaction resulted in an aggregate gain of approximately $8.1 million for the six months ended June 30, 2006. This $8.1 million corresponds to our Partner s ownership interest in the Fund (i.e., 80% of the total gain). The remaining gain of approximately $2.0 million has been deferred and will be amortized to earnings over the weighted average lives of the Fund s properties.

Pursuant to our joint venture agreement, we act as asset manager for the Fund and earn certain fees including asset management fees and leasing commissions, as well as other fees related to the properties we manage. Such fees totaled approximately $126,000 and $178,000 for the three and six months ended June 30, 2006. In addition to these fees, after the partners are repaid their respective capital contributions plus a preferred return, we have the right to receive a promoted interest in the Fund based upon performance. Although the Fund s day-to-day business affairs are managed by us, all major decisions are determined by both us and our Partner.

Development and Expansion Projects

Sycamore Canyon

On April 20, 2006, we entered into a joint venture agreement with SycCanyonS JP/PI, LLC, (SycCanyonS), an unrelated third-party developer, to acquire approximately 35 acres of land and to develop two warehouse buildings comprising approximately 900,000 square feet in the City of Riverside, California (Sycamore Canyon). Pursuant to the joint venture agreement, SycCanyonS and we will provide approximately 10% and 90%, respectively, of the required equity capital, which is currently estimated to be approximately $4.0 million with respect to the first building, to fund the development project. Both parties will receive a preferred return on their respective capital contributions. We have the right to purchase SycCanyonS s interest in the venture at any time after the later to occur of (i) stabilization of the project, and (ii) the date 48 months after completion of the project. We currently estimate that the first building will be completed in January 2007 for a total estimated cost of approximately $23.2 million including land costs. Our investment in this joint venture is included in investments in and advances to unconsolidated joint ventures in the accompanying consolidated balance sheets.

SouthCreek IV Distribution Facility

On May 19, 2005, we entered into a joint venture agreement with SV Atlanta SouthCreek IV, L.P. (SouthCreek), an unrelated third-party developer, to acquire 37 acres of land and to develop a 556,800 square foot distribution facility located in Atlanta, Georgia. Pursuant to the joint venture agreement, SouthCreek and we will provide approximately 3% and 97%, respectively, of the required equity capital, which is estimated to be a total of approximately $5.6 million, to fund the development project. Both parties will receive a preferred return on their respective capital contributions. We have the right to purchase SouthCreek s interest in the venture at any time after the later to occur of (i) stabilization of the project, and (ii) the date 18 months after completion of the project. We currently estimate that the facility will be completed in August 2006 for a total estimated cost of approximately $17.5 million. Our investment in this joint venture is included in investments in and advances to unconsolidated joint ventures in the accompanying consolidated balance sheets.

Veterans Parkway

On October 20, 2005, we purchased a shell-complete building comprising approximately 189,000 square feet and a pad-ready land parcel located in Chicago, Illinois from Seefried Properties (Seefried), an unrelated third-party developer. In connection with the acquisition, we entered into a joint venture agreement with Seefried to stabilize the shell-complete building and to complete the development of a second building on the pad-ready land parcel. The development of the second building will commence upon the shell-complete building reaching stabilization. Upon both the shell-complete building and the second building reaching stabilization, either member of the joint venture has the right to initiate a put/call procedure pursuant to which we would acquire the remaining interest held by Seefried in the joint venture based on previously negotiated terms, mostly dependent upon leasing, for a total estimated cost of $19.0 million. We expect the shell-complete building to be stabilized during the third quarter of 2006.

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Buford Distribution Center

In October 2004, we entered into certain agreements with Wachovia Bank National Association (Wachovia) and an unrelated third-party developer in connection with our commitment to acquire two buildings, referred to as the Buford Distribution Center, totaling 677,667 square feet. On March 31, 2006, we acquired this development project from the third-party developer and retired the debt with Wachovia for approximately $20.0 million.

Memphis Trade Center III Expansion

In 2005, we entered into an agreement with Johnson and Johnson Health Care Systems, Inc. (J&J), a current customer which leases 440,000 square feet located in our Memphis Trade Center III, to expand J&J s space in the existing building to an aggregate of 770,000 square feet. Subsequent to us entering into this agreement, we entered into an agreement to create the Fund and contribute this property into the Fund (see Disposition Activity Contribution of Properties to an Institutional Fund). The expansion was completed in June 2006.

Forward Purchase Commitments

Deltapoint

On March 28, 2005, a wholly-owned subsidiary of our partnership entered into a joint venture agreement with Deltapoint Park Associates, LLC, an unrelated third-party developer, to acquire 47 acres of land and to develop an 885,000 square foot distribution facility located in Memphis, Tennessee. Deltapoint Park Partners LLC (Deltapoint), a Delaware limited liability company, was created for the purpose of conducting business on behalf of the joint venture. Pursuant to Deltapoint s operating agreement, we were obligated to make the majority of the initial capital contributions and we received a preferred return on such capital contributions. Subsequent to the closing of a construction loan in May 2005, Deltapoint repaid us our initial capital contributions plus our preferred return and we ceased to be a member of Deltapoint. Contemporaneously with the closing of the construction loan, our partnership entered into a forward purchase commitment agreement whereby we are obligated to acquire the distribution facility from Deltapoint upon the earlier to occur of (i) stabilization of the project, and (ii) May 9, 2007, at a purchase price, mostly dependent upon leasing, based on the originally budgeted development costs of approximately $23.2 million. Construction of the facility was completed early in 2006 and the facility is currently in the leasing phase.

