Grubb & Ellis Healthcare REIT, Inc.
Form 424B3
December 21, 2007

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-133652

PROSPECTUS

Maximum Offering of $2,200,000,000
Minimum Offering of $2,000,000

We are a recently formed company that intends to invest in a diversified portfolio of medical office buildings, healthcare-related facilities and quality commercial office properties. We may also invest up to 15.0% of our total assets in real estate related securities. We are externally managed by Grubb & Ellis Healthcare REIT Advisor, LLC, our advisor, which is an affiliate of ours. We intend to qualify as a real estate investment trust, or REIT, for federal income tax purposes beginning with our taxable year ending December 31, 2007.

We are offering to the public up to $2,000,000,000 in shares of our common stock in our primary offering for $10.00 per share and $200,000,000 in shares of our common stock to be issued pursuant to our distribution reinvestment plan for $9.50 per share during our primary offering. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and the distribution reinvestment plan.

This investment involves a high degree of risk. You should purchase these securities only if you can afford the complete loss of your investment. See Risk Factors beginning on page 15 to read about risks you should consider before buying shares in our common stock. These risks include:

No public market exists for our shares. Our shares cannot be readily sold and there are significant restrictions on the ownership, transferability and redemption of our shares. If you are able to sell your shares, you would likely have to sell them at a substantial discount.

This is considered a blind pool offering because we have acquired a limited number of properties and have not identified most of the properties or securities we plan to acquire with the proceeds from this offering. As a result, you will not be able to evaluate the economic merits of most of our investments prior to purchasing shares.

The amount of distributions we may pay, if any, is uncertain. Due to the risks involved in the ownership of real estate, there is no guarantee of any return on your investment in us and you may lose money.

We may incur debt up to 300% of our net assets, or more if such excess is approved by a majority of our independent directors, which could lead to an inability to pay distributions to our stockholders.

We may be required to borrow money, sell assets or issue new securities for cash to pay our distributions.

Distributions payable to our stockholders may include a return of capital, which will lower your tax basis in our shares.

We rely on our advisor and its affiliates for our day-to-day operations and the selection of our investments. We will pay substantial fees to our advisor and its affiliates for these services and the agreements governing these fees were not negotiated at arm s-length.

Some of our officers and one of our directors are officers of our advisor and our sponsor, which manages our advisor. Some of the owners of our sponsor are owners of our property manager and dealer manager. As a result, our sponsor and its affiliates will face conflicts of interest, including significant conflicts in allocating time among us and similar programs sponsored by our sponsor.

If we fail to qualify as a REIT, it would adversely affect our operations and our ability to make distributions to our stockholders.

Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of these securities, passed on or endorsed the merits of this offering or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense. The use of projections or forecasts in this offering is prohibited. Any representation to the contrary and any predictions, written or oral, as to the cash benefits or tax consequences you will receive from an investment in shares of our common stock is prohibited.

	Price to Public*	Selling Commissions*	Marketing Support Fee ($0.25) and Due Diligence Expense Reimbursement ($0.05)*	Net Proceeds (Before Expenses)
Primary Offering				
Per Share	$ 10.00	$ 0.70	$ 0.30	$ 9.00
Total Minimum	$ 2,000,000	$ 140,000	$ 60,000	$ 1,800,000
Total Maximum	$ 2,000,000,000	$ 140,000,000	$ 60,000,000	$ 1,800,000,000
Distribution Reinvestment Plan				
Per Share	$ 9.50	$	$	$ 9.50
Total Maximum	$ 200,000,000	$	$	$ 200,000,000

* The selling commissions and all or a portion of the marketing support fee will not be charged with regard to shares sold in our primary offering to or for the account of our directors and officers, our affiliates and certain persons affiliated with broker-dealers participating in the primary offering. Selling commissions will not be charged for shares sold in the primary offering to investors that have engaged the services of a financial advisor paid on a fee-for-service basis by the investor. Selling commissions will be reduced in connection with sales of certain minimum numbers of shares. The reduction in these fees will be accompanied by a corresponding reduction in the per share purchase price. See Plan of Distribution.

Our shares will be offered to investors on a best efforts basis through NNN Capital Corp., our affiliate and an affiliate of our advisor and the dealer manager for this offering. The minimum initial investment is $1,000, except for purchases by (1) our existing stockholders, including purchases made pursuant to our distribution reinvestment plan, and (2) existing investors in other programs sponsored by our sponsor, Grubb & Ellis Company, or any of our sponsor s affiliates, which may be in lesser amounts.

As of January 8, 2007, excluding shares purchased by our executive officers and directors, our dealer manager and our advisor and its affiliates, we had received and accepted subscriptions in our offering for 200,846 shares of common stock, or $2,004,000, thereby exceeding the minimum offering. Having raised the minimum offering, the offering proceeds were released by the escrow agent to us and are available for the acquisition of properties and the other purposes disclosed in the prospectus. As of December 7, 2007, we had received and accepted subscriptions in our offering for 19,995,950 shares of common stock, or approximately $199,720,000, excluding shares issued pursuant to our distribution reinvestment plan. We will sell shares until the earlier of September 20, 2009, or the date on which the maximum has been sold.

The date of this prospectus is December 14, 2007.

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SUITABILITY STANDARDS

The shares we are offering are suitable only as a long-term investment for persons of adequate financial means. There currently is no public market for our shares. Therefore, it likely will be difficult for you to sell your shares and, if you are able to sell your shares, it is likely you would sell them at a substantial discount. You should not buy these shares if you need to sell them immediately, will need to sell them quickly in the future or cannot bear the loss of your entire investment.

In consideration of these factors, we have established suitability standards for all stockholders, including subsequent transferees. These suitability standards require that a purchaser of shares have either:

a net worth of at least $150,000; or

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

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

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

Kansas Investors must have either (1) a minimum net worth of at least $250,000 or (2) a minimum annual gross income of at least $70,000. In addition, it is recommended by the Office of the Kansas Securities Commissioner that you not invest, in the aggregate, more than 10% of your liquid net worth in this and similar direct participation investments.

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

Massachusetts, Ohio and Pennsylvania Investors must have either (1) a net worth of at least $250,000 or (2) a gross annual income of $70,000 and a net worth of at least $70,000. In addition, an investor s investment in our common stock and the securities of our affiliates may not exceed 10% of that investor s liquid net worth.

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

Iowa Investors must have either (1) a net worth of at least $250,000 or (2) an annual gross income of at least $70,000 and net worth of at least $70,000. In addition, investors may not invest more than 10% of their liquid net worth in us.

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

For purposes of determining suitability of an investor, net worth in all cases should be calculated excluding the value of an investor s home, home furnishings and personal automobiles.

In the case of sales to fiduciary accounts (such as an individual retirement account, or IRA, Keogh Plan, or pension or profit sharing plan), these suitability standards must be met by the beneficiary, the fiduciary account or by the person who directly or indirectly supplied the funds for the purchase of the shares if that person is the fiduciary. In the case of gifts to minors, the suitability standards must be met by the custodian account or by the donor.

These suitability standards are intended to help ensure that, given the long-term nature of an investment in our shares, our investment objectives and the relative illiquidity of our shares, our shares are an appropriate investment for those of you who become stockholders. Each participating broker-dealer must make every reasonable effort to determine that the purchase of shares is a suitable and appropriate investment for each stockholder based on information provided by the stockholder in the subscription agreement or otherwise. Each participating broker-dealer is required to maintain records of the information used to determine that an investment in shares is suitable and appropriate for each stockholder for a period of six years. Our subscription agreement requires you to represent that you meet the applicable suitability standards. We will not sell any shares to you unless you are able to make these representations.

The minimum initial investment is 100 shares ($1,000), except for purchases by (1) our existing stockholders, including purchases made pursuant to our distribution reinvestment plan, and (2) existing investors in other programs sponsored by our sponsor, Grubb & Ellis Company, or any of our sponsor s affiliates, which may be in lesser amounts. In order to satisfy the minimum purchase requirements for retirement plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of $100. You should note that an investment in shares of our common stock will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code.

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QUESTIONS AND ANSWERS ABOUT THIS OFFERING

Set forth below are some of the more frequently asked questions and answers relating to our structure, our management, our business and an offering of this type.

Q: What is a real estate investment trust, or REIT?

A: In general, a REIT is a company that:

- combines the capital of many investors to acquire or provide financing for real estate;
- pays annual distributions to investors of at least 90% of its taxable income (computed without regard to the dividends paid deduction and excluding net capital gain);
- avoids the double taxation treatment of income that would normally result from investments in a corporation because a REIT is not generally subject to federal corporate income taxes on its net income that it distributes to stockholders; and
- allows individual investors to invest in a large-scale diversified real estate portfolio through the purchase of shares in the REIT.

Q: How will you structure the ownership and operation of your assets?

A: We plan to own substantially all of our assets and conduct our operations through an operating partnership, Grubb & Ellis Healthcare REIT Holdings, L.P., which was organized in Delaware on April 20, 2006. We are the sole general partner of Grubb & Ellis Healthcare REIT Holdings, L.P., which we refer to as either Healthcare OP or our operating partnership. Because we will conduct substantially all of our operations through an operating partnership, we are organized in what is referred to as an UPREIT structure.

Q: What is an UPREIT ?

A: UPREIT stands for Umbrella Partnership Real Estate Investment Trust. We use the UPREIT structure because a contribution of property directly to us is generally a taxable transaction to the contributing property owner. In this structure, a contributor of a property who desires to defer taxable gain on the transfer of his or her property may transfer the property to the partnership in exchange for limited partnership units and defer taxation of gain until the contributor later exchanges his or her limited partnership units, normally, on a one-for-one basis for shares of the common stock of the REIT. We believe that using an UPREIT structure gives us an advantage in acquiring desired properties from persons who may not otherwise sell their properties because of unfavorable tax results.

Q: Do you currently own any real estate or real estate related securities?

A: Yes. We have acquired 17 properties. We have not yet identified most of the real estate or real estate related securities we will acquire with the proceeds from this offering. Because we have acquired a limited number of properties and identified a limited number of additional investment opportunities, this offering is considered a blind pool.

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

A: We will use your net investment proceeds to purchase medical office buildings, healthcare-related facilities and quality commercial office properties. To a lesser extent, we may also invest in real estate related securities. We will focus primarily on investments that produce current income. The diversification of our portfolio is dependent upon the amount of proceeds we receive in this offering. We expect that at least 88.5% of the money you invest will be used to acquire our targeted investments and pay related acquisition fees and expenses and the remaining 11.5% will be used to pay fees and expenses of this offering. Until we invest the proceeds of this offering in our targeted investments, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments will not earn significant returns, and we cannot guarantee how long it will take to fully invest the proceeds in properties.

Q: What kind of offering is this?

A: Through our dealer manager, we are offering a minimum of $2,000,000 in shares of our common stock and a maximum of $2,000,000,000 in shares in our primary offering on a best efforts basis at $10.00 per

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share. We are also offering $200,000,000 in shares of common stock pursuant to our distribution reinvestment plan at $9.50 per share to those stockholders who elect to participate in such plan as described in this prospectus. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and the distribution reinvestment plan.

Q: How does a best efforts offering work?

A: When shares are offered to the public on a best efforts basis, the brokers participating in the offering are only required to use their best efforts to sell the shares and have no firm commitment or obligation to purchase any shares. Therefore, we cannot guarantee that any specific number of shares will be sold. We intend to admit stockholders periodically as subscriptions for shares are received, but not less frequently than monthly. As of January 8, 2007, excluding shares purchased by our executive officers and directors, our dealer manager and our advisor and its affiliates, we had received and accepted subscriptions in our offering for 200,846 shares of common stock, or $2,004,000, thereby exceeding the minimum offering. Having raised the minimum offering, the offering proceeds were released by the escrow agent to us and are available for the acquisition of properties and the other purposes disclosed in the prospectus. As of December 7, 2007, we had accepted subscriptions in our offering for 19,995,950 shares of common stock, or approximately $199,720,000, excluding shares issued pursuant to our distribution reinvestment plan.

Q: How long will this offering last?

A: We will sell shares until the earlier of September 20, 2009, or the date on which the maximum has been sold. We also reserve the right to terminate this offering at any time.

Q: Who can buy shares?

A: Generally, you can buy shares pursuant to this prospectus provided that you have either (1) a net worth of at least $150,000, or (2) an annual gross income of at least $45,000 and a net worth of at least $45,000. For this purpose, net worth does not include your home, home furnishings or personal automobiles. However, these minimum levels are higher in certain states, so you should carefully read the more detailed description under Suitability Standards on page i of this prospectus.

Q: Is there any minimum investment required?

A: Yes. The minimum investment is 100 shares, which equals a minimum investment of at least $1,000, except for purchases by (1) our existing stockholders, including purchases made pursuant to our distribution reinvestment plan, and (2) existing investors in other programs sponsored by our sponsor, Grubb & Ellis Company, or any of our sponsor s affiliates, which may be in lesser amounts.

Q: How do I subscribe for shares?

A: Investors who meet the suitability standards described herein may purchase shares of our common stock. See Suitability Standards on page i. Investors seeking to purchase shares of our common stock must proceed as follows:

Read this entire prospectus and any appendices and supplements accompanying this prospectus.

Complete the execution copy of the subscription agreement. A specimen copy of the subscription agreement to be used for the period from the date of this prospectus to December 31, 2007, including instructions for completing it, is included in this prospectus as Appendix B. A specimen copy of the subscription agreement to be used beginning January 1, 2008, including instructions for completing it, is included in this prospectus as Appendix C.

Deliver a check for the full purchase price of the shares of our common stock being subscribed for along with the completed subscription agreement to the registered broker-dealer or investment advisor. Your check should be made payable to Grubb & Ellis Healthcare REIT.

By executing the subscription agreement and paying the total purchase price for the shares of our common stock subscribed for, each investor represents that he meets the suitability standards as stated in the subscription agreement and agrees to be bound by all of its terms.

Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or part. Subscriptions will be accepted or rejected within 30 days of receipt by us and, if rejected, all funds shall be returned to subscribers without deduction for any expenses within 10 business days from the date the subscription is rejected. We are not permitted to accept a subscription for shares of our common stock until at least five business days after the date you receive this prospectus.

An approved trustee must process and forward to us subscriptions made through individual retirement accounts, or IRAs, Keough plans and 401(k) plans. In the case of investments through IRAs, Keough plans and 401(k) plans, we will send the confirmation and notice of our acceptance to the trustee.

Q: If I buy shares, will I receive distributions and how often?

A: Provided we have sufficient available cash flow, we expect to pay distributions on a monthly basis to our stockholders. On February 14, 2007, our board of directors approved a distribution rate of 7.25% per annum to be paid to stockholders beginning with our February 2007 monthly distribution that was paid in March 2007. Our distribution policy is set by our board of directors and is subject to change based on available cash flows. We cannot guarantee the amount of distributions paid in the future, if any.

If you are a taxable stockholder, distributions that you receive, including distributions that are reinvested pursuant to our distribution reinvestment plan, generally will be taxed as ordinary income to the extent they are from our current or accumulated earnings and profits, unless we have designated all or a portion of the distribution as a capital gain distribution. In such case, such designated portion of the distribution will be treated as a capital gain. To the extent that we make a distribution in excess of our current and accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, reducing the tax basis in your shares, and the amount of each distribution in excess of your tax basis in your shares will be taxable as a gain realized from the sale of your shares. For example, because depreciation expense reduces taxable income but does not reduce cash available for distribution, if our distributions exceed our current and accumulated earnings and profits, the portion of such distributions to you exceeding our current and accumulated earnings and profits (to the extent of your positive basis in your shares) will be considered a return of capital to you for tax purposes. These amounts will not be subject to income tax immediately but will instead reduce the tax basis of your investment, in effect, deferring a portion of your income tax until you sell your shares or we liquidate assuming we do not make any future distributions in excess of our current and accumulated earnings and profits at a time that your tax basis in your shares is zero. If you are a tax-exempt entity, distributions from us generally will not constitute unrelated business taxable income, or UBTI, unless you have borrowed to acquire or carry your stock or have used the shares in a trade or business. There are exceptions to this rule for certain types of tax-exempt entities. Because each investor s tax considerations are different, especially the treatment of tax-exempt entities, we suggest that you consult with your tax advisor. Please see Federal Income Tax Considerations Taxation of Taxable U.S. Stockholders; Federal Income Tax Considerations Treatment of Tax-Exempt Stockholders; and Description of Capital Stock Distribution Reinvestment Plan.

Q: May I reinvest my distributions?

A: Yes. Please see Description of Capital Stock Distribution Reinvestment Plan for more information regarding our distribution reinvestment plan.

Q: If I buy shares of common stock in this offering, how may I later sell them?

A: At the time you purchase the shares of common stock, they will not be listed for trading on any national securities exchange. As a result, if you wish to sell your shares, you may not be able to do so promptly or at all, or you may only be able to sell them at a substantial discount from the price you paid. In general, however, you may sell your shares to any buyer that meets the applicable suitability standards unless such sale would cause the buyer to own more than 9.8% of the value of our then outstanding capital stock (which includes common stock and any preferred stock we may issue) or more than 9.8% of the value or number of shares, whichever is more restrictive, of our then outstanding common stock. See Suitability Standards and Description of Capital Stock Restriction on Ownership of Shares. We have adopted a share repurchase plan, as discussed under Description of Capital Stock Share Repurchase Plan, which may provide limited liquidity for some of our stockholders.

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

A: Yes, you will receive periodic updates on the performance of your investment with us, including:

- four quarterly investment statements, which will generally include a summary of the amount you have invested, the monthly distributions declared and the amount of distributions reinvested under our distribution reinvestment plan, as applicable;
- an annual report after the end of each year; and
- an annual IRS Form 1099 after the end of each year.

Q: When will I get my detailed tax information?

A: Your Form 1099 tax information will be placed in the mail by January 31 of each year.

Q: Who can help answer my questions?

A: For questions about the offering or to obtain additional copies of this prospectus, contact your registered broker-dealer or investment advisor or contact:

Investor Services Department
Grubb & Ellis Healthcare REIT Advisor, LLC
1551 N. Tustin Avenue, Suite 300
Santa Ana, California 92705
Telephone: (877) 888-7348 or (714) 667-8252
Facsimile: (714) 667-6843

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PROSPECTUS SUMMARY

This prospectus summary highlights material information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to your decision whether to invest in shares of our common stock. To understand this offering fully, you should read the entire prospectus carefully, including the Risk Factors section. The use of the words we, us or our refers to Grubb & Ellis Healthcare REIT, Inc. and our subsidiaries, including Grubb & Ellis Healthcare REIT Holdings, L.P., except where the context otherwise requires.

Grubb & Ellis Healthcare REIT, Inc.

We were formed as a Maryland corporation on April 20, 2006. We intend to provide investors the potential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, healthcare-related facilities and quality commercial office properties. We may also invest in real estate related securities. We will focus primarily on investments that produce current income. We intend to qualify as a REIT and to elect to be taxed as a REIT commencing with the taxable year ending December 31, 2007.

Our headquarters are located at 1551 N. Tustin Avenue, Suite 300, Santa Ana, California 92705 and our telephone number is 1-877-888-7348. Our sponsor maintains a web site at *www.gbe-reits.com* at which there is additional information about us and our affiliates. The contents of that site are not incorporated by reference in, or otherwise a part of, this prospectus.

Summary Risk Factors

An investment in our common stock is subject to significant risks. Listed below are some of the most significant risks relating to your investment.

- No public market exists for our common stock and therefore it will be difficult for you to sell your shares. If you are able to sell your shares, you would likely have to sell them at a substantial discount.

- We have a limited operating history and there is no assurance we will be able to achieve our investment objectives.

- The amount of distributions we may pay, if any, is uncertain. Due to the risks involved in the ownership of real estate and securities, there is no guarantee of any return on your investment in us and you may lose money.

- Some of our officers and our non-independent director have substantial conflicts of interest because they also serve as officers and directors of our advisor, our sponsor, the dealer manager and their affiliates, each of which may compete with us for the time and attention of these individuals.

- Distributions we pay to our stockholders may include a return of capital, which will lower your tax basis in our shares.

- We rely on our advisor and its affiliates for our day-to-day operations and the selection of our investments. We will pay substantial fees to our advisor and its affiliates for these services and the agreements relating to their compensation were not reached through arm s-length negotiations.

- Our advisor and its affiliates will face conflicts of interest, including significant conflicts in allocating time among us and other programs sponsored by Grubb & Ellis Company, Triple Net Properties, LLC, or any of their affiliates, or NNN programs, which could result in actions that are not in your best interests.

There are limitations on the ownership, transferability and redemption of our shares which significantly limit the liquidity of an investment in shares of our common stock.