Note 3 Debt

As of June 30, 2006, the historical cost of all our consolidated properties was approximately $2.8 billion and the historical cost of all properties securing our fixed rate mortgage debt and senior secured credit facility was approximately $1.2 billion and $116.1 million, respectively. Our debt has various financial covenants and we were in compliance with all of these covenants at June 30, 2006.

Debt Issuances

In June 2006, we issued $275.0 million of senior unsecured notes requiring monthly interest-only payments at a variable interest rate of LIBOR plus 0.73%, which mature in June 2008. In conjunction with this transaction, we entered into a $275.0 million, swap to mitigate the effect of potential changes in LIBOR. See Note 4 Hedging Activities for additional information regarding our hedging transactions. In April 2006, we issued $50.0 million of senior unsecured notes with a fixed interest rate of 5.53%, which mature in January 2011, and $50.0 million of senior unsecured notes with a fixed interest rate of 5.77%, which mature in January 2016. The notes require quarterly interest-only payments until maturity at which time a lump sum payment is due. In January 2006, we issued $50.0 million of senior unsecured notes requiring quarterly interest-only payments at a fixed interest rate of 5.68% which mature in January 2014.

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In September 2005, we issued a $3.9 million secured, non-recourse note with a fixed interest rate of 4.97% which matures in October 2013. The note requires interest-only payments until April 1, 2007 at which time monthly payments of principal and interest are required. In January 2005, we issued $57.0 million of secured, non-recourse notes with a stated fixed interest rate of 4.40% which mature in 2010. Prior to January 1, 2006, the notes required monthly payments of interest-only and thereafter monthly payments of principal and interest are required.

Debt Assumptions

During the six months ended June 30, 2006, we assumed secured notes of approximately $12.4 million in connection with three property acquisitions. These assumed notes bear interest at fixed and variable rates ranging from 5.79% to 7.48% and require monthly payments of either interest, or principal and interest. The maturity dates of the assumed notes range from August 2011 to April 2013. Pursuant to SFAS No. 141, the difference between the fair value and face value of these assumed notes at the date of acquisition resulted in a premium of approximately $455,000, which is amortized to interest expense over the remaining life of the underlying notes.

During the year ended December 31, 2005, we assumed nineteen secured, non-recourse notes, totaling $434.1 million, excluding premiums, in conjunction with the acquisition of certain properties. These assumed notes bear interest at fixed and variable rates ranging from 4.72% to 8.50% and require monthly payments of either interest, or principal and interest. The maturity dates of such assumed notes range from February 2008 to November 2022. Pursuant to SFAS No. 141, the difference between the fair value and face value of these assumed notes at the date of acquisition resulted in a premium of approximately $8.7 million, which is amortized to interest expense over the remaining life of the underlying notes.

For the three and six months ended June 30, 2006, the amortization of these premiums resulted in a decrease of approximately $509,000 and $1,012,000, respectively, of interest expense. For the three and six months ended June 30, 2005, the amortization of these premiums resulted in a decrease of approximately $296,000 and $463,000, respectively, of interest expense.

Lines of Credit

In June 2006, we borrowed approximately $132.0 million under our existing senior unsecured revolving credit facility to fund certain property acquisitions. Most notably, we borrowed $112.0 million to fund our acquisition of the Cal TIA portfolio. Our acquisition of the Cal TIA portfolio is discussed in further detail in Note 2 Real Estate.

In December 2005, we amended our existing $225 million senior secured revolving credit facility such that it is now a $250 million senior unsecured facility with a syndicated group of banks led by JPMorgan Securities. The facility matures in December 2008 and has provisions to increase its total capacity to $400 million. At our election, the facility bears interest either at LIBOR plus 0.875% to 1.375%, depending upon our consolidated leverage, or at prime, and is subject to an annual 0.25% facility fee. The facility contains various covenants including financial covenants with respect to consolidated leverage, net worth, unencumbered assets, interest and fixed charge coverage and secured debt to total asset value. As of June 30, 2006, we were in compliance with all these financial covenants. As of June 30, 2006, there was a $132.0 million outstanding balance under this facility and, as of December 31, 2005, there was no outstanding balance under this facility.

Contemporaneously with the amendment of our senior secured revolving credit facility, we entered into a $40 million senior secured revolving credit facility with a separate syndicated bank group led by JPMorgan Securities pursuant to which the bank group has agreed to advance funds to our partnership and third-party investors in our partnership s private placement using undivided tenancy-in-common interests in our buildings as collateral. The facility matures in December 2008 and has provisions to increase its total capacity to $80 million. At our election, the facility bears interest either at LIBOR plus 1.25% to 1.75%, depending upon our consolidated leverage, or at prime and is subject to an unused facility fee. The facility contains various covenants including financial covenants with respect to consolidated leverage, net worth, interest and fixed charge coverage and secured debt to total asset value. As of June 30, 2006, we were in compliance with all these financial covenants. According to the terms of the facility, in addition to our borrowings, any loans made to third-party investors in our partnership s private placement reduce the total capacity available from the facility. In addition, the obligations of the borrowers under the facility are several, but not joint. As of June 30, 2006 and December 31, 2005, approximately $14.2 million and $14.1 million, respectively, of loans were outstanding with respect to such third parties and we had an outstanding balance of $16,000 at both periods.

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Amortization of Loan Costs

Our interest expense for the three and six months ended June 30, 2006 includes $0.6 million and $0.9 million of the amortization of loan costs, respectively, and $0.4 million and $0.8 million of such amortization for the same periods in 2005.

Note 4 Hedging Activities

During the six months ended June 30, 2006, we entered into forward-starting interest rate swaps to hedge our interest rate risk associated with forecasted fixed-rate debt issuances that are expected to occur during the period from 2007 through 2012. Additionally, during June 2006, we entered into an eight-month, LIBOR-based, forward-starting swap to mitigate the effect on cash outflows attributable to changes in LIBOR related to the $275.0 million variable rate, unsecured debt issuance in June 2006. See Note 3 Debt for additional information regarding our debt issuances. These forward-starting interest rate swaps have been designated as cash flow hedges.