This is a blind pool offering and you will not have the opportunity to evaluate most of our investments prior to purchasing shares of our common stock.

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This is a best efforts offering and if we are unable to raise substantial funds then we will be limited in the number and type of investments we may make.

The healthcare industry is heavily regulated, and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure could result in the inability of our tenants to make lease payments to us.

We have paid distributions from sources other than our cash flow from operations, including from the proceeds of this offering or from borrowed funds; if we pay future distributions from sources other than our cash flow from operations, we will have fewer funds for real estate investments and your overall return may be reduced.

If we fail to qualify as a REIT, it would adversely affect our operations and our ability to make distributions to stockholders.

Investment Objectives

Our investment objectives are:

to pay regular cash distributions;

to preserve, protect and return your capital contribution; and

to realize growth in the value of our investments upon our ultimate sale of such investments.

See Investment Objectives, Strategy and Criteria for a more complete description of our business and objectives.

Our Advisor

We are advised by Grubb & Ellis Healthcare REIT Advisor, LLC, or Healthcare Advisor, or our advisor. Our advisor is managed by and is a subsidiary of Triple Net Properties, LLC, or Triple Net Properties, and is also partially owned by certain members of the management of Triple Net Properties through Grubb & Ellis Healthcare Management, LLC, or Grubb & Ellis Healthcare Management. Triple Net Properties is an indirect wholly owned subsidiary of our sponsor, Grubb & Ellis Company, or Grubb & Ellis. Our advisor, which was formed in Delaware on April 20, 2006, supervises and manages our day-to-day operations. Our advisor will use its best efforts, subject to the oversight, review and approval of our board of directors, to, among other things, research, identify, review and make investments in and dispositions of properties and securities on our behalf consistent with our investment policies and objectives. Our advisor performs its duties and responsibilities under an advisory agreement as our fiduciary. The term of the current advisory agreement ends on October 24, 2008, subject to renewals by the parties to the advisory agreement for an unlimited number of successive one-year periods. Our officers and our non-independent director are all employees of our sponsor or its affiliates. The names and biographical information of our officers and our non-independent director are contained under Management Directors and Executive Officers.

Our Sponsor, NNN Realty Advisors and Triple Net Properties

Our sponsor, Grubb & Ellis, headquartered in Santa Ana, California, is one of the largest and most respected commercial real estate services companies. With more than 130 owned and affiliate offices worldwide, Grubb & Ellis offers property owners, corporate occupants and investors comprehensive integrated real estate solutions, including transaction, management, consulting and investment advisory services supported by proprietary market research and extensive local market expertise.

On December 7, 2007, NNN Realty Advisors, Inc., or NNN Realty Advisors, which previously served as our sponsor, merged with and into a wholly owned subsidiary of Grubb & Ellis. The transaction was structured as a reverse merger whereby stockholders of NNN Realty Advisors received shares of Grubb & Ellis in exchange for their NNN Realty Advisors shares and, immediately following the merger, former NNN Realty Advisor stockholders owned approximately 60.1% of Grubb & Ellis. Additionally, six of the nine post-merger directors of Grubb & Ellis were directors of NNN Realty Advisors prior to the merger, including the current Grubb & Ellis Chairman of the Board, Anthony W. Thompson. Scott D. Peters, the Chief Executive Officer,

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President and current Chairman of the Board of NNN Realty Advisors, also now serves as Chief Executive Officer, President and a director of Grubb & Ellis.

The merger combines one of the world s leading full-service commercial real estate organizations with a leading sponsor of commercial real estate programs to create a diversified real estate services business providing a complete range of transaction, management and consulting services, and possessing a strong platform for continued growth. Grubb & Ellis continues to use the Grubb & Ellis name and continues to be listed on the New York Stock Exchange under the ticker symbol GBE.

As a result of the merger, we consider Grubb & Ellis to be our sponsor. Upon Grubb & Ellis becoming our sponsor, we changed our name from NNN Healthcare/Office REIT, Inc. to Grubb & Ellis Healthcare REIT, Inc.

Triple Net Properties, the parent and manager of our advisor and an indirect wholly owned subsidiary of our sponsor, offers a diverse line of investment products as well as a full range of services including asset and property management, brokerage, leasing, analysis and consultation. Triple Net Properties is also an active seller of real estate, bringing many of its investment programs full cycle.

On September 16, 2004, Triple Net Properties learned that the Securities and Exchange Commission, or SEC, is conducting an investigation referred to as *In the matter of Triple Net Properties, LLC*. The SEC has requested information from Triple Net Properties relating to disclosure in public and private securities offerings sponsored by Triple Net Properties and its affiliates prior to 2005, or the Triple Net securities offerings. The SEC also has requested information from NNN Capital Corp., the dealer manager for the Triple Net securities offerings and the dealer manager for this offering. The SEC has requested financial and other information regarding the Triple Net securities offerings and the disclosures included in the related offering documents from each of Triple Net Properties and NNN Capital Corp. This investigation could result in the assertion of fines, penalties or administrative remedies. Based on settlement negotiations with the SEC, the management of Triple Net Properties has informed us that it believes the conclusion of this matter will not result in a material adverse effect to its results of operations, financial condition or ability to conduct its business. For more information on the risks related to the SEC investigation, see Risk Factors Risks Relating to Our Business The ongoing SEC investigation of Triple Net Properties could adversely impact our advisor s ability to perform its duties to us.

Our Dealer Manager

An affiliate of our advisor and an indirect wholly owned subsidiary of our sponsor, NNN Capital Corp., will assist us in selling our common stock under this prospectus by serving as the dealer manager of this offering. Since August 1986, the dealer manager has assisted various syndicated REITs, limited partnerships, limited liability companies and other real estate entities in raising money to invest in real estate.

Our Board of Directors

We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. The board of directors is responsible for the management and control of our affairs. We have six directors, five of whom are independent of us, our advisor and our advisor s affiliates. Our stockholders will elect our directors annually.

Description of Investments

As of the date of this prospectus, we have acquired 17 properties, and our advisor has identified three additional real properties to purchase with the net proceeds of this offering. We generally will seek to acquire a diversified portfolio of real estate, focusing primarily on investments that produce current income. Our real estate investments will focus on medical office buildings, healthcare-related facilities and quality commercial office properties. Healthcare-related facilities include facilities leased to hospitals, long-term acute care centers, surgery centers, specialty medical and diagnostic service providers, laboratories, research firms, pharmaceutical and medical supply manufacturers and health insurance firms. We may acquire properties either alone or jointly with another party. We may also invest in real estate related securities, although we have not yet identified any

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real estate related securities we plan to acquire. We do not presently intend to invest more than 15% of our total assets in real estate related securities. Our real estate related securities investments will generally focus on common and preferred equities, commercial mortgage-backed securities, or CMBS, other forms of mortgage debt and certain other securities, including collateralized debt obligations and foreign securities.

Our Operating Partnership

We intend to own all of our real properties through our operating partnership, Grubb & Ellis Healthcare REIT Holdings, L.P., or its subsidiaries. We are the sole general partner of the operating partnership and initially invested $2,000 in the operating partnership in exchange for 200 partnership units. The initial limited partner of our operating partnership is our advisor. Our advisor has invested $200,000 in our operating partnership in exchange for partnership units, which provide the advisor with subordinated distribution rights in addition to its rights as a limited partner in the event certain performance-based conditions are satisfied. See Compensation to the Advisor and Affiliates below for a description of our advisor s subordinated distribution rights.

Conflicts of Interest

Some of our officers and our non-independent director are also officers of our sponsor, our advisor and of Triple Net Properties, which manages our advisor, and they are involved in advising and investing in other real estate entities, including other REITs, which may give rise to conflicts of interest. In particular, our officers and non-independent director are involved in the management and advising of other public and private entities that own and operate real estate investments and may compete with us for the time and attention of our executives. The following chart sets forth the positions our officers and non-independent director hold with us, our advisor and the entities affiliated with our advisor that will be paid fees in connection with this offering.

Name	Entity	Title
Scott D. Peters	Grubb & Ellis Healthcare REIT, Inc.	Chief Executive Officer, President and Chairman of the Board
	Grubb & Ellis Healthcare REIT Advisor, LLC	Chief Executive Officer
	Triple Net Properties, LLC	Chief Executive Officer
	Grubb & Ellis Company	Chief Executive Officer, President and Director
Shannon K S Johnson	Grubb & Ellis Healthcare REIT, Inc.	Chief Financial Officer
	Triple Net Properties, LLC	Financial Reporting Manager
Andrea R. Biller	Grubb & Ellis Healthcare REIT, Inc.	Executive Vice President and Secretary

	Grubb & Ellis Healthcare REIT Advisor, LLC	Executive Vice President
	Triple Net Properties, LLC	General Counsel and Executive Vice President
	Grubb & Ellis Company	General Counsel, Executive Vice President and Secretary
Danny Prosky	Grubb & Ellis Healthcare REIT, Inc. Triple Net Properties, LLC	Vice President Acquisitions Managing Director Health Care Properties

As a result, these individuals may experience conflicts between their fiduciary obligations to us and their fiduciary obligations to, and pecuniary interests in, our sponsor and its affiliated entities.

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Our advisor also will experience the following conflicts of interest in connection with the management of our business affairs:

- the officers of our advisor, Triple Net Properties, which manages our advisor, and our sponsor, will have to allocate their time between us and other NNN programs;

- our advisor and its affiliates must determine how to allocate investment opportunities between us and other NNN programs;

- our advisor may compete with other NNN programs for the same tenants in negotiating leases or in selling similar properties at the same time; and

- our advisor and its affiliates will receive fees in connection with transactions involving the purchase, management and sale of our properties regardless of the quality or performance of the investments acquired or the services provided to us.

Our Structure

The following chart indicates the relationship among us, our advisor and certain affiliates of our advisor.

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Compensation to the Advisor and Affiliates

Our advisor and its affiliates will receive substantial compensation and fees for services relating to this offering and the investment and management of our assets. The most significant items of compensation, fees, expenses and other payments that we expect to pay to our advisor and its affiliates are included in the table below. The selling commissions and marketing support fee may vary for different categories of purchasers. See Plan of Distribution.

Type of Compensation (Recipient)	Determination and Method of Calculation	Estimated Amount
Offering Stage		
Selling Commissions (our dealer manager)	Up to 7.0% of gross offering proceeds from our primary offering; selling commissions may be reallowed to participating broker-dealers.	Actual amount depends upon the number of shares sold. We will pay a total of $140,000 if we sell the minimum offering and $140,000,000 if we sell the maximum offering.
Marketing Support Fee and Due Diligence Expense Reimbursement (our dealer manager)	Up to 2.5% of gross offering proceeds from our primary offering for non-accountable marketing support plus 0.5% for accountable *bona fide* due diligence reimbursement. The dealer manager may reallow to participating broker-dealers up to 1.5% of the gross offering proceeds from our primary offering for non-accountable marketing support and up to 0.5% for accountable *bona fide* due diligence expenses.	Actual amount depends upon the number of shares sold. We will pay a total of $60,000 if we sell the minimum offering and $60,000,000 if we sell the maximum offering.
Other Organizational and Offering Expenses (our advisor or its affiliates)	Up to 1.5% of gross offering proceeds from our primary offering for legal, accounting, printing, marketing and other offering expenses incurred on our behalf.	Actual amount depends upon the number of shares sold. We estimate that we will pay a total of $30,000 if we sell the minimum offering and $30,000,000 if we sell the maximum offering.
Acquisition and Development Stage		
Acquisition Fees (our advisor or its affiliates)	Up to 3.0% of the contract purchase price for each property acquired or up to 4.0% of the total development cost of any development property acquired, as applicable.	Actual amounts depend upon the purchase price of properties acquired and the total development cost of properties acquired for development.

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Type of Compensation (Recipient)	Determination and Method of Calculation	Estimated Amount
Reimbursement of Acquisition Expenses (our advisor or its affiliates)	All expenses related to selecting, evaluating, acquiring and investing in properties, whether or not acquired. Acquisition expenses will not exceed 0.5% of the purchase price of properties.	Actual amounts depend upon the actual expenses incurred.
Operational Stage		
Asset Management Fee (our advisor or its affiliates)	Subject to our stockholders receiving annualized distributions in an amount equal to 5.0% per annum on average invested capital, a monthly fee equal to one-twelfth of 1.0% of our average invested assets.	Actual amounts depend upon the average invested assets, and, therefore, cannot be determined at this time.
Property Management Fees (our advisor or its affiliates)	4.0% of the gross cash receipts from each property managed by our advisor or its affiliates. For each property managed directly by entities other than our advisor or its affiliates, we will pay our advisor or its affiliates a monthly oversight fee of up to 1.0% of the gross cash receipts from the property. For leasing activities, an additional fee may be charged in an amount not to exceed customary market norms.	Actual amounts depend upon the gross income of the properties, and, therefore, cannot be determined at this time.
Operating Expenses (our advisor or its affiliates)	Reimbursement of cost of providing administrative services to us.	Actual amounts depend upon the services provided, and, therefore, cannot be determined at this time.
Liquidity Stage		
Disposition Fees (our advisor or its affiliates)	Up to the lesser of 1.75% of the contract sales price of each property sold or 50.0% of a customary competitive real estate commission, to be paid only if our advisor or its affiliates provides a substantial amount of services in connection with the sale of the property, as determined by our board of directors in its discretion.	Actual amounts depend upon the sale price of properties, and, therefore, cannot be determined at this time.

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Type of Compensation (Recipient)	Determination and Method of Calculation	Estimated Amount
Subordinated Participation Interest (our advisor)	Our advisor has a subordinated participation interest of our operating partnership pursuant to which our advisor will receive cash distributions from our operating partnership under the following circumstances:	
Subordinated Distribution of Net Sales Proceeds (payable only if we liquidate our portfolio while Healthcare Advisor is serving as our advisor)	15.0% of any net sales proceeds remaining after we have made distributions to our stockholders of the total amount raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan) plus an amount equal to an annual 8.0% cumulative, non-compounded return on average invested capital.	Actual amounts depend upon the sale price of properties, and, therefore, cannot be determined at this time.
Subordinated Distribution Upon Listing (payable only if our shares are listed on a national securities exchange while Healthcare Advisor is serving as our advisor)	15.0% of the amount by which (1) the market value of our outstanding common stock at listing plus distributions paid prior to listing exceeds (2) the sum of the total amount of capital raised from our stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan) plus an amount of cash that, if distributed to stockholders as of the date of listing, would have provided them an annual 8.0% cumulative, non-compounded return on average invested capital.	Actual amounts depend upon the market value of our common stock at the time of listing, among other factors, and, therefore, cannot be determined at this time.

Upon termination of the advisory agreement without cause, our advisor may also be entitled to a subordinated distribution similar to the subordinated distribution upon listing described above. If our advisor receives the subordinated distribution upon a listing, it would no longer be entitled to receive subordinated distributions of net sales proceeds or the subordinated distribution upon a termination of the advisory agreement. If our advisor receives the subordinated distribution upon termination of the advisory agreement, it would no longer be entitled to receive subordinated distributions of net sales proceeds or the subordinated distribution upon listing. There are many additional conditions and restrictions on the amount of compensation our advisor and its affiliates may receive. For a more detailed explanation of these fees and expenses payable to our advisor and its affiliates, please see Compensation Table.

Prior Investment Programs

The section of this prospectus entitled Prior Performance Summary contains a discussion of the NNN programs sponsored through December 31, 2006. Certain financial data relating to the NNN programs is also provided in the Prior Performance Tables in Appendix A to this prospectus. The prior performance of our affiliates previous real estate programs may not be indicative of our ultimate performance and, thus, you should not assume that you will experience financial performance and returns comparable to those experienced by investors in these prior programs. You may experience a small return or no return on, or may lose some or all of, your investment in our shares. Please see Risk Factors Risks Relating to Our Business We have no prior operating history and there is no assurance that we will be able to successfully achieve our investment objectives; and the prior performance of other NNN programs may not be an accurate predictor of our future results.

Distribution Reinvestment Plan

You may participate in our distribution reinvestment plan and elect to have the distributions you receive reinvested in shares of our common stock at $9.50 per share during this offering. We may terminate the distribution reinvestment plan at our discretion at any time upon 10 days notice to you. Please see Description of Capital Stock Distribution Reinvestment Plan for a further explanation of our distribution reinvestment plan, a copy of which is attached as Appendix D to this prospectus.

Distribution Policy

In order to qualify as a REIT, we are required to distribute 90% of our annual taxable income to our stockholders. As of the date of this prospectus, we have acquired a limited number of properties, and we have not identified most of the investments we intend to acquire. We cannot predict when, if ever, we will begin to generate sufficient cash flow to pay cash distributions to our stockholders. The amount of any cash distributions will be determined by our board of directors and will depend on the amount of distributable funds, current and projected cash requirements, tax considerations, any limitations imposed by the terms of indebtedness we may incur and other factors. If our investments produce sufficient cash flow, we expect to pay distributions to you on a monthly basis. Because our cash available for distribution in any year may be less than 90% of our taxable income for the year, we may be required to borrow money, use proceeds from the issuance of securities or sell assets to pay out enough of our taxable income to satisfy the distribution requirement. Please see Description of Capital Stock Distribution Policy for a further explanation of our distribution policy.

On February 14, 2007, our board of directors approved a distribution rate of 7.25% per annum to be paid to stockholders beginning with our February 2007 monthly distribution that was paid in March 2007. Our distribution policy is set by our board of directors and is subject to change based on available cash flows. We cannot guarantee the amount of distributions paid in the future, if any.

Liquidity Events

On a limited basis, you may be able to sell shares through our share repurchase plan described below. However, in the future, our board of directors will also consider various forms of liquidity, each of which we refer to as a liquidity event, including; (1) a listing of our common stock on a national securities exchange; (2) our sale or merger in a transaction that provides our stockholders with a combination of cash and/or securities of a publicly traded company; and (3) the sale of all or substantially all of our assets for cash or other consideration. We presently intend to effect a liquidity event by September 20, 2013, seven years from the date of the original prospectus for this offering. However, there can be no assurance that we will effect a liquidity event within such time or at all. In making the decision whether to effect a liquidity event, our board of directors will try to determine which alternative will result in greater value for our stockholders. Certain merger transactions and the sale of all or substantially all of our assets as well as liquidation would require the affirmative vote of a majority of our outstanding shares of common stock.

Share Repurchase Plan

An investment in shares of our common stock should be made as a long-term investment which is consistent with our investment objectives. However, to accommodate stockholders for an unanticipated or unforeseen need or desire to sell their shares, we have adopted a share repurchase plan to allow stockholders to sell shares, subject to limitations and restrictions. Repurchase of shares, when requested, will generally be made quarterly. All repurchases are subject to a one-year holding period. However, the one-year holding period requirement will be waived for sales following death or disability. Repurchases would be limited to (1) those that could be funded from the net proceeds from the sale of shares under the distribution reinvestment plan in the prior 12 months and (2) 5.0% of the weighted average number of shares outstanding during the prior calendar year. Due to these limitations, we cannot guarantee that we will be able to accommodate all repurchase requests.

During the offering period, the repurchase price will be $9.00 per share. During the 12 months subsequent to the completion of the offering period, the repurchase price will be $9.25 per share. During the next 12 months, the repurchase price will be $9.50 per share and during the subsequent 12 months, $9.75 per share. Thereafter, the repurchase price will be the greater of: (a) $10.00 per share; or (b) a price equal to 10 times our funds available for distribution per weighted average share outstanding for the prior calendar year. For more information, please see the copy of our share repurchase plan attached as Appendix E.

We will terminate our share repurchase plan if and when our shares become listed on a national securities exchange or earlier if our board of directors determines that it is in our best interests to terminate the program. We may amend or modify any provision of the plan at any time, in our board s discretion. Please see Description of Capital Stock Share Repurchase Plan for further explanation of our share repurchase plan.

Employee Benefit Plan and IRA Considerations

The section of this prospectus entitled Employee Benefit Plan and IRA Considerations describes certain considerations associated with a purchase of shares by a pension, profit sharing or other employee benefit plan that is subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or by an individual retirement account subject to Section 4975 of the Internal Revenue Code. Any plan or account trustee or individual considering purchasing shares for or on behalf of such a plan or account should read that section of this prospectus very carefully.

Restrictions on Share Ownership

Our charter contains restrictions on ownership of the shares that prevent any individual or entity from acquiring beneficial ownership of more than 9.8% of the value of our then outstanding capital stock (which includes common stock and any preferred stock we may issue) or more than 9.8% of the value or number of shares, whichever is more restrictive, of our then outstanding common stock. Please see Description of Capital Stock Restriction on Ownership of Shares for further explanation of the restrictions on ownership of our shares.

About this Prospectus

This prospectus is part of a registration statement that we filed with the SEC using a continuous offering process. Periodically, as we make material investments or have other material developments, we will provide a prospectus supplement that may add, update or change information contained in this prospectus. Any statement that we make in this prospectus will be modified or superseded by any inconsistent statement made by us in a subsequent prospectus supplement. The registration statement we filed with the SEC includes exhibits that provide more detailed descriptions of the matters discussed in this prospectus. You should read this prospectus and the related exhibits filed with the SEC and any prospectus supplement, together with additional information described below under Where You Can Find Additional Information.

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RISK FACTORS

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

Investment Risks

There is currently no public market for our common stock. Therefore, it will be difficult for you to sell your shares and, if you are able to sell your shares, you will likely sell them at a substantial discount.

There currently is no public market for shares of our common stock. We do not expect a public market for our stock to develop prior to the listing of our shares on a national securities exchange, which we do not expect to occur in the near future and which may not occur at all. Additionally, our charter contains restrictions on the ownership and transfer of our shares, and these restrictions may inhibit your ability to sell your shares. We have adopted a share repurchase plan but it is limited in terms of the amount of shares which may be repurchased annually. Our board of directors may also limit, suspend, terminate or amend our share repurchase plan upon 30 days notice. Therefore, it will be difficult for you to sell your shares promptly or at all. If you are able to sell your shares, you may only be able to sell them at a substantial discount from the price you paid. This may be the result, in part, of the fact that, at the time we make our investments, the amount of funds available for investment will be reduced by up to 11.5% of the gross offering proceeds which will be used to pay selling commissions, the marketing support fee, due diligence expense reimbursements and organizational and offering expenses. We will also be required to use gross offering proceeds to pay real estate commissions, advisory fees and acquisition expenses. Unless our aggregate investments increase in value to compensate for these up front fees and expenses, which may not occur, it is unlikely that you will be able to sell your shares, whether pursuant to our share repurchase plan or otherwise, without incurring a substantial loss. We cannot assure you that your shares will ever appreciate in value to equal the price you paid for your shares. Thus, prospective stockholders should consider the purchase of shares of our common stock as illiquid and a long-term investment, and you must be prepared to hold your shares for an indefinite length of time. Please see Description of Capital Stock Restriction on Ownership of Shares for a more complete discussion on certain restrictions regarding your ability to transfer your shares.

This is a blind pool offering because we have identified a limited number of the specific investments we intend to make with the net proceeds we will receive from this offering. If we are unable to find suitable investments, we may not be able to achieve our investment objectives.

As of the date of this prospectus, we have acquired 17 properties, and our advisor has identified only three additional real estate investments to purchase with the net proceeds we will receive from this offering. As a result, investors in the offering will be unable to evaluate the manner in which most of the net proceeds are invested and the economic merits of our investments prior to subscribing for shares of our common stock. Additionally, you will not have the opportunity to evaluate the transaction terms or other financial or operational data concerning the properties or real estate related securities we acquire in the future. You must rely on our advisor to evaluate our investment opportunities, and our advisor may not be able to achieve our investment objectives, may make unwise decisions or may make decisions that are not in our best interest because of conflicts of interest. See the risks discussed under Risks Related to Conflicts of Interest below. Further, we cannot assure you that acquisitions of real estate or real estate related securities made using the proceeds of this offering will produce a return on our investment or will generate cash flow to enable us to make distributions to our stockholders.

You may be unable to sell your shares because your ability to have your shares repurchased pursuant to our share repurchase plan is subject to significant restrictions and limitations.

Even though our share repurchase plan may provide you with a limited opportunity to sell your shares to us after you have held them for a period of one year, you should be fully aware that our share repurchase plan contains significant restrictions and limitations. Further, our board may limit, suspend, terminate or amend any provision of the share repurchase plan upon 30 days notice. Repurchase of shares, when requested, will generally be made quarterly. Repurchases will be limited to (1) those that could be funded from the net proceeds from the sale of shares under the distribution reinvestment plan in the prior 12 months, and (2) 5.0% of the weighted average number of shares outstanding during the prior calendar year. In addition, you must present at least 25% of your shares for repurchase and until three years following this offering, repurchases will be made for less than you paid for your shares. Therefore, in making a decision to purchase shares of our common stock, you should not assume that you will be able to sell any of your shares back to us pursuant to our share repurchase plan at any particular time or at all. Please see Description of Capital Stock Share Repurchase Plan for more information regarding our share repurchase plan.

This is a best efforts offering and if we are unable to raise substantial funds, we will be limited in the number and type of investments we may make, which will result in a less diversified portfolio.

This offering is being made on a best efforts basis, whereby the dealer manager and the broker-dealers participating in the offering are only required to use their best efforts to sell our shares and have no firm commitment or obligation to purchase any of the shares. As a result, if we are unable to raise substantially more than the minimum offering of $2,000,000, we will have limited diversification in terms of the number of investments owned, the geographic regions in which our investments are located and the types of investments that we make. Your investment in our shares will be subject to greater risk to the extent that we lack a diversified portfolio of investments. In such event, the likelihood of our profitability being affected by the poor performance of any single investment will increase.

This is a fixed price offering and the fixed offering price may not accurately represent the current value of our assets at any particular time. Therefore the purchase price you paid for shares of our common stock may be higher than the value of our assets per share of our common stock at the time of your purchase.

This is a fixed price offering, which means that the offering price for shares of our common stock is fixed and will not vary based on the underlying value of our assets at any time. Our board of directors arbitrarily determined the offering price in its sole discretion. The fixed offering price for shares of our common stock has not been based on appraisals for any assets we may own nor do we intend to obtain such appraisals. Therefore, the fixed offering price established for shares of our common stock may not accurately represent the current value of our assets per share of our common stock at any particular time and may be higher or lower than the actual value of our assets per share at such time.

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

Our advisor holds a subordinated participation interest in our operating partnership, pursuant to which it may be entitled to receive a distribution upon the occurrence of certain events, namely upon dispositions of our assets, the termination or non-renewal of the advisory agreement, other than for cause, or the listing of our common stock on a national securities exchange. The distribution payable to our advisor will equal 15% of proceeds only after we have made distributions to our stockholders of the total amount raised from stockholders (less amounts paid to repurchase shares through our share repurchase plan) plus an annual 8% cumulative, non-compounded return on average invested capital. Any distributions to our advisor by our operating partnership upon dispositions of our assets and such other events will reduce cash available for distribution to our stockholders.

The business and financial due diligence investigation of us was conducted by an affiliate. That investigation might not have been as thorough as an investigation conducted by an unaffiliated third party, and might not have uncovered facts that would be important to a potential investor.

Because our advisor and our dealer manager are affiliates of ours, investors will not have the benefit of an independent due diligence review and investigation of the type normally performed by an unaffiliated, independent underwriter in connection with a securities offering. In addition, Alston & Bird LLP has acted as

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counsel to us, our advisor and the dealer manager in connection with this offering and, therefore, investors will not have the benefit of due diligence that might otherwise be performed by independent counsel. Under applicable legal ethics rules, Alston & Bird LLP may be precluded from representing us due to a conflict of interest between us and our affiliates. If any situation arises in which our interests are in conflict with those of our affiliates, we would be required to retain additional counsel and may incur additional fees and expenses. The lack of an independent due diligence review and investigation increases the risk of your investment because it may not have uncovered facts that would be important to a potential investor.

We presently intend to effect a liquidity event by September 20, 2013; however, there can be no assurance that we will effect a liquidity event within such time or at all. If we do not effect a liquidity event, it will be very difficult for you to have liquidity for your investment in shares of our common stock.

On a limited basis, you may be able to sell shares through our share repurchase plan. However, in the future we may also consider various forms of liquidity events, including but not limited to (1) listing our common stock on a national securities exchange, (2) our sale or merger in a transaction that provides our stockholders with a combination of cash and/or securities of a publicly traded company, and (3) the sale of all or substantially all of our real property for cash or other consideration. We presently intend to effect a liquidity event by September 20, 2013. However, there can be no assurance that we will effect a liquidity event within such time or at all. If we do not effect a liquidity event, it will be very difficult for you to have liquidity for your investment in shares of our common stock other than limited liquidity through our share repurchase plan.

Because a portion of the offering price from the sale of shares will be used to pay expenses and fees, the full offering price paid by stockholders will not be invested in real estate investments. As a result, stockholders will only receive a full return of their invested capital if we either (1) sell our assets or our company for a sufficient amount in excess of the original purchase price of our assets, or (2) the market value of our company after we list our shares of common stock on a national securities exchange is substantially in excess of the original purchase price of our assets.

Risks Relating to Our Business

We have a limited operating history and there is no assurance that we will be able to successfully achieve our investment objectives; and the prior performance of other NNN programs may not be an accurate predictor of our future results.

We have a limited operating history and we may not be able to achieve our investment objectives. As a result, an investment in our shares of common stock may entail more risks than the shares of common stock of a real estate investment trust with a substantial operating history. In addition, you should not rely on the past performance of other investment programs sponsored by Grubb & Ellis, Triple Net Properties, or any of their affiliates, to predict our future results.

We may suffer from delays in locating suitable investments, which could reduce our ability to make distributions to our stockholders and your return on your investment.

We have identified three future investments, and we have acquired 17 properties. There may be a substantial period of time before the proceeds of this offering are invested in additional suitable investments. Because we are conducting this offering on a best efforts basis over time, our ability to commit to purchase specific assets will also depend, in part, on the amount of proceeds we have received at a given time. If we are delayed or unable to find suitable investments, we may not be able to achieve our investment objectives or make distributions to you.

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

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

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distributions to you or that the amount of distributions will increase over time. Should we fail for any reason to distribute at least 90% of our REIT taxable income, we would not qualify for the favorable tax treatment accorded to REITs.

We may not have sufficient cash available from operations to pay distributions, and, therefore, distributions may include a return of capital.

Distributions payable to stockholders may include a return of capital, rather than a return on capital. We intend to pay regular cash distributions to our stockholders, typically on a monthly basis. The actual amount and timing of distributions will be determined by our board of directors in its discretion and typically will depend on the amount of funds available for distribution, which will depend on items such as current and projected cash requirements and tax considerations. As a result, our distribution rate and payment frequency may vary from time to time. During the early stages of our operations, we may not have sufficient cash available from operations to pay distributions. Therefore, we may need to use proceeds from the offering or borrow funds to make cash distributions in order to maintain our status as a REIT, which may reduce the amount of proceeds available for investment and operations or cause us to incur additional interest expense as a result of borrowed funds. Further, if the aggregate amount of cash distributed in any given year exceeds the amount of our REIT taxable income generated during the year, the excess amount will be deemed a return of capital.

We may not have sufficient cash available from operations to pay distributions, and, therefore, distributions may be paid with offering proceeds or borrowed funds.

The amount of the distributions we make to our stockholders will be determined by our board of directors and is dependent on a number of factors, including funds available for payment of distributions, our financial condition, capital expenditure requirements and annual distribution requirements needed to maintain our status as a REIT. On February 14, 2007, our board of directors approved a 7.25% per annum distribution to be paid to stockholders beginning with our February 2007 monthly distribution, which was paid in March 2007. For the nine months ended September 30, 2007, we paid distributions of $1,638,000 from cash flow from operations of $2,963,000 for the period. However, as of September 30, 2007, we owed $632,000 to our advisor and its affiliates for operating expenses, on-site personnel and engineering payroll and asset and property management fees, which will be paid from cash flow from operations in the future. Our advisor and its affiliates have no obligations to defer or forgive amounts due to them. As of September 30, 2007, no amounts due to our advisor or its affiliates have been forgiven. In the future, if our advisor or its affiliates do not defer or forgive amounts due to them and as a result if our cash flow from operations is less than the distributions to be paid, we would be required to pay our distributions, or a portion thereof, with proceeds from this offering or borrowed funds. As a result, the amount of proceeds available for investment and operations would be reduced, or we may incur additional interest expense as a result of borrowed funds. In addition, for the nine months ended September 30, 2007, our funds from operations, or FFO, were $1,583,000. We paid distributions of $1,638,000, of which $1,583,000 was paid from FFO and the remainder from proceeds from this offering.

We are uncertain of our sources of debt or equity for funding our future capital needs. If we cannot obtain funding on acceptable terms, our ability to make necessary capital improvements to our properties may be impaired or delayed.

The gross proceeds of the offering will be used to buy a diversified portfolio of real estate and real estate related securities and to pay various fees and expenses. In addition, to qualify as a REIT, we generally must distribute to our stockholders at least 90% of our taxable income each year, excluding capital gains. Because of this distribution requirement, it is not likely that we will be able to fund a significant portion of our future capital needs from retained earnings. Sources of funding may not be available to us on favorable terms or at all. If we do not have access to sufficient funding in the future, we may not be able to make necessary capital improvements to our properties, pay other expenses or expand our business.

The recent downturn in the credit markets has increased the cost of borrowing and has made financing difficult to obtain, each of which may have a material adverse effect on our results of operations and business.

Recent events in the financial markets have had an adverse impact on the credit markets and, as a result, the availability of credit has become more expensive and difficult to obtain. Some lenders are imposing more stringent restrictions on the terms of credit and there may be a general reduction in the amount of credit available in the markets in which we conduct business. The negative impact on the tightening of the credit markets may have a material adverse effect on us resulting from, but not limited to, an inability to finance the acquisition of properties on favorable terms, if at all, increased financing costs or financing with increasingly restrictive covenants.

The negative impact of the recent adverse changes in the credit markets on the real estate sector generally or our inability to obtain financing on favorable terms, if at all, may have a material adverse effect on our results of operations and business.

We may structure acquisitions of property in exchange for limited partnership units in our operating partnership on terms that could limit our liquidity or our flexibility.

We may acquire properties by issuing limited partnership units in our operating partnership in exchange for a property owner contributing property to the partnership. If we enter into such transactions, in order to induce the contributors of such properties to accept units in our operating partnership, rather than cash, in exchange for their properties, it may be necessary for us to provide them additional incentives. For instance, our operating partnership s partnership agreement provides that any holder of units may exchange limited partnership units on a one-for-one basis for shares of our common stock, or, at our option, cash equal to the value of an equivalent number of our shares. We may, however, enter into additional contractual arrangements with contributors of property under which we would agree to repurchase a contributor s units for shares of our common stock or cash, at the option of the contributor, at set times. If the contributor required us to repurchase units for cash pursuant to such a provision, it would limit our liquidity and thus our ability to use cash to make other investments, satisfy other obligations or to make distributions to stockholders. Moreover, if we were required to repurchase units for cash at a time when we did not have sufficient cash to fund the repurchase, we might be required to sell one or more properties to raise funds to satisfy this obligation. Furthermore, we might agree that if distributions the contributor received as a limited partner in our operating partnership did not provide the contributor with a defined return, then upon redemption of the contributor s units we would pay the contributor an additional amount necessary to achieve that return. Such a provision could further negatively impact our liquidity and flexibility. Finally, in order to allow a contributor of a property to defer taxable gain on the contribution of property to our operating partnership, we might agree not to sell a contributed property for a defined period of time or until the contributor exchanged the contributor s units for cash or shares. Such an agreement would prevent us from selling those properties, even if market conditions made such a sale favorable to us.

Our success will be dependent on the performance of our advisor.

Our ability to achieve our investment objectives and to pay distributions is dependent upon the performance of our advisor in identifying and acquiring investments, the determination of any financing arrangements, the asset management of our investments and operation of our day-to-day activities. You will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments that are not described in this prospectus. We will rely entirely on the management ability of our advisor, subject to the oversight of our board of directors. If our advisor suffers or is distracted by adverse financial or operational problems in connection with its operations unrelated to us, our advisor may be unable to allocate time and/or resources to our operations. If our advisor is unable to allocate sufficient resources to oversee and perform our operations for any reason, we may be unable to achieve our investment objectives or to pay distributions to our stockholders. In addition, our success depends to a significant degree upon the continued contributions of certain of our sponsor s and advisor s officers and officers of Triple Net Properties, who will manage our advisor, including Scott D. Peters and Andrea R. Biller, each of whom would be difficult to replace. We currently do not have key man life insurance on any key personnel. If our sponsor, our advisor or Triple Net Properties were to lose the benefit of the experience, efforts and abilities of one or more of these individuals, our operating results could suffer.

Our results of operations, our ability to pay distributions to our stockholders and our ability to dispose of our investments are subject to general economic and regulatory factors we cannot control or predict.

Our results of operations are subject to the risks of a national economic slowdown or disruption, other changes in national or local economic conditions or changes in tax, real estate, environmental or zoning laws. The following factors may affect income from our properties, our ability to dispose of properties, and yields from our properties:

- poor economic times may result in defaults by tenants of our properties and borrowers. We may also be required to provide rent concessions or reduced rental rates to maintain or increase occupancy levels;

- job transfers and layoffs may cause vacancies to increase and a lack of future population and job growth may make it difficult to maintain or increase occupancy levels;

- increases in supply of competing properties or decreases in demand for our properties may impact our ability to maintain or increase occupancy levels;

- changes in interest rates and availability of debt financing could render the sale of properties difficult or unattractive;

- periods of high interest rates may reduce cash flow from leveraged properties; and

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

Some or all of the foregoing factors may affect the returns we receive from our investments, our results of operations, our ability to pay distributions to our stockholders or our ability to dispose of our investments.

Our advisor and its affiliates have no obligation to defer or forgive fees or loans or advance any funds to us, which could reduce our ability to make investments or pay distributions.

In the past, our sponsor or its affiliates have, in certain circumstances, deferred or forgiven fees and loans payable by programs sponsored or managed by NNN Realty Advisors or Triple Net Properties. Our advisor and its affiliates have no obligation to defer or forgive fees owed by us to our advisor or its affiliates or to advance any funds to us. As a result, we may have less cash available to make investments or pay distributions.

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

On September 16, 2004, Triple Net Properties, learned that the SEC is conducting an investigation referred to as In the matter of Triple Net Properties, LLC. The SEC has requested information from Triple Net Properties relating to disclosure in certain public and private securities offerings sponsored by Triple Net Properties and its affiliates during 1998 through 2004, or the Triple Net securities offerings. The SEC also has requested information from NNN Capital Corp., the dealer manager for the Triple Net securities offerings and the dealer manager for this offering. The SEC has requested financial and other information regarding the Triple Net securities offerings and the disclosures included in the related offering documents from each of Triple Net Properties and NNN Capital Corp.

Triple Net Properties and NNN Capital Corp. are engaged in settlement negotiations with the SEC staff regarding this matter. The settlement negotiations are continuing, and any settlement negotiated with the SEC staff must be approved by the Commission. Since the matter is not concluded, it remains subject to the risk that the SEC may seek additional remedies, including substantial fines and injunctive relief that, if obtained, could materially adversely affect our advisor s ability to perform its duties to us, because our advisor is controlled by Triple Net Properties, and could also materially adversely affect our dealer manager s ability to conduct this offering. Additionally, any resolution of this matter that reflects negatively on the reputation of Triple Net Properties or NNN Capital Corp. could materially and adversely affect the willingness of potential investors to invest in Triple Net Properties offerings, including this offering. The matters that are the subject of this investigation could also give rise to claims against Triple Net Properties by investors in its programs. At this time, Triple Net Properties cannot assess the outcome of the investigation by the SEC.

Risks Related to Conflicts of Interest

We will be subject to conflicts of interest arising out of relationships among us, our officers, our advisor and its affiliates, including the material conflicts discussed below. The Conflicts of Interest section of this prospectus provides a more detailed discussion of these conflicts of interest.

We will compete with other NNN programs for investment opportunities. As a result, our advisor may not cause us to invest in favorable investment opportunities which may reduce our returns on our investments.

Our sponsor, Triple Net Properties and their affiliates have sponsored existing programs with investment objectives and strategies similar to ours, and may sponsor other similar programs in the future. As a result, we may be buying properties at the same time as one or more of the other NNN programs managed or advised by affiliates of our advisor. Officers and employees of our advisor may face conflicts of interest in allocating investment opportunities between us and these other programs. For instance, our advisor may select properties for us that provide lower returns to us than properties that its affiliates select to be purchased by another NNN program. We cannot be sure that officers and employees acting for or on behalf of our advisor and on behalf of managers of other NNN programs will act in our best interests when deciding whether to allocate any particular investment to us. We are subject to the risk that as a result of the conflicts of interest between us, our advisor and other entities or programs managed by its affiliates, our advisor may not cause us to invest in favorable investment opportunities that our advisor locates when it would be in our best interest to make such investments. As a result, we may invest in less favorable investments, which may reduce our returns on our investments and ability to pay distributions.