Unrealized gains of $4.5 million and $6.0 million were recorded during the three and six months ended June 30, 2006, respectively, and unrealized losses of $6.3 million and $4.1 million were recorded during the three and six months ended June 30, 2005, respectively, to shareholders equity and other comprehensive income (loss) as a result of the change in fair value of the outstanding hedges. There was no ineffectiveness measured for the three and six months ended June 30, 2006. As a result of ineffectiveness due to the change in estimated timing of the anticipated debt issuance, approximately $72,000 was recorded as a realized loss during the three and six months ended June 30, 2005. Losses resulting from hedging ineffectiveness are recorded as a reduction of interest income and other in our accompanying consolidated statements of operations.

As of June 30, 2006, and December 31, 2005, the accumulated other comprehensive income (loss) balance pertaining to the hedges was income of approximately $3.5 million and loss of approximately $2.8 million, respectively. Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be amortized to interest expense as interest payments are made on our current fixed-rate debt and anticipated debt issuances. During the next 12 months, we estimate that approximately $272,000 will be amortized from other comprehensive income (loss) to interest expense resulting in an increase in our interest expense.

Note 5 Public Offerings

Since December 2002, we have conducted four successive public offerings of our common stock on a continuous basis and raised approximately $1.4 billion of net proceeds. On January 23, 2006, we closed the primary offering component of our fourth public offering, but we will continue to offer shares pursuant our distribution reinvestment plan.

These offerings have been conducted pursuant to four registration statements filed with the SEC throughout this time period and were managed by the Dealer Manager (see Note 9 Related Party Transactions). Pursuant to the first two registration statements, we sold our common stock at a price of $10.00 per share and, pursuant to the third and fourth registration statements, we sold our common stock at a price of $10.50 per share.

As of June 30, 2006, approximately 149.6 million shares of common stock were issued and outstanding. The net proceeds from the sale of these securities were transferred to our partnership on a one-for-one basis for limited partnership units. Our partnership has used these proceeds to fund the acquisition and development of our properties.

Note 6 Our Partnership s Private Placement

Our partnership is currently offering undivided tenancy-in-common interests in our properties to accredited investors in a private placement exempt from registration under the Securities Act of 1933, as amended, and, as of June 30, 2006, the historical cost of those properties included in our partnership s private placement was $256.7 million. We anticipate that these tenancy-in-common interests may serve as replacement properties for investors seeking to complete like-kind exchange transactions under Section 1031 of the Internal Revenue Code. Additionally, the tenancy-in-common interests sold to accredited investors are 100% leased by our partnership, and such leases contain purchase options whereby our partnership has the right, but not the obligation, to acquire the tenancy-in-common interests from the investors at a later point in time in exchange for limited partnership units in our partnership under Section 721 of the Internal Revenue Code.

Our partnership pays certain up-front fees and reimburses certain related expenses to our Advisor, the Dealer Manager and Dividend Capital Exchange Facilitators LLC (the Facilitator), an affiliate of our Advisor, for raising capital through the private placement. Our Advisor is obligated to pay all of the offering and marketing related costs associated with the private placement. However, our partnership is obligated to pay our Advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised through the private placement. In addition, our partnership is obligated to pay the Dealer Manager a dealer manager fee of up to 1.5% of gross equity proceeds raised and a commission of up to 5% of gross equity proceeds raised through the private placement. The Dealer Manager may re-allow such commissions and a portion of such dealer manager fee to participating broker dealers. Our partnership is also obligated to pay a transaction facilitation fee to the Facilitator of up to 1.5% of gross equity proceeds raised through the private placement.

During the three and six months ended June 30, 2006, we raised approximately $48.5 million and $98.5 million, respectively, from the sale of undivided tenancy-in-common interests in five and nine buildings, respectively, and such proceeds are recorded as financing obligations in the accompanying consolidated balance sheets pursuant to SFAS No. 98 *Accounting for Leases* (SFAS No. 98). During the same periods in 2005, we raised approximately $18.4 million and $36.3 million, respectively, from the sale of such interests. We have leased back the undivided interests sold to unrelated third-party investors and, in accordance with SFAS No. 98, a portion of the rental payments made to such investors under these lease agreements are recognized as interest expense using the interest method. In addition, the lease agreements each provide for a purchase option whereby our partnership may purchase each undivided tenancy-in-common interest after a certain period of time in exchange for limited partnership units.

During the three and six months ended June 30, 2006, we incurred approximately $3.5 million and $6.3 million, respectively, of rent under various lease agreements with certain third-party investors. During the same periods in 2005, we incurred approximately $0.9 million and $1.6 million, respectively, of rent under various lease agreements with certain third-party investors. A portion of such amounts was accounted for as a reduction of the outstanding principal balance of the financing obligations and a portion was accounted for as an increase to interest expense in the accompanying consolidated financial statements. The various lease agreements in place as of June 30, 2006 contain expiration dates ranging from February 2020 to December 2025.

During the three and six months ended June 30, 2006, our partnership incurred upfront costs of approximately $4.8 million and $9.7 million payable to our Advisor and other affiliates for affecting these transactions which are accounted for as deferred loan costs. During the same periods in 2005, our partnership incurred upfront costs of approximately $1.5 million and $3.1 million, respectively. Such deferred loan costs are included in other assets in the accompanying consolidated balance sheets and amortized to interest expense over the life of the financing obligation. If our partnership elects to exercise any purchase option as described above and issue limited partnership units, the unamortized up-front fees and expense reimbursements paid to affiliates will be recorded against minority interests as a selling cost of the limited partnership units. If our partnership does not elect to exercise any such purchase option, we will continue to account for these transactions as a financing obligation because we will continue to sublease 100% of the properties and will therefore not meet the definition of active use set forth in SFAS No. 98 in order to recognize the sale of such tenancy-in-common interests.