The conflicts of interest faced by our officers and our non-independent director may cause us not to be managed solely in the best interests of our stockholders, which may adversely affect our results of operation and the value of your investment.

Some of our officers and our non-independent director are officers of our advisor, Triple Net Properties, which manages our advisor, our sponsor and other affiliated entities which will receive fees in connection with this offering and operations. Scott D. Peters is our Chief Executive Officer, President and Chairman of the Board and also serves as the Chief Executive Officer of our advisor, the Chief Executive Officer of Triple Net Properties, the Chief Executive Officer, President and a director of our sponsor and the Chief Executive Officer, President and Chairman of the Board of NNN Realty Advisors, a wholly owned subsidiary of our sponsor. Mr. Peters currently owns approximately 2.0% of Grubb & Ellis outstanding common stock and he has de minimis ownership in several other NNN programs. Shannon K S Johnson is our Chief Financial Officer and also serves as a Financial Reporting Manager of Triple Net Properties. Ms. Johnson has de minimis equity ownership in our sponsor and no equity ownership in any NNN programs. Andrea R. Biller is our Executive Vice President and Secretary and also serves as the Executive Vice President of our advisor, the General Counsel and Executive Vice President of Triple Net Properties, the General Counsel, Executive Vice President and Secretary of our sponsor and the General Counsel, Executive Vice President, Secretary and a director of NNN Realty Advisors. Ms. Biller owns less than 1.0% of our sponsor s outstanding common stock and she has de minimis ownership in several NNN programs. Danny Prosky is our Vice President

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Acquisitions and also serves as the Managing Director Health Care Properties of Triple Net Properties. Mr. Prosky has no equity ownership in our sponsor or any NNN programs, other than 3,000 shares of our common stock. In addition, each of Mr. Peters, Ms. Johnson, Ms. Biller and Mr. Prosky holds options to purchase a de minimis amount of our sponsor s outstanding common stock. As of December 14, 2007, each of Mr. Peters and Ms. Biller own 18.0% membership interests in Grubb & Ellis Healthcare Management, LLC, which owns 25.0% of the membership interest of our advisor.

Some of the NNN programs in which our officers and non-independent director have invested and to which they provide services, have investment objectives similar to our investment objectives. These individuals have legal and fiduciary obligations to these entities which are similar to those they owe to us and our stockholders. As a result, they may have conflicts of interest in allocating their time and resources between our business and these other activities. During times of intense activity in other programs, the time they devote to our business may decline and be less than we require. If our officers and non-independent director, for any reason, are not able to provide sufficient resources to manage our business, our business will suffer and this may adversely affect our results of operations and the value of your investment.

If we enter into joint ventures with affiliates, we may face conflicts of interest or disagreements with our joint venture partners that will not be resolved as quickly or on terms as advantageous to us as would be the case if the joint venture had been negotiated at arm s length with an independent joint venture partner.

In the event that we enter into a joint venture with any other program sponsored or advised by our sponsor or one of its affiliates, we may face certain additional risks and potential conflicts of interest. For example, securities issued by the other NNN programs may never have an active trading market. Therefore, if we were to become listed on a national securities exchange, we may no longer have similar goals and objectives with respect to the resale of properties in the future. Joint ventures between us and other NNN programs will not have the benefit of arm s length negotiation of the type normally conducted between unrelated co-venturers. Under these joint venture agreements, none of the co-venturers may have the power to control the venture, and an impasse could be reached regarding matters pertaining to the joint venture, including the timing of a liquidation, which might have a negative impact on the joint venture and decrease returns to you.

Our advisor will face conflicts of interest relating to its compensation structure, which could result in actions that are not necessarily in the long-term best interests of our stockholders.

Under the advisory agreement between us, our operating partnership, our advisor and Triple Net Properties, and pursuant to the subordinated participation interest our advisor holds in our operating partnership, our advisor is entitled to fees and distributions that are structured in a manner intended to provide incentives to our advisor to perform in our best interests and in the best interests of our stockholders. The fees our advisor is entitled to include real estate commissions, an asset management fee and disposition fees. The distributions our advisor may become entitled to receive would be payable upon distribution of net sales proceeds to our stockholders, the listing of our shares or the termination of the advisory agreement, other than for cause. Please see Compensation Table for a description of the fees and distributions payable to our advisor and its affiliates. However, because our advisor does not maintain a significant equity interest in us and is entitled to receive substantial minimum compensation regardless of performance, our advisor s interests are not wholly aligned with those of our stockholders. In that regard, the only fee our advisor receives with respect to ongoing operation and management of properties is the asset management fee, which is based on the amount of our initial investment and not the performance of those investments, which could result in our advisor not having adequate incentive to manage our portfolio to provide profitable operations during the period we hold our investments. On the other hand, our advisor could be motivated to recommend riskier or more speculative investments in order to increase the fees payable to our advisor or for us to generate the specified levels of performance or net sales proceeds that would entitle our advisor to fees or distributions.

The distribution payable to our advisor upon termination of the advisory agreement may influence decisions about terminating our advisor or our acquisition or disposition of investments.

Our advisor s entitlement to fees upon the sale of our assets and to participate in net sales proceeds could result in our advisor recommending sales of our investments at the earliest possible time at which sales of investments would produce the level of return which would entitle the advisor to compensation relating to such sales, even if continued ownership of those investments might be in the best long-term interest of our stockholders. The subordinated participation interest may require our operating partnership to make a distribution to our advisor upon termination of the advisory agreement, other than for cause, if our advisor meets the performance thresholds included in our operating partnership agreement. This distribution will not be paid if we terminate the advisory agreement after the listing of our shares. To avoid making this distribution, our independent directors may decide against terminating the advisory agreement prior to our listing of our shares even if, but for the requirement to make this distribution, termination of the advisory agreement would be in the best interest of our stockholders. In addition, the requirement to make this distribution could cause our independent directors to make different investment or disposition decisions than they would otherwise make, in order to satisfy our obligation to the terminated advisor.

We may acquire assets from, or dispose of assets to, affiliates of our advisor, which could result in us entering into transactions on less favorable terms than we would receive from a third party or that negatively affect the public s perception of us.

We may acquire assets from affiliates of our advisor. Further, we may also dispose of assets to affiliates of our advisor. Affiliates of our advisor may make substantial profits in connection with such transactions and may owe fiduciary and/or other duties to the selling or purchasing entity in these transactions, and conflicts of interest between us and the selling or purchasing entities could exist in such transactions. Because our independent directors would rely on our advisor in identifying and evaluating any such transaction, these conflicts could result in transactions based on terms that are less favorable to us than we would receive from a third party. Also, the existence of conflicts, regardless of how they are resolved, might negatively affect the public s perception of us.

The fees we pay our advisor under the advisory agreement and the distributions payable to our advisor under our operating partnership agreement were not determined on an arm s-length basis and therefore may not be on the same terms as those we could negotiate with an unrelated party.

Our independent directors relied on information and recommendations provided by our advisor to determine the fees and distributions payable to our advisor and its affiliates under the advisory agreement and pursuant to the subordinated participation interest in our operating partnership. As a result, these fees and distributions cannot be viewed as having been determined on an arms -length basis and we cannot assure you that an unaffiliated party would not be willing and able to provide to us the same services at a lower price.

Risks Associated with Our Organizational Structure

We may issue preferred stock or other classes of common stock, which issuance could adversely affect the holders of our common stock issued pursuant to this offering.

Investors in this offering do not have preemptive rights to any shares issued by us in the future. We may issue, without stockholder approval, preferred stock or other classes of common stock with rights that could dilute the value of your shares of common stock. Our charter authorizes us to issue 1,200,000,000 shares of capital stock, of which 1,000,000,000 shares of capital stock are designated as common stock and 200,000,000 shares of capital stock are designated as preferred stock. Our board of directors may increase the aggregate number of authorized shares of capital stock or the number of authorized shares of capital stock of any class or series without stockholder approval. If we ever created and issued preferred stock with a distribution preference over our common stock, payment of any distribution preferences of outstanding preferred stock would reduce the amount of funds available for the payment of distributions on our common stock. Further, holders of preferred stock are normally entitled to receive a preference payment in the event we liquidate, dissolve or wind up before any payment is made to our common stockholders, likely reducing the amount common stockholders would otherwise receive upon such an occurrence. In addition, under certain circumstances, the issuance of preferred stock or a separate class or series of common stock may render more difficult or tend to discourage:

- a merger, offer or proxy contest;
- assumption of control by a holder of large block of our securities; or
- removal of incumbent management.

The limit on the percentage of shares of our common stock that any person may own may discourage a takeover or business combination that may have benefited our stockholders.

Our charter restricts the direct or indirect ownership by one person or entity to no more than 9.8% of the value of our then outstanding capital stock (which includes common stock and any preferred stock we may issue) and no more than 9.8% of the value or number of shares, whichever is more restrictive, of our then outstanding common stock. This restriction may discourage a change of control of us and may deter individuals or entities from making tender offers for shares of our common stock on terms that might be financially attractive to stockholders or which may cause a change in our management. This ownership restriction may also prohibit business combinations that would have otherwise been approved by our board of directors and stockholders. In addition to deterring potential transactions that may be favorable to our stockholders, these provisions may also decrease your ability to sell your shares of our common stock.

Our board of directors may change our investment objectives without seeking stockholder approval.

Our charter permits our board of directors to change our investment objectives without seeking stockholder approval. Although our board has fiduciary duties to our stockholders and intends only to change our investment objectives when the board determines that a change is in the best interests of our stockholders, a change in our investment objectives could reduce our payment of cash distributions to our stockholders or cause a decline in the value of our investments.

Maryland law and our organizational documents limit your right to bring claims against our officers and directors.

Maryland law provides that a director will not have any liability as a director so long as he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interest, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter provides that, subject to the applicable limitations set forth therein or under Maryland law, no director or officer will be liable to us or our stockholders for monetary damages. Our charter also provides that we will generally indemnify our directors, our officers, our advisor and its affiliates for losses they may incur by reason of their service in those capacities unless (1) their act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (2) they actually received an improper personal benefit in money, property or services, or (3) in the case of any criminal proceeding, they had reasonable cause to believe the act or omission was unlawful. Moreover, we may enter into separate indemnification agreements with each of our directors and some of our executive officers. As a result, we and our stockholders may have more limited rights against these persons than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by these persons in some cases. However, our charter does provide that we may not indemnify or hold harmless our directors, our advisor and its affiliates unless they have determined that the course of conduct that caused the loss or liability was in our best interests, they were acting on our behalf or performing services for us, the liability was not the result of negligence or misconduct by our non-independent directors, our advisor and its affiliates or gross negligence or willful misconduct by our independent directors, and the indemnification is recoverable only out of our net assets or the proceeds of insurance and not from the stockholders.

Certain provisions of Maryland law could restrict a change in control even if a change in control were in our stockholders interests.

Certain provisions of the Maryland General Corporation Law applicable to us prohibit business combinations with:

- any person who beneficially owns 10% or more of the voting power of our common stock, which we refer to as an interested stockholder;
- an affiliate of ours who, at any time within the two-year period prior to the date in question, was an interested stockholder; or
- an affiliate of an interested stockholder.

These prohibitions last for five years after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any business combination with the interested stockholder must be recommended by our board of directors and approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of our outstanding shares of common stock and two-thirds of the votes entitled to be cast by holders of shares of our common stock other than shares held by the interested stockholder. These requirements could have the effect of inhibiting a change in control even if a change in control were in our stockholders interest. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our board of directors prior to the time that someone becomes an interested stockholder.

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

We are not registered as an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act. If for any reason, we were required to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act imposing, among other things:

- limitations on capital structure;
- restrictions on specified investments;
- prohibitions on transactions with affiliates; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

We intend to operate in such a manner that we will not be subject to regulation under the Investment Company Act. In order to maintain our exemption from regulation under the Investment Company Act, we must comply with technical and complex rules and regulations.

Specifically, in order to maintain our exemption from regulation as an investment company under the Investment Company Act, we intend to engage primarily in the business of investing in interests in real estate and to make these investments within one year after the offering ends. If we are unable to invest a significant portion of the proceeds of this offering in properties within one year of the termination of the offering, we may avoid being required to register as an investment company under the Investment Company Act by temporarily investing any unused proceeds in government securities with low returns. Investments in government securities likely would reduce the cash available for distribution to investors and possibly lower your returns.

In order to avoid coming within the application of the Investment Company Act, either as a company engaged primarily in investing in interests in real estate or under another exemption from the Investment Company Act, our advisor may be required to impose limitations on our investment activities. In particular, our advisor may limit the percentage of our assets that fall into certain categories specified in the Investment Company Act, which could result in us holding assets we otherwise might desire to sell and selling assets we

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otherwise might wish to retain. In addition, we may have to acquire additional assets that we might not otherwise have acquired or be forced to forgo investment opportunities that we would otherwise want to acquire and that could be important to our investment strategy. In particular, our advisor will monitor our investments in real estate related securities to ensure continued compliance with one or more exemptions from investment company status under the Investment Company Act and, depending on the particular characteristics of those investments and our overall portfolio, our advisor may be required to limit the percentage of our assets represented by real estate related securities.

If we were required to register as an investment company, our ability to enter into certain transactions would be restricted by the Investment Company Act. Furthermore, the costs associated with registration as an investment company and compliance with such restrictions could be substantial. In addition, registration under and compliance with the Investment Company Act would require a substantial amount of time on the part of our advisor and its affiliates, thereby decreasing the time they spend actively managing our investments. If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court were to require enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

Risks Related to Investments in Real Estate

Changes in national, regional or local economic, demographic or real estate market conditions may adversely affect our results of operations and our ability to pay distributions to our stockholders or reduce the value of your investment.

We will be subject to risks generally incident to the ownership of real property, including changes in national, regional or local economic, demographic or real estate market conditions. We are unable to predict future changes in national, regional or local economic, demographic or real estate market conditions. For example, a recession or rise in interest rates could make it more difficult for us to lease real properties or dispose of them. In addition, rising interest rates could also make alternative interest-bearing and other investments more attractive and therefore potentially lower the relative value of our existing real estate investments. These conditions, or others we cannot predict, may adversely affect our results of operations, our ability to pay distributions to our stockholders or reduce the value of your investment.

If we acquire real estate at a time when the real estate market is experiencing substantial influxes of capital investment and competition for income producing properties, the real estate investments we make may not appreciate or may decrease in value.

The real estate market is currently experiencing a substantial influx of capital from investors. This substantial flow of capital, combined with significant competition for income producing real estate, may result in inflated purchase prices for such assets. To the extent we purchase real estate in such an environment, we are subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future as it is currently attracting, or if the number of companies seeking to acquire such assets decreases, the value of our investment may not appreciate or may decrease significantly below the amount we paid for such investment.

Competition with third parties in acquiring properties and other investments may reduce our profitability and the return on your investment.

We compete with many other entities engaged in real estate investment activities, including individuals, corporations, bank and insurance company investment accounts, pension funds, other REITs, real estate limited partnerships, and foreign investors, many of which have greater resources than we do. Many of these entities may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investments may increase. As such, competition with third parties would result in increased demand

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for these assets and therefore increased prices paid for them. If we pay higher prices for properties and other investments, our profitability will be reduced and you may experience a lower return on your investment.

Some or all of our properties may incur vacancies, which may result in reduced revenue and resale value, a reduction in cash available for distribution and a diminished return on your investment.

Some or all of our properties may incur vacancies either by a default of tenants under their leases or the expiration or termination of tenant leases. If vacancies continue for a long period of time, we may suffer reduced revenues resulting in less cash distributions to stockholders. In addition, the resale value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

We are dependent on tenants for our revenue, and lease terminations could reduce our distributions to our stockholders.

The successful performance of our real estate investments is materially dependent on the financial stability of our tenants. Lease payment defaults by tenants would cause us to lose the revenue associated with such leases and could cause us to reduce the amount of distributions to stockholders. If the property is subject to a mortgage, a default by a significant tenant on its lease payments to us may result in a foreclosure on the property if we are unable to find an alternative source of revenue to meet mortgage payments. In the event of a tenant default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-letting our property. Further, we cannot assure you that we will be able to re-lease the property for the rent previously received, if at all, or that lease terminations will not cause us to sell the property at a loss.

Long-term leases may not result in fair market lease rates over time; therefore, our income and our distributions to our stockholders could be lower than if we did not enter into long-term leases.

We may enter into long-term leases with tenants of certain of our properties. Our long-term leases would likely provide for rent to increase over time. However, if we do not accurately judge the potential for increases in market rental rates, we may set the terms of these long-term leases at levels such that even after contractual rental increases the rent under our long-term leases is less than then-current market rental rates. Further, we may have no ability to terminate those leases or to adjust the rent to then-prevailing market rates. As a result, our income and distributions to our stockholders could be lower than if we did not enter into in long-term leases.

We may be unable to secure funds for future tenant or other capital improvements, which could limit our ability to attract or replace tenants and decrease your return on investment.

When tenants do not renew their leases or otherwise vacate their space, it is common that, in order to attract replacement tenants, we will be required to expend substantial funds for tenant improvements and leasing commissions related to the vacated space. Such tenant improvements may require us to incur substantial capital expenditures. If we have not established capital reserves for such tenant or other capital improvements, we will have to obtain financing from other sources and we have not identified any sources for such financing. We may also have future financing needs for other capital improvements to refurbish or renovate our properties. If we need to secure financing sources for tenant improvements or other capital improvements in the future, but are unable to secure such financing or are unable to secure financing on terms we feel are acceptable, we may be unable to make tenant and other capital improvements or we may be required to defer such improvements. If this happens, it may cause one or more of our properties to suffer from a greater risk of obsolescence or a decline in value, or a greater risk of decreased cash flow as a result of fewer potential tenants being attracted to the property or existing tenants not renewing their leases. If we do not have access to sufficient funding in the future, we may not be able to make necessary capital improvements to our properties, pay other expenses or pay distributions to our stockholders.

Uninsured losses relating to real estate and lender requirements to obtain insurance may reduce your returns.

There are types of losses relating to real estate, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, for which we do not intend to obtain insurance unless we are required to do so by mortgage lenders. If any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by any such uninsured loss. In addition, other than any reserves we may establish, we have no source of funding to repair or reconstruct any uninsured damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future. Also, to the extent we must pay unexpectedly large amounts for uninsured losses, we could suffer reduced earnings that would result in less cash to be distributed to stockholders. In cases where we are required by mortgage lenders to obtain casualty loss insurance for catastrophic events or terrorism, such insurance may not be available, or may not be available at a reasonable cost, which could inhibit our ability to finance or refinance our properties. Additionally, if we obtain such insurance, the costs associated with owning a property would increase and could have a material adverse effect on the net income from the property, and, thus, the cash available for distribution to our stockholders.

Delays in the acquisition, development and construction of real properties may have adverse effects on our results of operations and returns to our stockholders.

Delays we encounter in the selection, acquisition and development of real properties could adversely affect your returns. Where properties are acquired prior to the start of constructions or during the early stages of construction, it will typically take several months to complete construction and rent available space. Therefore, you could suffer delays in the receipt of cash distributions attributable to those particular real properties. Delays in completion of construction could give tenants the right to terminate preconstruction leases for space at a newly developed project. We may incur additional risks when we make periodic progress payments or other advances to builders prior to completion of construction. Each of those factors could result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. Furthermore, the price we agree to for a real property will be based on our projections of rental income and expenses and estimates of the fair market value of real property upon completion of construction. If our projections are inaccurate, we may pay too much for a property.

Uncertain market conditions relating to the future disposition of properties could cause us to sell our properties at a loss in the future.

We intend to hold our various real estate investments until such time as our advisor determines that a sale or other disposition appears to be advantageous to achieve our investment objectives. Our advisor, subject to the oversight of our board of directors, may exercise its discretion as to whether and when to sell a property, and we will have no obligation to sell properties at any particular time. We generally intend to hold properties for an extended period of time, and we cannot predict with any certainty the various market conditions affecting real estate investments that will exist at any particular time in the future. Because of the uncertainty of market conditions that may affect the future disposition of our properties, we cannot assure you that we will be able to sell our properties at a profit in the future. Additionally, we may incur prepayment penalties in the event we sell a property subject to a mortgage earlier than we otherwise had planned. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will, among other things, be dependent upon fluctuating market conditions.

We face possible liability for environmental cleanup costs and damages for contamination related to properties we acquire, which could substantially increase our costs and reduce our liquidity and cash distributions to stockholders.