During the six months ended June 30, 2006, our partnership exercised purchase options to buy the tenancy-in-common interests it had previously sold in two industrial properties. The following table sets forth certain details regarding these transactions (amounts in thousands):

Exercise Date	Property	Market	Limited Partnership Units Issued (1)	Total Value (2)
March 22, 2006	Plainfield I	Indianapolis	1,312	$ 13,777
June 30, 2006	6280 Best Friend Road	Atlanta	823	8,640
Total			2,135	$ 22,417

(1) Holders of limited partnership units have substantially the same economic interest as our common shareholders (see Note 7 Minority Interests).

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(2) Reflects the value of limited partnership units issued in connection with the exercise of purchase options to acquire the undivided tenancy-in-common interests based on the most recent selling price of our common stock ($10.50 per share as of June 30, 2006).

Note 7 Minority Interests

Minority interests consist of the following as of (amounts are in thousands):

	June 30, 2006	December 31, 2005
Limited partnership Special Units	$ 1	$ 1
Limited partnership units:		
Net investment	35,885	16,149
Distributions	(1,091)	(303)
Share of cumulative net loss	(57)	(49)
Sub-total	34,737	15,797
Cabot limited partnership units:		
Net investment	40,314	40,314
Distributions	(1,325)	(338)
Share of cumulative net loss	(765)	(477)
Limited partnership interests acquired	(38,224)	
Sub-total		39,499
Cabot non-voting common stock:		
Net investment	63	63
Distributions	(1)	
Share of cumulative net loss	(1)	
Sub-total	61	63
Veterans Parkway membership interest:		
Net investment	217	217
Total	$ 35,016	$ $55,577

Limited Partnership Special Units

During 2002, our partnership issued 10,000 Special Units to our Advisor s Parent for consideration of $1,000. The holder of the Special Units does not participate in the profits and losses of our partnership. Amounts distributable to the holder of the Special Units will depend on operations and the amount of net sales proceeds received from property dispositions or upon other events. In general, after holders of regular partnership interests in aggregate have received cumulative distributions equal to their capital contributions plus a 7% cumulative non-compounded annual pre-tax return on their net contributions, the holder of the Special Units and the holders of regular partnership interests will receive 15% and 85%, respectively, of the net sales proceeds received by our partnership upon the disposition of our partnership s assets.

Limited Partnership Units

At June 30, 2006 and December 31, 2005, we owned approximately 97% and 99%, respectively, of our partnership and the remaining interest in our partnership was owned by third-party investors and our Advisor. After a period of one year, limited partnership units are redeemable at the option of the unit holder. We have the option of redeeming the limited partnership units with cash or with shares of our common stock. At inception (April 12, 2002), our partnership issued 20,000 limited partnership units to our Advisor for gross proceeds of $200,000, which currently represents less than a 0.1% ownership interest in our partnership. In addition, as of June 30, 2006 and December 31, 2005, we had issued approximately 3.9 million and 1.7 million limited partnership units, respectively, to unrelated third-party investors in connection with our partnership s private placement (see Note 6 Our Partnership s Private Placement).

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Cabot Limited Partnership Units

On July 21, 2005, we completed a merger and acquired all of the outstanding common stock of Cabot Industrial Value Fund, Inc. (Cabot). Through our ownership of Cabot, we acquired an approximate 87% interest in Cabot Industrial Value Fund, LP (the Cabot Partnership), which, as of June 30, 2006, owned a portfolio of 104 properties with a combined historical cost of approximately $667.2 million located in 12 markets throughout the United States and had approximately $308.8 million of mortgage debt outstanding. Pursuant to the Cabot merger, the third-party investors that were limited partners in the Cabot Partnership prior to the Cabot merger remained limited partners after the merger. Contemporaneously with the merger, we entered into a Put/Call Agreement whereby we had the option to acquire the limited partners remaining interest in the Cabot Partnership. Under this agreement, the remaining limited partners had an initial option to put the remaining interests to us beginning April 1, 2006 and ending July 1, 2006 and we had an initial option to call the remaining interests beginning April 1, 2007 and ending July 1, 2007. On April 1, 2006, the limited partners exercised their put option, and on April 21, 2006 we purchased the remaining interests from the limited partners for cash of approximately $40.4 million. Income and losses of the Cabot Partnership prior to April 21, 2006 were allocated pro rata based on the partners ownership interests.

Cabot Non-Voting Common Stock

In August 2005, our Advisor and its affiliates acquired 126 shares of Cabot s non-voting common stock for a purchase price of $500 each or $63,000 in the aggregate. Our Advisor purchased these shares on behalf of its employees and other affiliates and the proceeds from the sale of these non-voting common shares were used to invest in the Cabot Partnership. Collectively, as of June 30, 2006 and December 31, 2005, these non-voting shares of common stock represent less than a 0.1% ownership of Cabot at each date, and the holders of these shares will participate in the distributions of Cabot, which are based on the performance of the Cabot portfolio of properties, in proportion to their respective ownership percentages.

Veterans Parkway Membership Interest

On October 20, 2005, we purchased a shell-complete building comprising approximately 189,000 square feet and a pad-ready land parcel located in Chicago, Illinois from Seefried and entered into a related joint venture with Seefried (see Note 2 Real Estate, *Development and Expansion Projects*). We contributed approximately 95% of the equity capital to the joint venture and Seefried contributed the remaining equity capital of approximately 5%. Both parties will receive a preferred return on their respective capital contributions and, after the parties are repaid, their capital contributions plus their preferred returns from the joint venture, Seefried will be entitled to a promoted interest on any excess earnings.