Because we intend to own and operate real estate, we will be subject to various federal, state and local environmental laws, ordinances and regulations. Under these laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the cost of removal or remediation of hazardous or

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toxic substances on, under or in such property. The costs of removal or remediation could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing materials into the air, and third parties may seek recovery from owners or operators of real estate for personal injury or property damage associated with exposure to released hazardous substances. In addition, new or more stringent laws or stricter interpretations of existing laws could change the cost of compliance or liabilities and restrictions arising out of such laws. The cost of defending against these claims, complying with environmental regulatory requirements, conducting remediation of any contaminated property, or of paying personal injury claims could be substantial, which would reduce our liquidity and cash available for distribution to you. In addition, the presence of hazardous substances on a property or the failure to meet environmental regulatory requirements may materially impair our ability to use, lease or sell a property, or to use the property as collateral for borrowing.

Our real estate investments may be concentrated in medical office or other healthcare-related facilities, making us more vulnerable economically than if our investments were diversified.

As a REIT, we will invest primarily in real estate. Within the real estate industry, we intend primarily to acquire or selectively develop and own medical office buildings, healthcare-related facilities and quality commercial office properties. We are subject to risks inherent in concentrating investments in real estate. These risks resulting from a lack of diversification become even greater as a result of our business strategy to invest to a substantial degree in healthcare-related facilities.

A downturn in the commercial real estate industry generally could significantly adversely affect the value of our properties. A downturn in the healthcare industry could negatively affect our lessees ability to make lease payments to us and our ability to make distributions to our stockholders. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or if our portfolio did not include a substantial concentration in medical office buildings and healthcare-related facilities.

Certain of our properties may not have efficient alternative uses, so the loss of a tenant may cause us not to be able to find a replacement or cause us to spend considerable capital to adapt the property to an alternative use.

Some of the properties we will seek to acquire are specialized medical facilities. If we or our tenants terminate the leases for these properties or our tenants lose their regulatory authority to operate such properties, we may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Alternatively, we may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues or additional capital expenditures required as a result may have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Our medical office buildings, healthcare-related facilities and tenants may be unable to compete successfully.

Our medical office buildings and healthcare-related facilities often face competition from nearby hospitals and other medical office buildings that provide comparable services. Some of those competing facilities are owned by governmental agencies and supported by tax revenues, and others are owned by nonprofit corporations and may be supported to a large extent by endowments and charitable contributions. These types of support are not available to our buildings.

Similarly, our tenants face competition from other medical practices in nearby hospitals and other medical facilities. Our tenants failure to compete successfully with these other practices could adversely affect their ability to make rental payments, which could adversely affect our rental revenues. Further, from time to time and for reasons beyond our control, referral sources, including physicians and managed care organizations, may change their lists of hospitals or physicians to which they refer patients. This could adversely affect our tenants ability to make rental payments, which could adversely affect our rental revenues.

Any reduction in rental revenues resulting from the inability of our medical office buildings and healthcare-related facilities and our tenants to compete successfully may have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Our costs associated with complying with the Americans with Disabilities Act may reduce our cash available for distributions.

Our properties may be subject to the Americans with Disabilities Act of 1990, as amended, or the ADA. Under the ADA, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The ADA has separate compliance requirements for public accommodations and commercial facilities that generally require that buildings and services be made accessible and available to people with disabilities. The ADA s requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We will attempt to acquire properties that comply with the ADA or place the burden on the seller or other third party, such as a tenant, to ensure compliance with the ADA. However, we cannot assure you that we will be able to acquire properties or allocate responsibilities in this manner. If we cannot, our funds used for ADA compliance may reduce cash available for distributions and the amount of distributions to you.

Our real properties will be subject to property taxes that may increase in the future, which could adversely affect our cash flow.

Our real properties are subject to real and personal property taxes that may increase as tax rates change and as the real properties are assessed or reassessed by taxing authorities. We anticipate that certain of our leases will generally provide that the property taxes or increases therein, are charged to the tenants as an expense related to the real properties that they occupy while other leases will generally provide that we are responsible for such taxes. In any case, as the owner of the properties, we are ultimately responsible for payment of the taxes to the applicable government authorities. If real property taxes increase, our tenants may be unable to make the required tax payments, ultimately requiring us to pay the taxes even if otherwise stated under the terms of the lease. If we fail to pay any such taxes, the applicable taxing authority may place a lien on the real property and the real property may be subject to a tax sale. In addition, we will generally be responsible for real property taxes related to any vacant space.

Costs of complying with governmental laws and regulations related to environmental protection and human health and safety may be high.

All real property investments and the operations conducted in connection with such investments are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Some of these laws and regulations may impose joint and several liability on customers, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such real property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of hazardous substances, or the failure to properly remediate those substances, may adversely affect our ability to sell, rent or pledge such real property as collateral for future borrowings. Environmental laws also may impose restrictions on the manner in which real property may be used or businesses may be operated. Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, our tenants operations, the existing condition of land when we buy it, operations in the vicinity of our real properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our real properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply, and which may subject us to liability in the form of fines or damages for noncompliance. In connection with the acquisition and ownership of our real properties, we may be exposed to such costs in connection with such regulations. The cost of defending against environmental claims, of any damages or fines we must pay, of compliance with environmental regulatory requirements or of remediating any contaminated real property could materially and adversely affect our business, lower the value of our assets or results of operations and, consequently, lower the amounts available for distribution to you.

Risks Relating to the Healthcare Industry

Reductions in reimbursement from third party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their ability to make rent payments to us.

Sources of revenue for our tenants may include the federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations, among others. Efforts by such payors to reduce healthcare costs will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. In addition, the failure of any of our tenants to comply with various laws and regulations could jeopardize their ability to continue participating in Medicare, Medicaid and other government sponsored payment programs.

The healthcare industry continues to face various challenges, including increased government and private payor pressure on healthcare providers to control or reduce costs. It is possible that our tenants will continue to experience a shift in payor mix away from fee-for-service payors, resulting in an increase in the percentage of revenues attributable to managed care payors, and general industry trends that include pressures to control healthcare costs. Pressures to control healthcare costs and a shift away from traditional health insurance reimbursement to managed care plans have resulted in an increase in the number of patients whose healthcare coverage is provided under managed care plans, such as health maintenance organizations and preferred provider organizations. These changes could have a material adverse effect on the financial condition of some or all of our tenants. The financial impact on our tenants could restrict their ability to make rent payments to us, which would have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

We face increasing competition for the acquisition of medical office buildings and other healthcare-related facilities, which may impede our ability to make future acquisitions or may increase the cost of these acquisitions.

We compete with many other entities engaged in real estate investment activities for acquisitions of medical office buildings and healthcare-related facilities, including national, regional and local operators, acquirers and developers of healthcare real estate properties. The competition for healthcare real estate properties may significantly increase the price we must pay for medical office buildings and healthcare-related facilities or other assets we seek to acquire and our competitors may succeed in acquiring those properties or assets themselves. In addition, our potential acquisition targets may find our competitors to be more attractive because they may have greater resources, may be willing to pay more for the properties or may have a more compatible operating philosophy. In particular, larger healthcare real estate REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. This competition will result in increased demand for these assets and therefore increased prices paid for them. Because of an increased interest in single-property acquisitions among tax-motivated individual purchasers, we may pay higher prices if we purchase single properties in comparison with portfolio acquisitions. If we pay higher prices for medical office buildings, healthcare-related facilities and

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quality commercial office properties, our business, financial condition and results of operations and our ability to make distributions to our stockholders may be materially and adversely affected.

The healthcare industry is heavily regulated, and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure could result in the inability of our tenants to make rent payments to us.

The healthcare industry is heavily regulated by federal, state and local governmental bodies. Our tenants generally will be subject to laws and regulations covering, among other things, licensure, certification for participation in government programs, and relationships with physicians and other referral sources. Changes in these laws and regulations could negatively affect the ability of our tenants to make lease payments to us and our ability to make distributions to our stockholders.

Many of our medical properties and their tenants may require a license or certificate of need, or CON, to operate. Failure to obtain a license or CON, or loss of a required license or CON would prevent a facility from operating in the manner intended by the tenant. These events could materially adversely affect our tenants ability to make rent payments to us. State and local laws also may regulate expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction of healthcare-related facilities, by requiring a CON or other similar approval. State CON laws are not uniform throughout the United States and are subject to change. We cannot predict the impact of state CON laws on our development of facilities or the operations of our tenants.

In addition, state CON laws often materially impact the ability of competitors to enter into the marketplace of our facilities. The repeal of CON laws could allow competitors to freely operate in previously closed markets. This could negatively affect our tenants abilities to make rent payments to us.

In limited circumstances, loss of state licensure or certification or closure of a facility could ultimately result in loss of authority to operate the facility and require new CON authorization to re-institute operations. As a result, a portion of the value of the facility may be reduced, which would adversely impact our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Tenants of our medical office buildings and healthcare-related facilities will be subject to fraud and abuse laws, the violation of which by a tenant may jeopardize the tenant s ability to make rent payments to us.

There are various federal and state laws prohibiting fraudulent and abusive business practices by healthcare providers who participate in, receive payments from or are in a position to make referrals in connection with government-sponsored healthcare programs, including the Medicare and Medicaid programs. Our lease arrangements with certain tenants may also be subject to these fraud and abuse laws.

These laws include:

- the Federal Anti-Kickback Statute, which prohibits, among other things, the offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of any item or service reimbursed by Medicare or Medicaid;

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

the False Claims Act, which prohibits any person from knowingly presenting false or fraudulent claims for payment to the federal government, including claims paid by the Medicare and Medicaid programs; and

the Civil Monetary Penalties Law, which authorizes the U.S. Department of Health and Human Services to impose monetary penalties for certain fraudulent acts.

Each of these laws includes criminal and/or civil penalties for violations that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments and/or exclusion from the Medicare and Medicaid programs. Certain laws, such as the False Claims Act, allow for individuals to bring whistleblower actions on behalf of the government for violations thereof. Additionally, states in which the facilities are located may have similar fraud and abuse laws. Investigation by a federal or state governmental body for violation of fraud and abuse laws or imposition of any of these penalties upon one of our tenants could jeopardize that tenant s ability to operate or to make rent payments, which may have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Adverse trends in healthcare provider operations may negatively affect our lease revenues and our ability to make distributions to our stockholders.

The healthcare industry is currently experiencing:

- changes in the demand for and methods of delivering healthcare services;
- changes in third party reimbursement policies;
- significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas;
- continuing pressure by private and governmental payors to reduce payments to providers of services; and
- increased scrutiny of billing, referral and other practices by federal and state authorities.

These factors may adversely affect the economic performance of some or all of our tenants and, in turn, our lease revenues and our ability to make distributions to our stockholders.

Tenants of our medical office buildings and healthcare-related facilities may be subject to significant legal actionsthat could subject them to increased operating costs and substantial uninsured liabilities, which may affect their ability to pay their rent payments to us.

As is typical in the healthcare industry, certain types of tenants of our medical office buildings and healthcare-related facilities may often become subject to claims that their services have resulted in patient injury or other adverse effects. Many of these tenants may have experienced an increasing trend in the frequency and severity of professional liability and general liability insurance claims and litigation asserted against them. The insurance coverage maintained by these tenants may not cover all claims made against them nor continue to be available at a reasonable cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and/or litigation may not, in certain cases, be available to these tenants due to state law prohibitions or limitations of availability. As a result, these types of tenants of our medical office buildings and healthcare-related facilities operating in these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance policy limits. We also believe that there has been, and will continue to be, an increase in governmental investigations of certain healthcare providers, particularly in the area of Medicare/Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance is not available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, whether currently asserted or arising in the future, could have a material adverse effect on a tenant s financial condition. If a tenant is unable to obtain or maintain insurance coverage, if judgments are obtained in excess of the insurance coverage, if a tenant is required to pay uninsured punitive damages, or if a tenant is subject to an uninsurable government enforcement action, the tenant could be exposed to substantial additional liabilities, which may affect the tenant s ability to pay rent, which in turn could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

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Risks Related to Investments in Real Estate Related Securities

We do not have substantial experience in acquiring mortgage loans or investing in real estate related securities, which may result in our real estate related securities investments failing to produce returns or incurring losses.

None of our officers or the management personnel of our advisor have any substantial experience in acquiring mortgage loans or investing in the real estate related securities in which we may invest. We may make such investments to the extent that our advisor, in consultation with our board of directors, determines that it is advantageous for us to do so. Our and our advisor s lack of expertise in making real estate related securities investments may result in our real estate related securities investments failing to produce returns or incurring losses, either of which would reduce our ability to make distributions to our stockholders.

Real estate related equity securities in which we may invest are subject to specific risks relating to the particular issuer of the securities and may be subject to the general risks of investing in subordinated real estate securities.

We may invest in common and preferred stock of both publicly traded and private real estate companies, which involves a higher degree of risk than debt securities due to a variety of factors, including that such investments are subordinate to creditors and are not secured by the issuer s property. Our investments in real estate related equity securities will involve special risks relating to the particular issuer of the equity securities, including the financial condition and business outlook of the issuer. Issuers of real estate related common equity securities generally invest in real estate or real estate related assets and are subject to the inherent risks associated with real estate related investments discussed in this prospectus, including risks relating to rising interest rates.

The mortgage loans in which we may invest and the mortgage loans underlying the mortgage-backed securities in which we may invest may be impacted by unfavorable real estate market conditions, which could decrease their value.

If we make investments in mortgage loans or mortgage-backed securities, we will be at risk of loss on those investments, including losses as a result of defaults on mortgage loans. These losses may be caused by many conditions beyond our control, including economic conditions affecting real estate values, tenant defaults and lease expirations, interest rate levels and the other economic and liability risks associated with real estate described above under the heading Risks Related to Investments in Real Estate. If we acquire property by foreclosure following defaults under our mortgage loan investments, we will have the economic and liability risks as the owner described above. We do not know whether the values of the property securing any of our real estate securities investments will remain at the levels existing on the dates we initially make the related investment. If the values of the underlying properties drop, our risk will increase and the values of our interests may decrease.

Delays in liquidating defaulted mortgage loan investments could reduce our investment returns.

If there are defaults under our mortgage loan investments, we may not be able to foreclose on or obtain a suitable remedy with respect to such investments. Specifically, we may not be able to repossess and sell the underlying properties quickly which could reduce the value of our investment. For example, an action to foreclose on a property securing a mortgage loan is regulated by state statutes and rules and is subject to many of the delays and expenses of lawsuits if the defendant raises defenses or counterclaims. Additionally, in the event of default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgages property or to obtain proceeds sufficient to repay all amounts due to us on the mortgage loan.

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The collateralized mortgage backed securities in which we may invest are subject to several types of risks.

Collateralized mortgage backed securities, or CMBS, are bonds which evidence interests in, or are secured by, a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, the mortgage-backed securities we invest in are subject to all the risks of the underlying mortgage loans.

In a rising interest rate environment, the value of CMBS may be adversely affected when payments on underlying mortgages do not occur as anticipated, resulting in the extension of the security s effective maturity and the related increase in interest rate sensitivity of a longer-term instrument. The value of CMBS may also change due to shifts in the market s perception of issuers and regulatory or tax changes adversely affecting the mortgage securities markets as a whole. In addition, CMBS are subject to the credit risk associated with the performance of the underlying mortgage properties. In certain instances, third party guarantees or other forms of credit support can reduce the credit risk.

CMBS are also subject to several risks created through the securitization process. Subordinate CMBS are paid interest only to the extent that there are funds available to make payments. To the extent the collateral pool includes a large percentage of delinquent loans, there is a risk that interest payment on subordinate CMBS will not be fully paid. Subordinate securities of CMBS are also subject to greater credit risk than those CMBS that are more highly rated.

The mezzanine loans in which we may invest would involve greater risks of loss than senior loans secured by income-producing real properties.

We may invest in mezzanine loans that take the form of subordinated loans secured by second mortgages on the underlying real property or loans secured by a pledge of the ownership interests of either the entity owning the real property or the entity that owns the interest in the entity owning the real property. These types of investments involve a higher degree of risk than long-term senior mortgage lending secured by income producing real property because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our investment. In addition, mezzanine loans may have higher loan -to -value ratios than conventional mortgage loans, resulting in less equity in the real property and increasing the risk of loss of principal.

We expect a portion of our real estate related securities investments to be illiquid and we may not be able to adjust our portfolio in response to changes in economic and other conditions.

We may purchase real estate related securities in connection with privately negotiated transactions which are not registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited. The mezzanine and bridge loans we may purchase will be particularly illiquid investments due to their short life, their unsuitability for securitization and the greater difficulty of recoupment in the event of a borrower s default.

Interest rate and related risks may cause the value of our real estate related securities investments to be reduced.

Interest rate risk is the risk that fixed income securities such as preferred and debt securities, and to a lesser extent dividend paying common stocks, will decline in value because of changes in market interest rates. Generally, when market interest rates rise, the market value of such securities will decline, and vice versa. Our investment in such securities means that the net asset value and market price of the common shares may tend to decline if market interest rates rise.

During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below-market interest rate, increase the security s duration and reduce the value of the security. This is known as extension risk. During periods of declining interest rates, an issuer may be able to exercise an option to prepay principal earlier than scheduled, which is generally known as call or prepayment risk. If this occurs, we may be forced to reinvest in lower yielding securities. This is known as reinvestment risk. Preferred and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. These risks may reduce the value of our real estate related securities investments.

If we liquidate prior to the maturity of our real estate securities investments, we may be forced to sell those investments on unfavorable terms or at a loss.

Our board of directors may choose to effect a liquidity event in which we liquidate our assets, including our real estate related securities investments. If we liquidate those investments prior to their maturity, we may be forced to sell those investments on unfavorable terms or at loss. For instance, if we are required to liquidate mortgage loans at a time when prevailing interest rates are higher than the interest rates of such mortgage loans, we would likely sell such loans at a discount to their stated principal values.

Risks Associated with Debt Financing

We will incur mortgage indebtedness and other borrowings, which may increase our business risks, could hinder our ability to make distributions and could decrease the value of your investment.

We intend to finance a portion of the purchase price of our investments in real estate and real estate related securities by borrowing funds. We have not identified any sources of debt financing as of the date of this prospectus. We anticipate that, after an initial phase of our operations when we may employ greater amounts of leverage to enable us to purchase properties more quickly and therefore generate distributions for our stockholders sooner, our overall leverage will not exceed 60.0% of the combined fair market value of our assets. Under our charter, we have a limitation on borrowing which precludes us from borrowing in excess of 300.0% of the value of our net assets, or more if such excess is approved by a majority of our independent directors and is disclosed in our next quarterly report along with the justification for such excess. Net assets for purposes of this calculation are defined to be our total assets (other than intangibles), valued at cost prior to deducting depreciation or other non-case reserves, less total liabilities. Generally speaking, the preceding calculation is expected to approximate 75.0% of the sum of (a) the aggregate cost of our real property investments before non-cash reserves and depreciation and (b) the aggregate cost of our investments in real estate related securities. In addition, we may incur mortgage debt and pledge some or all of our real properties as security for that debt to obtain funds to acquire additional real properties or for working capital. We may also borrow funds to satisfy the REIT tax qualification requirement that we distribute at least 90.0% of our annual REIT taxable income to our stockholders. Furthermore, we may borrow if we otherwise deem it necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes.

High debt levels will cause us to incur higher interest charges, which would result in higher debt service payments and could be accompanied by restrictive covenants. If there is a shortfall between the cash flow from a property and the cash flow needed to service mortgage debt on that property, then the amount available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default, thus reducing the value of your investment. For tax purposes, a foreclosure on any of our properties will be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we will recognize taxable income on foreclosure, but we would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt to the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is

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not paid by such entity. If any mortgage contains cross collateralization or cross default provisions, a default on a single property could affect multiple properties. If any of our properties are foreclosed upon due to a default, our ability to pay cash distributions to our stockholders will be adversely affected.

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

Until recently, the Federal Reserve Board has significantly increased short-term interest rates since June 2004. If mortgage debt is unavailable on reasonable terms as a result of increased interest rates or other factors, we may not be able to finance the initial purchase of properties. In addition, if we place mortgage debt on properties, we run the risk of being unable to refinance such debt when the loans come due, or of being unable to refinance on favorable terms. If interest rates are higher when we refinance debt, our income could be reduced. We may be unable to refinance debt at appropriate times, which may require us to sell properties on terms that are not advantageous to us, or could result in the foreclosure of such properties. If any of these events occur, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to you and may hinder our ability to raise more capital by issuing securities or by borrowing more money.

Increases in interest rates could increase the amount of our debt payments and therefore negatively impact our operating results.

Interest we pay on our debt obligations will reduce cash available for distributions. If we incur variable rate debt, increases in interest rates would increase our interest costs, which would reduce our cash flows and our ability to make distributions to you. If we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our ability to incur additional debt and affect our distribution and operating policies. Loan documents we enter into may contain covenants that limit our ability to further mortgage the property, discontinue insurance coverage, or replace our advisor. These or other limitations may adversely affect our flexibility and our ability to achieve our investment objectives.