Note 8 Investments in and Advances to Unconsolidated Joint Ventures

We enter into joint ventures primarily for purposes of developing industrial real estate and to establish funds with institutional investors. As of June 30, 2006, such joint ventures were not defined as variable interest entities pursuant to FASB Interpretation No. 46(R): *Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51*. The following describes our unconsolidated joint ventures as of June 30, 2006 and December 31, 2005 (dollar amounts are in thousands).

Unconsolidated Joint Ventures	Ownership Percentage	Number of Buildings	Square Feet	Net Equity Investment June 30, 2006	Net Equity Investment December 31, 2005
Institutional Fund:					
DCT Fund I LLC (1)	20%	6	2,317,192	$ 3,765	$
Developments:					
SouthCreek IV Distribution Facility (2)	98%	1	556,800	6,260	5,937
Panattoni Investments (3)	2.5%	3	2,086,698	250	153
Sycamore Canyon (2)	90%	1	459,463	4,305	
Sumiden Building (4)	100%	1	55,000	2,402	
Total		12	5,475,153	$ 16,982	$ 6,090

(1) For a description of this institutional fund, see Note 2 Real Estate, *Disposition Activity*.

(2) For a description of this development project, see Note 2 Real Estate, *Development and Expansion Projects*.

(3) On March 26, 2004, we entered into a strategic relationship with Panattoni Investments LLC, pursuant to which we committed to fund up to $15.0 million into various development projects through loans evidenced by notes receivable that initially bear interest at 9.5%. We have obtained with respect to each development project an option that gives us the right to purchase an equity interest in the entity owning the underlying property. This equity interest may be up to 5% of the total amount of the related principal note balance outstanding at the time of contribution, which, if exercised, increases the interest earned on the reduced principal balance of the note to 10% thus maintaining our yield. We have exercised certain options to convert debt to equity with respect to certain of the development projects.

(4) Although we contributed 100% of the initial equity capital required by the venture, our partners retain certain participation rights in the partnership s available cash flows.

Note 9 Related Party Transactions

Our Advisor

Our day-to-day activities are managed by our Advisor, an affiliate, under the terms and conditions of the amended and restated advisory agreement. Our Advisor is considered a related party as certain indirect owners and employees of our Advisor serve as our executives. The responsibilities of our Advisor include the selection of our investment properties, the negotiations for these investments and the property management and leasing of these properties.

We have entered into an advisory agreement with our Advisor pursuant to which we pay certain acquisition and asset management fees to our Advisor. The amount of such acquisition fees is equal to 1% of the aggregate purchase price of all properties we acquire. During the three and six months ended June 30, 2006, our Advisor earned approximately $9.0 million and $10.2 million, respectively, for acquisition fees which are accounted for as part of the historical cost of the acquired properties and, during the three and six months ended June 30, 2005, our Advisor earned approximately $1.8 million and $2.8 million, respectively, for such fees.

We pay our Advisor an asset management fee equal to 0.75% per annum of the total undepreciated cost of the properties we own in excess of $170 million. During the three and six months ended June 30, 2006, we incurred asset management fees of $4.3 million and $7.8 million, respectively. During the three and six months ended June 30, 2005, we incurred asset management fees of $1.5 million and $2.7 million, respectively.

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

During the three and six months ended June 30, 2006, our Advisor incurred approximately $0.5 million and $1.4 million, respectively, of offering costs and, during the same periods, we reimbursed our Advisor approximately $0.5 million and $1.8 million, respectively, for such costs, which includes unreimbursed costs from prior periods. For the three and six months ended June 30, 2005, our Advisor incurred approximately $1.8 million and $3.9 million, respectively, of offering costs and, during the same periods, we reimbursed our Advisor approximately $3.1 million and $5.9 million, respectively, for such costs. These costs are considered a cost of raising capital and as such, are included as a reduction of additional paid-in capital on the accompanying balance sheets when such reimbursement obligations are incurred. We closed the primary offering component of our fourth public offering on January 23, 2006, and as of June 30, 2006, we had reimbursed our Advisor for all of the then existing un-reimbursed offering costs. However, our Advisor expects to incur additional costs relating to our public offerings in the future and, to the extent our Advisor incurs such costs, we will be required to reimburse our Advisor up to 2% of the gross proceeds raised in our public offerings of our common stock.

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Our Advisor is obligated to pay all of the offering and marketing related costs associated with our partnership s private placement. However, our partnership is obligated to pay our Advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised through our partnership s private placement. During the three and six months ended June 30, 2006, our partnership incurred approximately $0.9 million and $1.9 million, respectively, payable to our Advisor for such expense allowance. During the three and six months ended June 30, 2005, our partnership incurred approximately $0.3 million and $0.6 million, respectively, payable to our Advisor for such expense allowance.

In accordance with the advisory agreement we are obligated, subject to certain limitations, to reimburse our Advisor for certain other expenses incurred on our behalf for providing services contemplated in the advisory agreement, provided that our Advisor does not receive a specific fee for the activities which generate the expenses to be reimbursed. For the three and six months ended June 30, 2006, we reimbursed approximately $304,000 and $465,000, respectively, for such costs. For the three and six months ended June 30, 2005, we reimbursed approximately $85,000 and $172,000, respectively, for such costs.

As of June 30, 2006, we owed our Advisor approximately $7.5 million for various fees and reimbursements as described above, which is included in accounts payable and accrued expenses on the accompanying consolidated balance sheets. As of December 31, 2005, we owed our Advisor approximately $0.6 million for various fees and reimbursements as described above, which is included in accounts payable and accrued expenses on the accompanying consolidated balance sheets.