If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to refinance or sell properties on favorable terms, and to make distributions to stockholders.

Some of our financing arrangements may require us to make a lump-sum or balloon payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the particular property. At the time the balloon payment is due, we may or may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the particular property at a price sufficient to make the balloon payment. The refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In an environment of increasing mortgage rates, if we place mortgage debt on properties, we run the risk of being unable to refinance such debt if mortgage rates are higher at a time a balloon payment is due. In addition, payments of principal and interest made to service our debts, including balloon payments, may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT. Any of these results would have a significant, negative impact on your investment.

Risks Associated with Joint Ventures

The terms of joint venture agreements or other joint ownership arrangements into which we may enter could impair our operating flexibility and our results of operations.

In connection with the purchase of real estate, we may enter into joint ventures with third parties, including affiliates of our advisor. We may also purchase or develop properties in co-ownership arrangements with the sellers of the properties, developers or other persons. These structures involve participation in the investment by other parties whose interests and rights may not be the same as ours. Our joint venture partners may have rights to take some actions over which we have no control and may take actions contrary to our interests. Joint ownership of an investment in real estate may involve risks not associated with direct ownership of real estate, including the following:

- a venture partner may at any time have economic or other business interests or goals which become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in a joint venture or the timing of the termination and liquidation of the venture;

- a venture partner might become bankrupt and such proceedings could have an adverse impact on the operation of the partnership or joint venture;

- actions taken by a venture partner might have the result of subjecting the property to liabilities in excess of those contemplated; and

- a venture partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our policy with respect to qualifying and maintaining our qualification as a REIT.

Under certain joint venture arrangements, neither venture partner may have the power to control the venture, and an impasse could be reached, which might adversely affect the joint venture and decrease potential returns to you. If we have a right of first refusal or buy/sell right to buy out a venture partner, we may be unable to finance such a buy-out or we may be forced to exercise those rights at a time when it would not otherwise be in our best interest to do so. If our interest is subject to a buy/sell right, we may not have sufficient cash, available borrowing capacity or other capital resources to allow us to purchase an interest of a venture partner subject to the buy/sell right, in which case we may be forced to sell our interest when we would otherwise prefer to retain our interest. In addition, we may not be able to sell our interest in a joint venture on a timely basis or on acceptable terms if we desire to exit the venture for any reason, particularly if our interest is subject to a right of first refusal of our venture partner.

We may structure our joint venture relationships in a manner which may limit the amount we participate in the cash flow or appreciation of an investment.

We may enter into joint venture agreements, the economic terms of which may provide for the distribution of income to us otherwise than in direct proportion to our ownership interest in the joint venture. For example, while we and a co-venturer may invest an equal amount of capital in an investment, the investment may be structured such that we have a right to priority distributions of cash flow up to a certain target return while the co-venturer may receive a disproportionately greater share of cash flow than we are to receive once such target return has been achieved. This type of investment structure may result in the co-venturer receiving more of the cash flow, including appreciation, of an investment than we would receive. If we do not accurately judge the appreciation prospects of a particular investment or structure the venture appropriately, we may incur losses on joint venture investments or have limited participation in the profits of a joint venture investment, either of which could reduce our ability to make cash distributions to our stockholders.

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Federal Income Tax Risks

Failure to qualify as a REIT for federal income tax purposes would subject us to federal income tax on our taxable income at regular corporate rates, which would substantially reduce our ability to make distributions to our stockholders.

We intend to qualify as a REIT for federal income tax purposes commencing with the taxable year ending December 31, 2007, but as of the date of this prospectus we are not qualified as a REIT. Our qualification as a REIT will depend on our ability to meet various requirements set forth in the Internal Revenue Code concerning, among other things, the ownership of our outstanding common stock, the nature of our assets, the sources of our income and the amount of our distributions to our stockholders. The REIT qualification requirements are extremely complex, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we will be successful in operating so as to qualify as a REIT. At any time new laws, interpretations or court decisions may change the federal tax laws relating to, or the federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerations may cause our board of directors to revoke our REIT election, which it may do without stockholder approval.

Although we have not requested, and do not expect to request, a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT, we have received an opinion of our counsel that, based on certain assumptions and representations, we will so qualify. You should be aware, however, that opinions of counsel are not binding on the IRS or any court. The REIT qualification opinion only represents the view of our counsel based on its review and analysis of existing law and therefore could be subject to modification or withdrawal based on future legislative, judicial or administrative changes to the federal income tax laws, any of which could be applied retroactively. The validity of the opinion of our counsel and of our qualification as a REIT will depend on our continuing ability to meet the various REIT requirements described herein.

If we were to fail to qualify as a REIT for any taxable year, we would be subject to federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year in which we lose our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer be deductible in computing our taxable income, and we would no longer be required to make distributions. To the extent that distributions had been made in anticipation of our qualifying as a REIT, we might be required to borrow funds or liquidate some investments in order to pay the applicable corporate income tax. In addition, although we intend to operate in a manner intended to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors to recommend that we revoke our REIT election.

As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and would substantially reduce our ability to make distributions to our stockholders.

To qualify as a REIT and to avoid the payment of federal income and excise taxes and maintain our REIT status, we may be forced to borrow funds, use proceeds from the issuance of securities (including this offering), or sell assets to pay distributions, which may result in our distributing amounts that may otherwise be used for our operations.

To obtain the favorable tax treatment accorded to REITs, we normally will be required each year to distribute to our stockholders at least 90% of our real estate investment trust taxable income, determined without regard to the deduction for distributions paid and by excluding net capital gains. We will be subject to federal income tax on our undistributed taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain net income and (3) 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on acquisitions of properties and it is possible that we might be required to borrow funds, use proceeds from the issuance of securities (including this offering) or sell assets in order to distribute enough of our taxable income to maintain our REIT status and to avoid the payment of federal income and excise taxes.

If our operating partnership fails to maintain its status as a partnership for federal income tax purposes, its income would be subject to taxation and our REIT status would be terminated.

We intend to maintain the status of our operating partnership as a partnership for federal income tax purposes. However, if the IRS were to successfully challenge the status of our operating partnership as a partnership, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that our operating partnership could make to us. This would also result in our losing REIT status and becoming subject to a corporate level tax on our own income. This would substantially reduce our cash available to pay distributions and the return on your investment. In addition, if any of the entities through which our operating partnership owns its properties, in whole or in part, loses its characterization as a partnership for federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to our operating partnership. Such a recharacterization of our operating partnership or an underlying property owner could also threaten our ability to maintain REIT status.

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

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

Dividends paid by REITs do not qualify for the reduced tax rates that apply to other corporate dividends.

Tax legislation enacted in 2003 and 2006 generally reduces the maximum tax rate for qualified dividends paid by corporations to individuals to 15% through 2010. Dividends paid by REITs, however, generally continue to be taxed at the normal rate applicable to the individual recipient, rather than the 15% preferential rate. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay qualified dividends, which could adversely affect the value of the stock of REITs, including our common stock. See Federal Income Tax Considerations Taxation of Taxable U.S. Stockholders Distributions Generally.

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

Even if we qualify and maintain our status as a REIT, we may be subject to federal income taxes or state taxes. For example, net income from a prohibited transaction will be subject to a 100% tax. We may not be able to make sufficient distributions to avoid excise taxes applicable to REITs. We may also decide to retain capital gains we earn from the sale or other disposition of our property and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability. We may also be subject to state and local taxes on our income or property, either directly or at the level of the companies through which we indirectly own our assets. Any federal or state taxes we pay will reduce our cash available for distribution to you.

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Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our common stock nor gain from the sale of common stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

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

- part of the income and gain recognized by a tax exempt investor with respect to our common stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the common stock; and

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

See Federal Income Tax Considerations Treatment of Tax-Exempt Stockholders section of this prospectus for further discussion of this issue if you are a tax-exempt investor.

Complying with the REIT requirements may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of shares of our common stock. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, or we may be required to liquidate otherwise attractive investments in order to comply with the REIT tests. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Changes to federal income tax laws or regulations could adversely affect investors.

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

Employee Benefit Plan and IRA Risks

We, and our investors that are employee benefit plans or individual retirement accounts, or IRAs, will be subject to risks relating specifically to our having employee benefit plans and IRAs as stockholders, which risks are discussed below. The Employee Benefit Plan and IRA Considerations section of this prospectus provides a more detailed discussion of these employee benefit plan and IRA investor risks.

If you fail to meet the fiduciary and other standards under ERISA or the Internal Revenue Code as a result of an investment in our common stock, you could be subject to criminal and civil penalties.

There are special considerations that apply to pension, profit-sharing trusts or IRAs investing in our common stock. If you are investing the assets of a pension, profit sharing or 401(k) plan, health or welfare plan, or an IRA in us, you should consider:

- whether your investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code, or any other applicable governing authority in the case of a government plan;
- whether your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan s investment policy;
- whether your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;
- whether your investment will impair the liquidity of the plan or IRA;
- whether your investment will produce unrelated business taxable income, referred to as UBTI and as defined in Sections 511 through 514 of the Internal Revenue Code, to the plan or IRA; and
- your need to value the assets of the plan annually in accordance with ERISA and the Internal Revenue Code.

In addition to considering their fiduciary responsibilities under ERISA and the prohibited transaction rules of ERISA and the Internal Revenue Code, trustees or others purchasing shares should consider the effect of the plan asset rules under ERISA and regulations of the U.S. Department of Labor. To avoid our assets from being considered plan assets under those rules, our charter prohibits benefit plan investors from owning 25% or more of our common stock prior to the time that the common stock qualifies as a class of publicly-offered securities, within the meaning of the ERISA plan asset rules. However, we cannot assure you that those provisions in our charter will be effective in limiting benefit plan investor ownership to less than the 25% limit. For example, the limit could be unintentionally exceeded if a benefit plan investor misrepresents its status as a benefit plan. Even if our assets are not considered to be plan assets, a prohibited transaction could occur if we or any of our affiliates is a fiduciary (within the meaning of ERISA) with respect to an employee benefit plan or IRA purchasing shares, and, therefore, in the event any such persons are fiduciaries (within the meaning of ERISA) of your plan or IRA, you should not purchase shares unless an administrative or statutory exemption applies to your purchase.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Statements included in this prospectus that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward looking statements. These statements are only predictions. We caution that forward looking statements are not guarantees. Actual events or our investments and results of operations could differ materially from those expressed or implied in the forward looking statements. Forward looking statements are typically identified by the use of terms such as may, will, should, expect, could, intend, plan, anticipate, believe, continue, predict, potential or the negative of such terms and other comparable terminology.

The forward looking statements included in this prospectus are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward looking statements are based on reasonable assumptions, our actual results and performance could

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differ materially from those set forth in the forward looking statements. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- our ability to effectively deploy the proceeds raised in this offering;
- changes in economic conditions generally and the real estate and securities markets specifically;
- legislative or regulatory changes (including changes to the laws governing the taxation of REITs);
- the availability of capital;
- interest rates; and
- changes to accounting principles generally accepted in the United States of America.

Any of the assumptions underlying forward looking statements could be inaccurate. You are cautioned not to place undue reliance on any forward looking statements included in this prospectus. All forward looking statements are made as of the date of this prospectus and the risk that actual results will differ materially from the expectations expressed in this prospectus will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward looking statements after the date of this prospectus, whether as a result of new information, future events, changed circumstances or any other reason. In light of the significant uncertainties inherent in the forward looking statements included in this prospectus, including, without limitation, the risks described under Risk Factors, the inclusion of such forward looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this prospectus will be achieved.

ESTIMATED USE OF PROCEEDS

The following table sets forth our best estimates of how we intend to use the proceeds raised in this offering assuming that we sell specified numbers of shares pursuant to the primary offering. The number of shares of our common stock to be offered pursuant to our primary offering may vary from these assumptions since we have reserved the right to reallocate the shares offered between the primary offering and the distribution reinvestment plan. Shares of our common stock in the primary offering will be offered to the public on a best efforts basis at $10.00 per share. The table below shows two scenarios:

- the Minimum Offering assumes that we did not sell more than the minimum offering of $2,000,000 by selling 200,000 shares at $10.00 per share pursuant to our primary offering; and

- the Maximum Offering assumes that we reach the maximum offering of $2,000,000,000 by selling 200,000,000 shares at $10.00 per share pursuant to our primary offering.

Under both scenarios, we have not given effect to any special sales or volume discounts that could reduce the selling commissions or marketing support fees for sales pursuant to the primary offering. Reduction in these fees will be accompanied by a corresponding reduction in the per share purchase price, but will not affect the amounts available to us for investments. See Plan of Distribution for a description of the special sales and volume discounts.

The following table assumes that we do not sell any shares in our distribution reinvestment plan. As long as our shares are not listed on a national securities exchange, it is anticipated that all or substantially all of the proceeds from the sale of shares pursuant to our distribution reinvestment plan will be used to fund repurchases of shares under our share repurchase plan. Because we do not pay selling commissions or marketing support fees or reimburse due diligence expenses for shares sold pursuant to our distribution reinvestment plan, we receive greater net proceeds from the sale of shares in the distribution reinvestment plan than in the primary offering. As a result, if we reallocate shares from the distribution reinvestment plan to the primary offering, our net proceeds could be less.

Many of the figures set forth below represent management s best estimate since they cannot be precisely calculated at this time. We expect that at least 88.5% of the money you invest will be used to buy investments in real property and real estate related securities and pay related acquisition fees and expenses, while we expect the remaining 11.5% will be used to pay expenses and fees, including the payment of fees to our advisor and the dealer manager for this offering.

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Our board of directors is responsible for reviewing our fees and expenses on at least an annual basis and with sufficient frequency to determine that the expenses incurred are in the best interest of the stockholders. The independent directors are responsible for reviewing the performance of our advisor and determining that the compensation to be paid to our advisor is reasonable in relation to the nature and quality of the services to be performed and that the provisions of the advisory agreement are being carried out. The fees set forth below may not be increased without approval of the independent directors.

	Minimum Offering		Maximum Offering	
	Amount	**Percent**	**Amount**	**Percent**
Gross Offering Proceeds	$ 2,000,000	100.0%	$ 2,000,000,000	100.0%
***Less Public Offering Expenses*:**				
Selling Commissions	140,000	7.0	140,000,000	7.0
Marketing Support Fee	50,000	2.5	50,000,000	2.5
Due Diligence Reimbursement	10,000	0.5	10,000,000	0.5
Organizational and Offering Expenses(1)	30,000	1.5	30,000,000	1.5
Amount Available for Investment(2)	$ 1,770,000	88.5%	$ 1,770,000,000	88.5%
***Less Acquisition Costs*:**				
Acquisition Fees(3)	$ 60,000	3.0%	$ 60,000,000	3.0%
Acquisition Expenses(4)	10,000	0.5	10,000,000	0.5
Initial Working Capital Reserve(5)				
Amount Invested in Properties	$ 1,700,000	85.0%	$ 1,700,000,000	85.0%

(1) Organizational and offering expenses consist of reimbursement of, among other items, the cumulative cost of actual legal, accounting, printing and other accountable offering expenses, including, but not limited to, amounts to reimburse our advisor for marketing, salaries and direct expenses of its employees, employees of its affiliates and others while engaged in registering and marketing the shares of our common stock to be sold in this offering, which shall include, but not be limited to, development of marketing materials and marketing presentations, participating in due diligence, training seminars and educational conferences and coordinating generally the marketing process for this offering. A portion of our organizational and offering expense reimbursement may be used for wholesaling activities and therefore deemed to be additional underwriting compensation pursuant to FINRA Rule 2710. Our advisor will be responsible for the payment of our cumulative organizational and offering expenses, other than the selling commissions, the marketing support fee and the due diligence reimbursement, to the extent they exceed 1.5% of the aggregate gross proceeds from the sale of shares of our common stock sold in the primary offering without recourse against or reimbursement by us.

(2) Until required in connection with the acquisition of real estate investments, substantially all of the net proceeds of the offering may be invested in short-term, highly-liquid investments including government obligations, bank certificates of deposit, short-term debt obligations and interest-bearing accounts or other authorized investments as determined by our board of directors.

(3) Acquisition fees paid by any party to any person in connection with the purchase, development or construction of real properties. Acquisition fees do not include acquisition expenses. We will pay our advisor or its affiliate

acquisition fees of 3.0% of the contract purchase price of properties we acquire. We will not pay any fees for acquisitions of real estate related securities investments. We may pay up to 4.0% of the total development costs of any development property that we acquire, but we do not currently intend to acquire any properties in the development phase. For purposes of this table, we have assumed (a) that no investments are made in real estate related securities, (b) that we will only acquire properties in the operational phase and (c) no debt is incurred for property acquisitions. These assumptions may change due to different factors including changes in the allocation of shares between the primary offering and the distribution reinvestment plan, the extent to which proceeds from the distribution reinvestment plan are used to repurchase shares under our share repurchase plan the extent to which we invest in real estate related securities and the extent to which we invest in properties in the development stage. To the extent that we incur debt or issue new shares of our common stock outside of this offering or interests in our operating partnership in order to acquire real properties, then the acquisition fees and amounts invested in real properties will exceed the amount stated above.

(4) Acquisition expenses include any and all expenses incurred in connection with the selection, evaluation and acquisition of, and investment in properties, whether or not acquired or made, including, but not limited to, legal fees and expenses, travel and communications expenses, cost of appraisals and surveys, nonrefundable option payments on property not acquired, accounting fees and expenses, computer use related expenses, architectural, engineering and other property reports, environmental and asbestos audits, title insurance and escrow fees, loan fees or points or any fee of a similar nature paid to a third party, however designated, transfer taxes, and personnel and miscellaneous expenses related to the selection, evaluation and acquisition of properties. We will reimburse our advisor for acquisition expenses, whether or not the evaluated property is acquired. Our acquisition expenses will not exceed 0.5% of the purchase price of properties we evaluate and acquire. The reimbursement of acquisition fees and expenses, including real estate commissions paid to third parties, will not exceed, in the aggregate, 6.0% of the purchase price or total development cost, unless fees in excess of such limits are approved by a majority of the disinterested directors and by a majority of the disinterested independent directors.

(5) Although we do not anticipate establishing a general working capital reserve out of the proceeds from this offering, we may establish capital reserves with respect to particular investments. See Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the capital plan that our advisor will establish for each of our investments.

INVESTMENT OBJECTIVES, STRATEGY AND CRITERIA

Investment Objectives

Our investment objectives are:

to pay regular cash distributions;

to preserve, protect and return your capital contributions; and

to realize growth in the value of our investments upon our ultimate sale of such investments.

We cannot assure you that we will attain these objectives or that our capital will not decrease. Our board of directors may change our investment objectives if it determines it is advisable and in the best interests of our stockholders.

Decisions relating to the purchase or sale of investments will be made by our advisor, subject to oversight by our board of directors. See Management for a description of the background and experience of our directors and officers as well as the officers of our advisor.

Investment Strategy

We intend to invest in a diversified portfolio of real estate and real estate related securities, focusing primarily on investments that produce current income. Our real estate investments will focus on medical office buildings, healthcare-related facilities and quality commercial office properties. We may also invest in real estate related securities. However, we do not presently intend to invest more than 15% of our total assets in real estate related securities. Our real estate related securities investments will generally focus on common and preferred stock of public or private real estate companies, commercial mortgage-backed securities, or CMBS, other forms of mortgage debt and certain other securities, including collateralized debt obligations and foreign securities. We will seek to maximize long-term stockholder value by generating sustainable growth in cash flow and portfolio value. In order to achieve these objectives, we may invest using a number of investment structures which may include direct acquisitions, joint ventures, leveraged investments, issuing securities for property and direct and indirect investments in real estate. In order to maintain our exemption from regulation as an investment company under the Investment Company Act, we may be required to limit our investments in real estate related securities. See Investment Company Act Considerations below.

In addition, when and as determined appropriate by our advisor, the portfolio may also include properties in various stages of development other than those producing current income. These stages would include, without limitation, unimproved land both with and without entitlements and permits, property to be redeveloped and repositioned, newly constructed properties and properties in lease-up or other stabilization, all of which will have limited or no relevant operating histories and no current income. Our advisor will make this determination based upon a variety of factors, including the available risk adjusted returns for such properties when compared with other available properties, the appropriate diversification of the portfolio, and our objectives of realizing both current income and capital appreciation upon the ultimate sale of properties.

For each of our investments, regardless of property type, our advisor will seek to invest in properties with the following attributes:

Quality. We will seek to acquire properties that are suitable for their intended use with a quality of construction that is capable of sustaining the property s investment potential for the long-term, assuming funding of budgeted maintenance, repairs and capital improvements.

Location. We will seek to acquire properties that are located in established or otherwise appropriate markets for comparable properties, with access and visibility suitable to meet the needs of its occupants.

Market; Supply and Demand. We will focus on local or regional markets which have potential for stable and growing property level cash flow over the long-term. These determinations will be based in part on an evaluation of local economic, demographic and regulatory factors affecting the property. For instance, we will favor markets that indicate a growing population and employment base or markets that exhibit potential limitations on additions to supply, such as barriers to new construction. Barriers to new construction include lack of available land and stringent zoning restrictions. In addition, we will generally seek to limit our investments in areas that have limited potential for growth.

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

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

We will not invest more than 10% of the offering proceeds available for investment in unimproved or non-income producing properties or in other investments relating to unimproved or non-income producing property. A property: (1) not acquired for the purpose of producing rental or other operating income, or (2) with no development or construction in process or planned in good faith to commence within one year will be considered unimproved or non-income producing property for purposes of this limitation.

We are not limited as to the geographic area where we may acquire properties. We are not specifically limited in the number or size of properties we may acquire or on the percentage of our assets that we may invest in a single property or investment. The number and mix of properties we acquire will depend upon real estate and market conditions and other circumstances existing at the time we are acquiring our properties and making our investments and the amount of proceeds we raise in this and potential future offerings.

Real Property Investments

We intend to invest in a diversified portfolio of properties, focusing primarily on properties that produce current income. We will generally seek investments in medical office buildings, healthcare-related facilities and quality commercial office properties.

Our advisor will generally seek to acquire properties on our behalf of the types described above that will best enable us to meet out investment objectives, taking into account the diversification of our portfolio at the time, relevant real estate and financial factors, the location, income-producing capacity and the prospects for long-range appreciation of a particular property and other considerations. As a result, we may acquire properties other than the types described above. In addition, we may acquire properties that vary from the parameters described above for a particular property type.

The consideration for each real estate investment must be authorized by a majority of our directors or a duly authorized committee of our board of directors, ordinarily based on the fair market value of the investment. If the majority of our independent directors or a duly authorized committee of our board of directors so determines, or if the investment is to be acquired from an affiliate, the fair market value determination will be supported by an appraisal obtained from a qualified, independent appraiser selected by a majority of our independent directors.

Our investments in real estate generally will take the form of holding fee title or long-term leasehold interests. Our investments may be made either directly through our operating partnership or indirectly through investments in joint ventures, limited liability companies, general partnerships or other co-ownership arrangements with the developers of the properties, affiliates of our advisor or other persons. See Joint Venture Investments below.

In addition, we may purchase properties and lease them back to the sellers of such properties. Our advisor will use its best efforts to structure any such sale-leaseback transaction such that the lease will be characterized as a true lease and so that we will be treated as the owner of the property for federal income tax purposes. However, no assurance can be given that the IRS will not challenge such characterization. In the event that any such sale-leaseback transaction is re-characterized as a financing transaction for federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed or significantly reduced.

Our obligation to close a transaction involving the purchase of a real property asset will generally be conditioned upon the delivery and verification of certain documents from the seller or developer, including, where appropriate:

- plans and specifications;
- environmental reports (generally a minimum of a Phase I investigation);
- building condition reports;
- surveys;
- evidence of marketable title subject to such liens and encumbrances as are acceptable to our advisor;
- audited financial statements covering recent operations of real properties having operating histories unless such statements are not required to be filed with the SEC and delivered to stockholders;
- title insurance policies; and

liability insurance policies.

In determining whether to purchase a particular property, we may, in circumstances in which our advisor deems it appropriate, obtain an option on such property, including land suitable for development. The amount paid for an option, if any, is normally surrendered if the property is not purchased, and is normally credited against the purchase price if the property is purchased. We may also enter into arrangements with the seller or developer of a property whereby the seller or developer agrees that if, during a stated period, the property does

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not generate a specified cash flow, the seller or developer will pay in cash to our company a sum necessary to reach the specified cash flow level, subject in some cases to negotiated dollar limitations.

We will not purchase or lease properties in which our sponsor, our advisor, our directors or any of their affiliates have an interest without a determination by a majority of our disinterested directors and a majority of our disinterested independent directors that such transaction is fair and reasonable to us and at a price to us no greater than the cost of the property to the affiliated seller or lessor, unless there is substantial justification for the excess amount and the excess amount is reasonable. In no event will we acquire any such property at an amount in excess of its current appraised value as determined by an independent expert selected by our disinterested independent directors.

We intend to obtain adequate insurance coverage for all properties in which we invest. However, there are types of losses, generally catastrophic in nature, for which we do not intend to obtain insurance unless we are required to do so by mortgage lenders. See Risk Factors Risks Related to Investments in Real Estate Uninsured losses relating to real estate and lender requirements to obtain insurance may reduce your returns.

Medical Office Buildings and Healthcare-Related Facilities

We intend to invest a portion of the net proceeds available for investment in medical office buildings and healthcare-related facilities. Healthcare-related facilities include facilities leased to hospitals, long-term acute care centers, surgery centers, specialty medical and diagnostic service providers, laboratories, research firms, pharmaceutical and medical supply manufacturers and health insurance firms. The market for medical office buildings and healthcare-related facilities in the United States continues to expand. According to the U.S. Department of Health and Human Services, national healthcare expenditures rose from 13.7% to 16.2% of the U.S. gross domestic product (GDP) between 1999 and 2005 and are projected to reach 20% by 2015, as shown below.

Similarly, overall healthcare expenditures have risen sharply since 1999. In 2005, healthcare expenditures reached $2 trillion and are expected to grow at a relatively stable rate of approximately 7.2% per year to reach $4 trillion by 2015, as shown below.

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We believe that demand for medical office buildings and healthcare-related facilities will increase due to a number of factors, including:

An aging population is requiring and demanding more medical services. Between 2004 and 2050, the U.S. population over 65 years of age is projected to more than double from 36 million to nearly 87 million people. The number of older Americans is also growing as a percentage of the total U.S. population as the baby boomers approach their 60s. In 2004, the number of persons older than 65 comprised 12% of the total U.S. population and is projected to grow to nearly 21% by 2050, as shown in the graph below.

Based on the information above and the projected increase in health expenditures per capita through 2015, as shown below, we believe that healthcare expenditures for the population over 65 years of age will also continue to rise as a disproportionate share of healthcare dollars is spent on older Americans since they require more treatment and management of chronic and acute health conditions.

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We believe this increased demand will continue to create a substantial need in many regions for the development of additional healthcare-related facilities, such as medical office buildings, clinics, outpatient facilities and ambulatory surgery centers. As a result, we believe this will increase the pool of suitable, quality properties meeting our acquisition criteria. However, our results of operations and our ability to attain our investment objectives will depend solely upon the performance of the real estate assets and real estate related investments we acquire.

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

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

We believe that healthcare-related real estate rents and valuations are less susceptible to changes in the general economy than general commercial real estate due to demographic trends and the resistance of rising healthcare expenditures to economic downturns. For this reason, healthcare-related real estate investments could potentially offer a more stable return to investors compared to other types of real estate investments.

We believe the confluence of these factors over the last several years has led to the following trends, which encourage third-party ownership of existing and newly developed medical properties:

De-Centralization and Specialization. There is a continuing evolution toward delivery of medical services through smaller facilities located near patients and designed to treat specific diseases and conditions. In order to operate profitably within a managed care environment, physician practice groups and other medical services providers are aggressively trying to increase patient populations, while maintaining lower overhead costs by building new healthcare facilities in areas of population or patient growth. Continuing population shifts and ongoing demographic changes create a demand for additional properties, including an aging population requiring and demanding more medical services.

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

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

Redeployment of Capital. Medical providers are increasingly focused on wisely investing their capital in their medical business. A growing number of medical providers have determined that third-party development and ownership of real estate with long term leases is an attractive alternative to investing their capital in bricks-and-mortar. Increasing use of expensive medical technology has placed additional demands on the capital requirements of medical services providers and physician practice groups. By selling their real estate assets and relying on third-party ownership of new healthcare properties, medical services providers and physician practice groups can generate the capital necessary to acquire the medical technology needed to provide more comprehensive services to patients and improve overall patient care.

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

The current regulatory environment remains an ongoing challenge for healthcare providers, who are under pressure to comply with complex healthcare laws and regulations designed to prevent fraud and abuse. These regulations, for example, prohibit physicians from referring patients to entities in which they have investment interests and prohibit hospitals from leasing space to physicians at below market rates. As a result, healthcare providers seek reduced liability costs and have an incentive to dispose of real estate to third parties, thus reducing the risk of violating fraud and abuse regulations. This environment creates investment opportunities for owners, acquirers and joint venture partners of healthcare real estate who understand the needs of healthcare professionals and can help keep tenant costs low. While the current regulatory environment is positive for healthcare operators, there is uncertainty as to the future of government policies and its potential impact on healthcare provider profitability.

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Quality Commercial Office Properties

We also intend to invest a portion of the offering proceeds available for investment after the payment of fees and expenses in quality commercial office properties. These properties are generally in desirable locations, generally are of high quality construction, may offer personalized tenant amenities and attract high quality tenants. We also believe that a portfolio consisting of a substantial investment in this type of property enhances our liquidity opportunities for investors by making the sale of individual properties, multiple properties or our investment portfolio as a whole attractive to institutional investors and by making a possible listing of our shares attractive to the public investment community.

Joint Venture Investments

We may enter into joint ventures, general partnerships and other arrangements with one or more institutions or individuals, including real estate developers, operators, owners, investors and others, some of whom may be affiliates of our advisor, for the purpose of acquiring real estate. Such joint ventures may be leveraged with debt financing or unleveraged. We may enter into joint ventures to further diversify our investments or to access investments which meet our investment criteria that would otherwise be unavailable to us. In determining whether to invest in a particular joint venture, our advisor will evaluate the real estate that such joint venture owns or is being formed to own under the same criteria described elsewhere in this prospectus for the selection of our other properties. However, we will not participate in tenant-in-common syndications or transactions.

Joint ventures with unaffiliated third parties may be structured such that the investment made by us and the co-venturer are on substantially different terms and conditions. For example, while we and a co-venturer may invest an equal amount of capital in an investment, the investment may be structured such that we have a right to priority distributions of cash flow up to a certain target return while the co-venturer may receive a disproportionately greater share of cash flow than we are to receive once such target return has been achieved. This type of investment structure may result in the co-venturer receiving more of the cash flow, including appreciation, of an investment than we would receive. See Risk Factors Risks Associated with Joint Ventures We may structure our joint venture relationships in a manner which may limit the amount we participate in the cash flow or appreciation of an investment.

We may only enter into joint ventures with other NNN programs or affiliates of our advisor or any of our directors for the acquisition of properties if:

- a majority of our directors, including a majority of the independent directors, approve the transaction as being fair and reasonable to us; and

- the investment by us and such affiliate are on substantially the same terms and conditions that are no less favorable than those that would be available to unaffiliated third parties.

Our entering into joint ventures with our advisor or any of its affiliates will result in certain conflicts of interest. See Conflicts of Interest Joint Ventures with Affiliates of Our Advisor.

Securities Investments

We may invest in the following types of real estate related securities: (1) equity securities such as common stocks, preferred stocks and convertible preferred securities of public or private real estate companies (including other REITs, real estate operating companies and other real estate companies); (2) debt securities such as CMBS, commercial mortgages, mortgage loan participations and debt securities issued by other real estate companies; and (3) certain other types of securities that may help us reach our diversification and other investment objectives. These other securities may include, but are not limited to, mezzanine loans, bridge loans, various types of collateralized debt obligations and certain non-U.S. dollar denominated securities.

Our advisor will have substantial discretion with respect to the selection of specific securities investments. Our charter provides that we may not invest in equity securities unless a majority of the directors (including a majority of independent directors) not otherwise interested in the transaction approve such investment as being fair, competitive and commercially reasonable. Consistent with such requirements, in determining the types of real estate related securities investments to make, our advisor will adhere to a board-approved asset allocation framework consisting primarily of components such as (1) target mix of securities across a range of risk/reward characteristics, (2) exposure limits to individual securities and (3) exposure limits to securities subclasses (such as common equities, mortgage debt and foreign securities). Within this framework, our advisor will evaluate specific criteria for each prospective real estate related securities investment including:

positioning the overall portfolio to achieve an optimal mix of real property and real estate related securities investments;

diversification benefits relative to the rest of the securities assets within our portfolio;

fundamental securities analysis;

quality and sustainability of underlying property cash flows;

broad assessment of macro economic data and regional property level supply and demand dynamics;

potential for delivering high current income and attractive risk-adjusted total returns; and

additional factors considered important to meeting our investment objectives.

We are not specifically limited in the number or size of our real estate related securities investments, or on the percentage of the net proceeds from this offering that we may invest in a single real estate related security or pool of real estate related securities. However, we do not presently intend to invest more than 15% of our total assets in securities. The specific number and mix of real estate related securities in which we invest will depend upon real estate market conditions, other circumstances existing at the time we are investing in our real estate related securities and the amount of proceeds we raise in this offering. We will not invest in securities of other issuers for the purpose of exercising control and the first or second mortgages in which we intend to invest will likely not be insured by the Federal Housing Administration or guaranteed by the Veterans Administration or otherwise guaranteed or insured.

Borrowing Policies

We intend to use secured and unsecured debt as a means of providing additional funds for the acquisition of properties and real estate related securities. Our ability to enhance our investment returns and to increase our diversification by acquiring assets using additional funds provided through borrowing could be adversely impacted if banks and other lending institutions reduce the amount of funds available for the types of loans we seek. When interest rates are high or financing is otherwise unavailable on a timely basis, we may purchase certain assets for cash with the intention of obtaining debt financing at a later time.

We anticipate that aggregate borrowings, both secured and unsecured, will not exceed 60.0% of all of our properties combined fair market values, as determined at the end of each calendar year beginning with our first full year of operation. For these purposes, the fair market value of each asset will be equal to the purchase price paid for the asset or, if the asset was appraised subsequent to the date of purchase, then the fair market value will be equal to the value reported in the most recent independent appraisal of the asset. Our policies do not limit the amount we may borrow with respect to any individual investment.

Our aggregate secured and unsecured borrowings will be reviewed by our board of directors at least quarterly. Our charter precludes us from borrowing in excess of 300.0% of the value of our net assets. Net assets for purposes of this calculation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and other non-cash reserves, less total liabilities. The preceding calculation is generally expected to approximate 75.0% of the sum of (1) the aggregate cost of our properties before non-cash reserves and depreciation and (2) the aggregate cost of our securities assets. However, we may temporarily borrow in excess of these amounts if such excess is approved by a majority of our independent directors and disclosed to stockholders in our next quarterly report, along with an explanation for such excess. In such event, we will review our debt levels at that time and take action to reduce any such excess as soon as practicable.

On the acquisition dates of each of our first four real estate acquisitions, our leverage exceeded 300.0%. In accordance with our charter, a majority of our directors, including a majority of our independent directors, approved our leverage exceeding 300.0% in connection with the acquisitions. The board of directors determined that the excess leverage was justified because it enabled us to purchase the property during the initial stages of our offering, thereby improving our ability to meet our goal of acquiring a diversified portfolio of properties to generate current income for investors and preserve investor capital. As of December 13, 2007, our leverage does not exceed 300.0%. We may exceed our charter s leverage guidelines again during the early stages of our operations. We will take action to reduce any such excess as soon as practicable.

By operating on a leveraged basis, we will have more funds available for our investments. This will generally allow us to make more investments than would otherwise be possible, potentially resulting in enhanced investment returns and a more diversified portfolio. However, our use of leverage increases the risk of default on loan payments and the resulting foreclosure of a particular asset. In addition, lenders may have recourse to assets other than those specifically securing the repayment of the indebtedness.

Our advisor will use its best efforts to obtain financing on the most favorable terms available to us and will refinance assets during the term of a loan only in limited circumstances, such as when a decline in interest rates makes it beneficial to prepay an existing loan, when an existing loan matures or if an attractive investment becomes available and the proceeds from the refinancing can be used to purchase such investment. The benefits of the refinancing may include an increased cash flow resulting from reduced debt service requirements, an increase in distributions from proceeds of the refinancing, and an increase in diversification and assets owned if all or a portion of the refinancing proceeds are reinvested.

Our charter restricts us from borrowing money from any of our directors or from our advisor and its affiliates unless such loan is approved by a majority of our directors (including a majority of the independent directors) not otherwise interested in the transaction, as fair, competitive and commercially reasonable and no less favorable to us than comparable loans between unaffiliated parties.

Disposition Policies

We intend to hold each property or real estate related securities investment we acquire for an extended period. However, circumstances might arise which could result in a shortened holding period for certain investments. In general, the holding period for securities assets is expected to be shorter than the holding period for real property assets. An investment in a property or security may be sold before the end of the expected holding period if:

- diversification benefits exist associated with disposing of the investment and rebalancing our investment portfolio;
- an opportunity arises to pursue a more attractive investment;
- in the judgment of our advisor, the value of the investment might decline;
- with respect to properties, a major tenant involuntarily liquidates or is in default under its lease;
- the investment was acquired as part of a portfolio acquisition and does not meet our general acquisition criteria;
- an opportunity exists to enhance overall investment returns by raising capital through sale of the investment; or
- in the judgment of our advisor, the sale of the investment is in our best interests.

The determination of whether a particular property or real estate related securities investment should be sold or otherwise disposed of will be made after consideration of relevant factors, including prevailing economic conditions, with a view toward maximizing our investment objectives. We cannot assure you that this objective will be realized. The selling price of a property which is net leased will be determined in large part by the amount of rent payable under the lease(s) for such property. If a tenant has a repurchase option at a formula price, we may be limited in realizing any appreciation. In connection with our sales of properties

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we may lend the purchaser all or a portion of the purchase price. In these instances, our taxable income may exceed the cash received in the sale. See Federal Income Tax Considerations Failure to Qualify as a REIT. The terms of payment will be affected by custom in the area in which the investment being sold is located and the then-prevailing economic conditions.

Liquidity Events

On a limited basis, you may be able to sell shares through our share repurchase plan. However, in the future, our board of directors will also consider various forms of liquidity events, including but not limited to (1) a listing of our common stock on a national securities exchange, (2) our sale or merger in a transaction that provides our stockholders with a combination of cash and/or securities of a publicly traded company, and (3) the sale of all or substantially all of our assets for cash or other consideration. We presently intend to effect a liquidity event by September 20, 2013. However, there can be no assurance that we will effect a liquidity event within such time or at all. In making the decision whether to effect a liquidity event, our board of directors will try to determine which alternative will result in greater value for our stockholders. Certain merger transactions and the sale of all or substantially all of our assets as well as liquidation would require the affirmative vote of holders of a majority of our outstanding shares of common stock.

Construction and Development Activities

From time to time, we may construct and develop real estate assets or render services in connection with these activities. We may be able to reduce overall purchase costs by constructing and developing property versus purchasing a finished property. Developing and constructing properties would, however, expose us to risks such as cost overruns, carrying costs of projects under construction or development, availability and costs of materials and labor, weather conditions and government regulation. See Risk Factors Risks Relating to Investments in Real Estate for additional discussion of these risks. We will retain independent contractors to perform the actual construction work on tenant improvements, such as installing heating, ventilation and air conditioning systems.

Tenant Improvements

We anticipate that tenant improvements required at the time of our acquisition of a property will be funded from our offering proceeds. However, at such time as a tenant of one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract new tenants, we will be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. Since we do not anticipate maintaining permanent working capital reserves, we may not have access to funds required in the future for tenant improvements and tenant refurbishments in order to attract new tenants to lease vacated space.

Terms of Leases

The terms and conditions of any lease we enter into with our tenants may vary substantially from those we describe in this prospectus. However, we expect that a majority of our leases will require the tenant to pay or reimburse us for some or all of the operating expenses of the building based on the tenant s proportionate share of rentable space within the building. Operating expenses typically include, but are not limited to, real estate taxes, sales and use taxes, special assessments, utilities, insurance and building repairs, and other building operation and management costs. We will probably be responsible for the replacement of specific structural components of a property such as the roof of the building or the parking lot. We expect that many of our leases will generally have terms of five or more years, some of which may have renewal options.