On July 21, 2006, we entered into a contribution agreement with our partnership and the Advisor s Parent, which provides that the entire outstanding membership interest, and all economic interests, in our Advisor will be contributed by the Advisor s Parent to our partnership for an aggregate consideration of 15,111,111 limited partnership units in our partnership, which includes the modification of the Special Units held by the Advisor s Parent into limited partnership units in our partnership. The Internalization is subject to the satisfaction of certain conditions including, among others, approval of the Internalization by our shareholders. The annual meeting of our shareholders to vote upon, among other proposals, the contribution agreement and the Internalization is to be held on a date to be determined. See Note 13 Subsequent Event for additional information regarding the contribution agreement.

The Dealer Manager

Our public and private offerings have been managed by the Dealer Manager under the terms of certain dealer manager agreements. Our Dealer Manager is considered a related party as certain indirect owners and employees of the Dealer Manager serve as our executives.

We have entered into a dealer manager agreement with the Dealer Manager pursuant to which we have paid a dealer manager fee of up to 2.0% of gross offering proceeds raised pursuant to our public offerings of common stock to the Dealer Manager as compensation for managing the offering. The Dealer Manager may re-allow a portion of such fees to broker-dealers who participate in the offering. We also have paid up to a 6% sales commission of gross offering proceeds raised pursuant to our public offerings of common stock. For the three and six months ended June 30, 2006, we incurred approximately $0.1 million and $11.0 million, respectively, payable to the Dealer Manager for dealer manager fees and sales commissions. For the three and six months ended June 30, 2005, we incurred approximately $11.9 million and $22.6 million, respectively, payable to the Dealer Manager for dealer manager fees and sales commissions. As of June 30, 2006, all sales commissions had been re-allowed to participating broker-dealers. Such amounts are considered a cost of raising capital and as such are included as a reduction of additional paid-in capital on the accompanying consolidated balance sheets.

We have also entered into a dealer manager agreement with the Dealer Manager pursuant to which we have paid a dealer manager fee of up to 1.5% of the gross equity proceeds raised through our partnership s private placement. We also have paid the Dealer Manager a sales commission of up to 5.0% of the gross equity proceeds raised through our partnership s private placement. For the three and six months ended June 30, 2006, we incurred up front fees of approximately $3.1 million and $6.2 million, respectively, payable to the Dealer Manager for dealer manager fees and sales commissions. For the three and six months ended June 30, 2005, we incurred up front fees of approximately $1.0 million and $2.0 million, respectively, payable to the Dealer Manager for dealer manager fees and sales commissions. As of June 30, 2006, substantially all of the sales commissions were re-allowed to participating broker-dealers who are responsible for affecting sales. Such amounts are included in deferred loan costs on the accompanying consolidated balance sheets.

Pursuant to our first and second public offerings, the Dealer Manager earned one soliciting dealer warrant for every 25 shares sold. The holder of a soliciting dealer warrant has the right to purchase one share of common stock for $12. In September 2005, our board of directors approved and we issued approximately 2.2 million soliciting dealer warrants to the Dealer Manager representing all of the warrants the Dealer Manager earned in connection with our first and second public offerings. We valued these warrants using the Black-Scholes option-pricing model, and based on our historical volatility, these warrants had a nominal value. No warrants were offered in our third or fourth public offering. During the six months ended June 30, 2006 and 2005, the Dealer Manager did not earn any soliciting dealer warrants as all shares sold during these periods were in connection with our third and fourth public offerings.

As of June 30, 2006 and December 31, 2005, we owed the Dealer Manager approximately $0.6 million and $1.4 million, respectively, in relation to the fees described above which is included in other liabilities on the accompanying consolidated balance sheets.

The Facilitator

The Facilitator is responsible for the facilitation of transactions associated with our partnership s private placement. The Facilitator is considered a related party as certain indirect owners of the Facilitator serve as our executives. We have entered into an agreement with the Facilitator whereby we have paid a transaction facilitation fee associated with our partnership s private placement. We have paid the Facilitator up to 1.5% of the gross equity proceeds raised through our partnership s private placement for transaction facilitation. For the three and six months ended June 30, 2006, we incurred approximately $0.7 million and $1.5 million, respectively, payable to the Facilitator for such fees. For the three and six months ended June 30, 2005, we incurred approximately $0.2 million and $0.5 million, respectively, payable to the Facilitator for such fees. In accordance with SFAS No. 98, these fees, as well as the other fees associated with our partnership s private placement, are recorded as deferred loan costs and amortized over the life of the financing obligation (see Note 6 Our Partnership s Private Placement).

Note 10 Stock Option Plans and Warrant Purchase Agreements

Stock Option Plans

Employee Option Plan

We have adopted the Employee Option Plan, which is designed to enable us, our Advisor and its affiliates to obtain or retain the services of employees (not to include our directors) considered essential to our long-term success and the success of our Advisor and its affiliates by offering such employees an opportunity to participate in our growth through ownership of our shares. The Employee Option Plan is administered by our compensation committee, which is authorized to grant non-qualified stock options (the Employee Options) to certain employees of our Advisor and its affiliates. The exercise price for the Employee Options is the greater of (1) $11.00 per share or (2) the fair market value of the shares on the date the Employee Option is granted. A total of 750,000 shares are authorized and reserved for issuance under the Employee Option Plan. The term of such employee options has been set by our compensation committee and shall not exceed the earlier of ten years from the date of grant or five years from the date of a listing of our common stock. Our compensation committee has set the period during which the right to exercise an Employee Option fully vests at three years from the date of grant. During the six months ended June 30, 2006, we granted 251,000 options pursuant to this plan. As of June 30, 2006 and 2005, there were approximately 356,000 and 105,000 options outstanding under the Employee Option Plan, respectively, with a weighted average exercise price of $11.00. As of June 30, 2006, no such options had been exercised and 2,500 had been forfeited.

During the six months ended June 30, 2006, options issued under the Employee Option Plan were valued using Black-Scholes with the following assumptions: expected dividend yield of 6.10%, risk-free interest rate of 4.01%, volatility factor of 19.19% and an expected life of 6 years. The value of the options granted under the Employee Option Plan on the date of grant during the six months ended June 30, 2006 was approximately $159,219. There were no employee options granted during the six months ended June 30, 2005.

Independent Director Option Plan

We have adopted an Independent Director Option Plan which we use in an effort to attract and retain qualified independent directors. We granted non-qualified stock options to purchase 10,000 shares to each independent director pursuant to the Independent Director Option Plan effective upon the later of (i) the sale of 200,000 shares in our first public offering, and (ii) the independent director becoming a member of our board of directors. Such options vest 20% upon grant date and 20% each year for the following four years. In addition, we have issued options to purchase 5,000 shares to each independent director then in office on the date of each annual shareholder s meeting and these options vest 100% upon the second anniversary from the grant date. A total of 300,000 shares are authorized and reserved for issuance under the Independent Director Option Plan. The term of these options shall not exceed the earlier of ten years from the date of grant, the date of removal for cause, or three months from the director s resignation. The exercise price for options issued under the Independent Director Option Plan are the greater of (1) $12.00 per share or (2) the fair market value of the shares on the date they are granted. As of June 30, 2006 and 2005, we had 60,000 and 80,000 options outstanding, respectively, under the Independent Director Stock Option Plan, of which 30,000 and 24,000 were vested, respectively. As of June 30, 2006, no such options had been exercised.

During the six months ended June 30, 2006, options issued under the Independent Director Option Plan were valued using Black-Scholes with the following assumptions: expected dividend yield of 6.10%, risk-free interest rate of 4.01%, volatility factor of 19.22% and an expected life of 6 years. The value of options granted under the Independent Director Option Plan on the date of grant during the six months ended June 30, 2006 was approximately $5,650. There were no independent director options granted during the six months ended June 30, 2005.

On July 19, 2005, we received and accepted the resignation of an independent director of our board of directors. In connection with such resignation, the director forfeited all 20,000 options that he had previously been awarded, effective three months from his resignation, of which 6,000 had fully vested. In addition, on July 19, 2005 at a special meeting of the board of directors, Bruce Warwick was duly nominated, voted and approved as an independent director of our board of directors. Upon his approval as an independent director, Mr. Warwick was granted 10,000 options with an approximate value of $5,623. These options were valued using the Black-Scholes option-pricing model.

On January 6, 2006, we received and accepted the resignation of an independent director of our board of directors. In connection with such resignation, the director forfeited all 20,000 options that he had previously been awarded, effective three months from his resignation, of which 8,000 had fully vested. In addition, on January 6, 2006, at a special meeting of our board of directors, Phillip R. Altinger was duly nominated, voted and approved as an independent director of our board of directors. Upon his approval as an independent director, Mr. Altinger was granted 10,000 options with an approximate value of $5,650. These options were valued using the Black-Scholes option-pricing model.

Options granted under both the Employee Option Plan and the Independent Director Option Plan are valued using the Black-Scholes option-pricing model and are amortized to salary expense on a straight-line basis over the period during which the right to exercise such options fully vests. For the three and six months ended June 30, 2006, we incurred approximately $16,000 and $32,000, respectively, of such expense which is included in general and administrative expense on the accompanying consolidated statements of operations. For the three and six months ended June 30, 2005, we incurred approximately $7,000 and $13,000, respectively, of such expense which is included in general and administrative expense on the accompanying consolidated statements of operations. As of June 30, 2006, approximately $182,000 of such expense remained unrecognized which reflects the unamortized portion of the value of such options issued pursuant to the Employee Option Plan and the Independent Director Option Plan. We expect to recognize such expense over a weighted average period of 2.4 years.

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The following table describes the total option grants, exercises, expirations and forfeitures that occurred during the six months ended June 30, 2006, as well as the total options outstanding as of December 31, 2005 and June 30, 2006 and the total options exercisable as of June 30, 2006.

	Independent Director Options	Employee Options	Weighted Average Option Price Per Share	Weighted Average Remaining Contractual Life (Years)
Issued and Outstanding at 12/31/05	70,000	107,500	$ 11.39	
Grants	10,000	251,000	11.04	
Exercises				
Expirations				
Forfeitures	(20,000)	(2,500)		
Issued and Outstanding at 6/30/06	60,000	356,000	$ 11.14	9.12
Exercisable at 6/30/06	30,000	35,000	$ 11.46	9.12

Collectively, the options outstanding pursuant to our Independent Director Option Plan and our Employee Option Plan had a weighted average per option value as of June 30, 2006 and December 31, 2005 of $0.65 and $0.56, respectively.

Warrant Purchase Agreements

Pursuant to our first and second public offerings, the Dealer Manager earned one soliciting dealer warrant for every 25 shares sold (see Note 9 Related Party Transactions). These warrants, as well as the shares issuable upon their exercise, were registered in connection with our first and second public offerings. In September 2005, our board of directors approved and we issued approximately 2.2 million soliciting dealer warrants to the Dealer Manager representing all of the warrants the Dealer Manager earned in connection with both of the aforementioned offerings. We valued these warrants using the Black-Scholes option-pricing model, and based on our historical volatility, these warrants had a nominal value. The Dealer Manager may retain or re-allow these warrants to broker-dealers participating in the offering, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The holder of a soliciting dealer warrant is entitled to purchase one share of common stock from us at a price of $12 per share beginning on the first anniversary of the effective date of the offering in which such warrants are issued and ending five years after the effective date of such offering. Subject to certain exceptions, a soliciting dealer warrant may not be transferred, assigned, pledged or hypothecated for a period of one year following the effective date of the relevant public offering. Exercise of the soliciting dealer warrants is governed by the terms and conditions detailed in the warrant purchase agreement.

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Note 11 Net Income (Loss) per Common Share

We determine basic net income (loss) per common share by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. We determine diluted net income (loss) per common share by taking into account the effects of potentially issuable common stock, but only if the issuance of stock would be dilutive, including the presumed exchange of limited partnership units for common shares. The following table sets forth the computation of our basic and diluted net income (loss) per common share (amounts in thousands except per share information):

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Numerator				
Net income (loss)	$ (1,646)	$ 748	$ 309	$ (1,834)
Unitholders share of net income (1)		3	8	
Adjusted net income (loss)	$ (1,646)	$ 751	$ 317	$ (1,834)
Denominator				
Weighted average common shares outstanding Basic	150,053	88,066	147,812	81,331
Incremental weighted average effect of conversion of limited partnership units		407	2,503	
Weighted average common shares outstanding Diluted	150,053	88,473	150,315	81,331
Net Income (Loss) per Common Share				
Net income (loss) attributable to common shares Basic	$ (0.01)	$ 0.01	$ 0.00	$ (0.02)
Net income (loss) attributable to common shares Diluted	$ (0.01)	$ 0.01	$ 0.00	$ (0.02)

(1) For all periods presented with earnings subject to dilution, dilutive securities only included limited partnership units in our partnership, which are redeemable, at our option, for shares of our common stock or cash (see Note 7 Minority Interests).

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Note 12 Segment Information

We consider each operating property to be an individual operating segment that has similar economic characteristics with all our other operating properties and we combine our operating segments into reportable segments based upon their geographic location or market. For purposes of this disclosure, we report the revenue of our largest reportable market segments on an individual basis until the aggregate revenue of such individually reported market segments equals at least 75% of our total revenues and then aggregate all remaining reportable market segments into one category, Other Markets. These other markets include Boston, Charlotte, Columbus, Denver, Harrisburg/Lehigh Valley, Louisville, Miami, Minneapolis/St. Paul, New Jersey, Orlando, San Antonio and San Francisco. The following table sets forth the rental revenues and property net operating income of our market segments for the three and six months ended June 30, 2006 and 2005 (amounts are in thousands).

	Three Months Ended				Six Months Ended			
	Rental Revenue		NOI (1)		Rental Revenue		NOI (1)	
	2006	2005	2006	2005	2006	2005	2006	2005
Atlanta (2)	$ 4,795	$ 6,112	$ 3,623	$ 5,367	$ 10,007	$ 9,228	$ 7,664	$ 7,801
Baltimore	2,460	973	2,205	812	4,564	973	3,987	812
Chicago	3,094	868	2,310	831	6,695	1,550	4,925	1,505
Cincinnati	4,243	1,872	3,398	1,584	8,167	3,737	6,461	3,135
Dallas (2)	6,489	2,434	4,617	1,596	12,662	4,835	8,859	3,166
Indianapolis	2,278	325	1,936	240	3,671	714	3,229	546
Houston	3,834	2,320	2,803	1,589	7,432	4,615	5,148	3,158
Los Angeles	1,641	837	1,243	674	3,271	1,668	2,647	1,326
Memphis (2)	3,539	3,820	2,579	3,164	8,030	5,434	6,045	4,538
Nashville	2,116	1,399	1,868	1,245	4,311	2,809	3,829	2,495
Phoenix	2,558	2,093	1,864	1,374	4,938	4,161	3,586	2,648
Seattle	1,790		1,467		3,632	0	2,972	
Other Markets	12,457	3,322	9,935	2,540	20,594	6,253	16,233	4,669
Total	$ 51,294	$ 26,375	$ 39,848	$ 21,016	$ 97,974	$ 45,977	$ 75,585	$ 35,799

(1) Net operating income (NOI) is defined as rental revenue, including reimbursements, less property operating expenses, which excludes depreciation, amortization, general and administrative expense and interest expense.

(2) Prior year results reflect properties that were contributed into the institutional fund during the first quarter of 2006. See additional information in Note 2 Real Estate.

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We consider NOI to be an appropriate supplemental performance measure because NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the property such as depreciation, interest expense, interest income and general and administrative expenses. However, NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance. The following table is a reconciliation of our NOI to our reported net income (amounts are in thousands):

	Three Months Ended		Six Months Ended	
	2006	2005	2006	2005
Property NOI	$ 39,848	$ 21,016	$ 75,585	$ 35,799
Institutional capital management fees	126		178	
Equity in losses of unconsolidated joint ventures, net	(129)		(182)	
Gain (loss) recognized on dispositions of real estate interests	4,044		8,032	
Interest income and other	2,060	979	4,522	1,589
Depreciation and amortization expense	(27,199)	(14,192)	(51,691)	(26,542)
Interest expense	(14,755)	(4,827)	(26,436)	(8,545)
General and administrative expense	(1,452)	(701)	(2,182)	(1,429)
Asset management fees, related party	(4,297)	(1,524)	(7,815)	(2,703)
Minority interests	108	(3)	298	(3)
Net income (loss)	$ (1,646)	$ 748	$ 309	$ (1,834)

The following table reflects our total assets, net of accumulated depreciation and amortization, by market segment (amounts are in thousands).

	June 30, 2006	December 31, 2005