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Investment Limitations

Our charter places numerous limitations on us with respect to the manner in which we may invest our funds prior to a listing of our common stock. These limitations cannot be changed unless our charter is amended, which requires approval of our board of directors and our stockholders. Until our common stock is listed, unless our charter is amended, we will not:

make investments in unimproved property or indebtedness secured by a deed of trust or mortgage loans on unimproved property in excess of 10% of our total assets;

invest in commodities or commodity futures contracts, except for futures contracts when used solely for the purpose of hedging in connection with our ordinary business of investing in real properties;

invest in real estate contracts of sale, otherwise known as land sale contracts, unless the contract is in recordable form and is appropriately recorded in the chain of title;

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

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

make or invest in mortgage loans that are subordinate to any lien or other indebtedness of any of our directors, our advisor or any of their respective affiliates;

issue securities redeemable solely at the option of the holder (this limitation, however, does not limit or prohibit the operation of our share repurchase plan);

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

issue equity securities on a deferred payment basis or other similar arrangement;

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

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

make any investment that is inconsistent with our objectives of qualifying and remaining qualified as a REIT unless and until our board of directors determines, in its sole discretion, that REIT qualification is not in our best interest;

invest in real estate contracts of sale unless such contracts of sale are in recordable form and appropriately recorded in the chain of title; or

engage in the business of underwriting or the agency distribution of securities issued by other persons.

In addition, we do not intend to invest in junior debt secured by a mortgage on real estate which is subordinate to the lien or other senior debt except where the amount of such junior debt plus any senior debt does not exceed 90% of the appraised value of such property and, if after giving effect thereto, the value of all such junior debt in which we have invested would not then exceed 25% of our net assets.

Change in Investment Objectives and Policies

Our charter requires that the independent directors review our investment policies at least annually to determine that the policies we are following are in the best interests of our stockholders. Each determination and the basis therefor is required to be set forth in the minutes of the applicable meetings of our directors. The methods of implementing our investment policies also may vary as new investment techniques are developed. Our investment objectives and policies may be altered by our board of directors without the approval of the stockholders.

Issuing Securities for Property

Subject to limitations contained in our organizational and governance documents, we may issue, or cause to be issued, shares of our stock or limited partnership units in out our operating partnership in any manner (and on such terms and for such consideration) in exchange for real estate. Existing stockholders have no preemptive rights to purchase such shares or limited partnership units in any such offering, and any such offering might cause a dilution of a stockholder s initial investment.

In order to induce the contributors of such properties to accept units in our operating partnership, rather than cash, in exchange for their properties, it may be necessary for us to provide them additional incentives. For instance, our operating partnership s partnership agreement provides that any holder of units may exchange limited partnership units on a one-for-one basis for shares of our common stock, or, at our option, cash equal to the value of an equivalent number of our shares. We may, however, enter into additional contractual arrangements with contributors of property under which we would agree to repurchase a contributor s units for shares of our common stock or cash, at the option of the contributor, at set times. In order to allow a contributor of a property to defer taxable gain on the contribution of property to our operating partnership, we might agree not to sell a contributed property for a defined period of time or until the contributor exchanged the contributor s units for cash or shares. Such an agreement would prevent us from selling those properties, even if market conditions made such a sale favorable to us. Such transactions are subject to the risks described in Risk Factors Risks Relating to Our Business We may structure acquisitions of property in exchange for limited partnership units in our operating partnership on terms that could limit our liquidity or our flexibility. Although we may enter into such transactions with other existing or future Triple Net programs, we do not currently intend to do so. If we were to enter into such a transaction with an entity managed by Triple Net Properties or its affiliates, we would be subject to the risks described in Risk Factors Risks Related to Conflicts of Interest We may acquire assets from, or dispose of assets to, entities managed by affiliates of our advisor, which could result in us entering into transactions on less favorable terms than we would receive from a third party or that negatively affect the public s perception of us. Any such transaction would be subject to the restrictions and procedures described in Conflicts of Interest Certain Conflict Resolution Restrictions and Procedures.

Real Estate Acquisitions

As of the date of this prospectus, we have acquired 17 properties and identified three additional proposed real estate investments. Our advisor will continually evaluate various potential investments on our behalf and engage in discussions and negotiations with real property sellers, developers, brokers, lenders, investment managers and others regarding such potential investments. While this offering is pending, if we believe that a reasonable probability exists that we will acquire a specific property or make a material investment in real estate related securities, this prospectus will be supplemented to disclose the negotiations and pending acquisition of such property or securities investment. We expect that this will normally occur upon the signing of a purchase agreement for the acquisition of a specific property or real estate related securities investment, but may occur before or after such signing or upon the satisfaction or expiration of major contingencies in any

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such purchase agreement, depending on the particular circumstances surrounding each potential investment. A supplement to this prospectus will describe any information that we consider appropriate for an understanding of the transaction. Further data will be made available after any pending investment is consummated, also by means of a supplement to this prospectus, if appropriate. You should understand that the disclosure of any proposed investment cannot be relied upon as an assurance that we will ultimately consummate such investment or that the information provided concerning the proposed investment will not change between the date of the supplement and any actual purchase.

Investment Company Act Considerations

We intend to operate in such a manner that we will not be subject to regulation under the Investment Company Act. In order to maintain our exemption from regulations under the Investment Company Act, we must comply with technical and complex rules and regulations.

In order to maintain our exemption from regulation as an investment company, we intend to engage primarily in the business of investing in interests in real estate and make these investments within one year after the offering ends. If we are unable to invest a significant portion of the proceeds of this offering in properties within one year of the termination of the offering, we may avoid being required to register as an investment company under the Investment Company Act by temporarily investing any unused proceeds in government securities with low returns. Investments in government securities likely would reduce the cash available for distribution to investors and possibly lower your returns.

Our advisor will continually review our investment activity and will take appropriate actions to attempt to ensure that we do not come within the application of the Investment Company Act. These actions may include limiting the percentage of our assets that fall into certain categories specified in the Investment Company Act, which could result in us holding assets we otherwise might desire to sell and selling assets we otherwise might wish to retain. In addition, we may have to acquire additional assets that we might not otherwise have acquired or be forced to forgo investment opportunities that we would otherwise want to acquire and that could be important to our investment strategy. In particular, our advisor will monitor our investments in real estate related securities to ensure continued compliance with one or more exemptions from investment company status under the Investment Company Act and, depending on the particular characteristics of those investments and our overall portfolio, our advisor may be required to limit the percentage of our assets represented by real estate related securities. If at any time the character of our investments could cause us to be deemed an investment company for purposes of the Investment Company Act, we will take the necessary action to attempt to ensure that we are not deemed to be an investment company. If we were required to register as an investment company, our ability to enter into certain transactions would be restricted by the Investment Company Act. See Risk Factors Risks Associated with Our Organizational Structure Your investment return may be reduced if we are required to register as an investment company under the Investment Company Act.

INVESTMENTS IN REAL PROPERTIES

Acquired Real Properties

The following provides a summary of the properties acquired by us. For more information regarding the financing of these acquisitions, see Management s Discussion and Analysis of Financial Condition and Results of Operations Financing.

Southpointe Office Parke and Epler Parke I

On January 22, 2007, we acquired all of the membership interests of NNN Southpointe, LLC for a total purchase price of $14,800,000, plus closing costs. NNN Southpointe, LLC has a fee simple ownership of Southpointe Office Parke and Epler Parke I, a portfolio of seven multi-tenant office/medical office buildings located in Indianapolis, Indiana. We acquired the membership interests from NNN South Crawford Member, LLC, an indirect wholly-owned subsidiary of our former sponsor, NNN Realty Advisors.

NNN Southpointe, LLC acquired Southpointe Office Parke and Epler Parke I on August 18, 2006 for a purchase price of $14,800,000. In connection with the purchase, NNN Southpointe, LLC entered into a secured loan with LaSalle Bank National Association, or LaSalle, evidenced by a promissory note in the principal amount of $9,146,000. We financed the purchase price of NNN Southpointe, LLC through the assumption of the $9,146,000 secured note and used approximately $5,115,000 of the proceeds from a $7,500,000 unsecured loan from NNN Realty Advisors. The balance of the purchase price was provided by funds raised through this offering. Since we acquired Southpointe Office Parke and Epler Parke I from an indirect subsidiary of NNN Realty Advisors our independent directors engaged an independent appraiser to value the property. A majority of our board of directors, including a majority of our independent directors, have determined that the transaction is fair and reasonable to us and at a price to us no greater than the cost of the investment to our sponsor or its appraised value, as determined by the independent appraiser. An acquisition fee of $444,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

The buildings in Southpointe Office Parke and Epler Parke I consist of approximately 97,000 square feet of gross leasable area. The buildings are approximately 87.1% leased with approximately 76.3% of the leased space occupied by medical tenants. We intend to continue to lease the buildings to medical, retail and office tenants.

Built between 1991 and 1996, Southpointe Office Parke is comprised of six buildings on approximately 8.5 acres and contains approximately 76,000 square feet of gross leasable area adjacent to Community Hospital South, a 150-bed acute care hospital, which is part of the Community Health Network, a five-hospital system located in Indianapolis, Indiana. Community Hospital South admits approximately 40,000 hospital patients each year and has over 8,800 employees. Approximately 84.9% of the space at Southpointe Office Parke is leased and approximately 93.8% of the space leased is occupied by medical tenants, while the remaining space is leased to two small retail tenants. No tenant occupies 10.0% or more of the gross leasable area.

Built in 2002, the Epler Parke I building is situated on approximately 2.8 acres and located approximately three miles from the Southpointe Office Parke buildings. The building contains approximately 21,000 square feet of gross leasable area and is approximately 94.9% leased to five tenants. Circle Design Group leases approximately 13,000 square feet, or approximately 63.6% of the space, pursuant to a lease that expires on July 31, 2012. Circle Design is one of the largest consulting engineering firms in Indiana. The rental rate per annum for Circle Design is approximately $210,000 or $15.85 per square foot. Circle Design does not have a renewal option on its lease. The four other tenants are Eric Treadwell, DDS, United Auto Credit Corporation, Brookwood Denture Specialists, Inc. and Phillip Kuntel, each of whom is engaged in the principal business of dentistry, auto finance, dentistry and insurance, respectively. Eric Treadwell, DDS is the only tenant besides Circle Design that occupies more than 10.0% of the space. Eric Treadwell, DDS leases approximately 2,000 square feet under a lease that runs until August 31, 2011. Eric Treadwell, DDS has one five-year renewal option with six months notice. The annual rent is approximately $33,000 through August 2007 and $34,000 through August 2009. From August 2009 until the end of the lease the annual rent is approximately $35,000.

Triple Net Properties Realty, Inc., or Realty, serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of Southpointe Office Parke and Epler Parke I.

There are at least 20 comparable properties located in the same submarket that might compete with Southpointe Office Parke and Epler Parke I.

Our management currently has no plans for material renovations or other capital improvements to Southpointe Office Parke and Epler Parke I and believes that the property is suitable for their intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in Southpointe Office Parke and Epler Parke I is approximately $12.4 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. Real estate taxes payable on the property for 2006 were approximately $174,000 at a rate of approximately 2.3%.

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The following table sets forth the lease expirations of Southpointe Office Parke and Epler Parke I for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007	5	14,000	$ 237,000	16.5%
2008	7	20,000	$ 302,000	21.1%
2009	4	8,000	$ 120,000	8.4%
2010	4	13,000	$ 178,000	12.4%
2011	2	7,000	$ 103,000	7.2%
2012	3	19,000	$ 329,000	22.9%
2013			$	%
2014	1	700	$ 31,000	2.2%
2015	1	1,000	$ 10,000	0.7%
2016			$	%

For 2006, the average occupancy rate was 93.7% and the average effective annual rental rate per square foot for Southpointe Office Parke and Epler Parke I was $14.54.

Crawfordsville Medical Office Park and Athens Surgery Center

On January 22, 2007, we acquired all of the membership interests of NNN Crawfordsville, LLC for a total purchase price of $6,900,000, plus closing costs. NNN Crawfordsville, LLC has fee simple ownership of Crawfordsville Medical Office Park and Athens Surgery Center, two medical office buildings located on the north side of Crawfordsville, Indiana. We acquired the membership interests from NNN South Crawford Member, LLC, an indirect wholly owned subsidiary of our sponsor.

NNN Crawfordsville, LLC acquired Crawfordsville Medical Office Park and Athens Surgery Center on September 12, 2006 for a purchase price of $6,900,000. In connection with the purchase, NNN Crawfordsville, LLC entered into a secured loan with LaSalle evidenced by a promissory note in the principal amount of $4,264,000. We financed the purchase price of NNN Crawfordsville, LLC through the assumption of the $4,264,000 secured note and used approximately $2,385,000 of the proceeds from our $7,500,000 unsecured note from NNN Realty Advisors. The balance of the purchase price was provided by funds raised through this offering. Since we acquired Crawfordsville Medical Office Park and Athens Surgery Center from a subsidiary of NNN Realty Advisors, our independent directors engaged an independent appraiser to value the property. A majority of our board of directors, including a majority of our independent directors, have determined that the transaction is fair and reasonable to us and at a price to us no greater than the cost of the investment to our sponsor or its appraised value, as determined by the independent appraiser. An acquisition fee of $207,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Crawfordsville Medical Office Park and Athens Surgery Center is comprised of two buildings, the St. Claire Medical Pavilion, a one-story medical building, and Athens Surgery Center, a one-story surgery and imaging center. The two buildings consist of approximately 30,000 square feet of gross leasable area on approximately 2.9 acres of land and are 100.0% leased to St. Vincent Hospital and Health Care, Inc., a member of Ascension Health, the nation s largest not-for-profit Catholic healthcare system. The master lease has been assigned to the Sisters of St. Francis Health Services, Inc., or the Sisters of St. Francis. We intend to continue to lease the buildings to the Sisters of St. Francis.

Built in 1998, St. Claire Medical Pavilion consists of approximately 14,000 square feet of gross leasable area on approximately 1.6 acres. A renovation of the building was completed in the spring of 2006. The rental rate per annum for St. Claire Medical Pavilion is approximately $211,000, or $14.60 per square foot, as of November 30, 2007. The single tenant credit lease with the Sisters of St. Francis terminates January 31, 2013, with one five-year renewal option upon 180 days notice. St. Vincent Hospital serves as guarantor on the lease.

Built in 2000, Athens Surgery Center consists of 15,000 square feet of gross leasable area on approximately 1.4 acres and is adjacent to the St. Claire Medical Pavilion. Athens Surgery Center has two outpatient surgical suites with eight pre-operation areas. The rental rate per annum for Athens Surgery Center is approximately $367,000, or $24.48 per square foot, as of November 30, 2007. The single tenant credit lease with the Sisters of St. Francis terminates February 29, 2016, with four five-year renewal options upon 180 days notice. St. Vincent Hospital serves as guarantor on the lease.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the leasing, operation and management of Crawfordsville Medical Office Park and Athens Surgery Center.

There are at least six comparable properties located in the same submarket that might compete with Crawfordsville Medical Office Park and Athens Surgery Center.

Our management currently has no plans for material renovations or other capital improvements to Crawfordsville Medical Office Park and Athens Surgery Center and believes that the properties are suitable for their intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in Crawfordsville Medical Office Park and Athens Surgery Center is approximately $6.5 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. Real estate taxes payable on the property for 2006 were approximately $74,000 at a rate of approximately 2.7%.

The following table sets forth the lease expirations of Crawfordsville Medical Office Park and Athens Surgery Center for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007			$	%
2008			$	%
2009			$	%
2010			$	%
2011			$	%
2012			$	%
2013	5	14,000	$ 211,000	36.5%
2014			$	%
2015			$	%
2016	1	15,000	$ 367,000	63.5%

The following table shows the average occupancy rate and the average effective annual rental rate per square foot for Crawfordsville Medical Office Park and Athens Surgery Center for the last five years.

Year	Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2002	100%	$ 18.63
2003	100%	$ 19.08
2004	100%	$ 19.12
2005	100%	$ 19.12
2006	100%	$ 19.55

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The Gallery Professional Building

On March 9, 2007, we acquired all of the membership interests of NNN Gallery Medical, LLC for a total purchase price of $8,800,000, plus closing costs. NNN Gallery Medical, LLC has fee simple ownership of The Gallery Professional Building, an eight-story medical building located in downtown St. Paul, Minnesota. We acquired the membership interests from NNN Gallery Medical Member, LLC, an indirect wholly-owned subsidiary of NNN Realty Advisors.

NNN Gallery Medical, LLC acquired The Gallery Professional Building on February 5, 2007, for a purchase price of $8,800,000. In connection with the purchase, NNN Gallery Medical, LLC entered into a secured loan with LaSalle evidenced by a promissory note in the principal amount of $6,000,000. We financed the purchase price of NNN Medical Gallery, LLC through the assumption of the $6,000,000 secured note (but not for interest payments for periods prior to March 9, 2007) and a $1,000,000 loan from NNN Realty Advisors. The balance of the purchase price was provided by funds raised through this offering. Since we acquired The Gallery Professional Building from a subsidiary of NNN Realty Advisors, an independent appraiser was engaged by the independent directors to value the property. The terms of the acquisition have been approved by a majority of our board of directors, including a majority of our independent directors, as fair and reasonable to us and at a price no greater than the cost of the investment to NNN Realty Advisors subsidiary or the property s appraised value, as determined by the independent appraiser. An acquisition fee of $264,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

The Gallery Professional Building consists of approximately 105,000 square feet of gross leasable area. The building is approximately 73.2% leased, with approximately 69.6% occupied by medical tenants. We intend to continue to lease the building to medical tenants.

The building was built in 1979 and is located adjacent to St. Joseph s Hospital via a skywalk, which serves as a feeder hospital for the medical offices in The Gallery Professional Building. St. Joseph s Hospital is the largest of the HealthEast Care Systems hospitals and is a member of the University of Minnesota Family Medicine and Community Health residency program, with 401 licensed beds and a 24-hour emergency room. St. Joseph s Hospital recently began construction on an $80.0 million expansion and renovation of the hospital, which will include building a new hospital tower, expanding the emergency department and adding two new operating rooms.

Summit Orthopedics leases approximately 24,000 square feet, or approximately 22.5% of the space, pursuant to two leases: one for approximately 13,000 square feet that expires on May 31, 2011 and a second lease for approximately 11,000 square feet that expires on March 31, 2017. Summit Orthopedics is comprised of seven clinics and two surgery centers located in Minnesota, with both a clinic and a surgery center located within The Gallery Professional Building. The rental rate per annum for Summit Orthopedics is approximately $403,000, or approximately $17.00 per square foot. Summit Orthopedics does not have a renewal option on either lease. HealthEast Care Systems leases approximately 20,000 square feet, or approximately 18.7%, of the space pursuant to leases that expire between February 28, 2009 and January 31, 2018. HealthEast Care Systems is currently the largest health care provider in the Twin Cities East Metro area, and the adjacent St. Joseph s Hospital is part of this network. The rental rate per annum for HealthEast Care Systems is approximately $303,000, or approximately $15.38 per square foot. HealthEast Care Systems has two renewal terms of five years each on its lease for approximately 14,000 square feet expiring on January 31, 2018. The remaining tenants are primarily medical tenants, none of which occupies 10.0% or more of the gross leasable area.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of The Gallery Professional Building.

There are at least 45 comparable properties located in the same submarket that might compete with The Gallery Professional Building.

Our management currently has plans to spend approximately $2.4 million for both capital and tenant improvements to The Gallery Professional Building in order to attract new tenants to the building. Management believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in The Gallery Professional Building is approximately $8.0 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. Real estate taxes payable on the property for 2006 were approximately $126,000 at a rate of approximately 1.3%.

The following table sets forth the lease expirations of The Gallery Professional Building for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases		Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007	4	11,000	$	152,000	14.5%
2008	1	1,000	$	16,000	1.6%
2009	3	7,000	$	97,000	9.3%
2010	1	8,000	$	114,000	10.8%
2011	3	24,000	$	402,000	38.4%
2012	2	13,000	$	214,000	20.5%
2013			$		%
2014			$		%
2015			$		%
2016			$		%

The following table shows the average occupancy rate and the average effective annual rental rate per square foot for The Gallery Professional Building for the last five years:

Year	% of Average Occupancy Rate		Average Effective Annual Rental Rate per Square Foot
2002	68.1%	$	14.68
2003	68.0%	$	15.12
2004	64.8%	$	15.33
2005	71.3%	$	14.96
2006	73.1%	$	15.07

Lenox Office Park Building G

On March 23, 2007, we acquired all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC for a total purchase price of $18,500,000, plus closing costs. NNN Lenox Medical, LLC holds a leasehold interest in Lenox Office Park Building G, and NNN Lenox Medical Land, LLC holds a fee simple interest in two vacant parcels of land within Lenox Office Park, located in Memphis, Tennessee. The lease to which Lenox Park

Building G is subject has an 11-year term and was entered into by the previous owner of the property with the Industrial Development Board of the City of Memphis, Tennessee and Shelby County as part of a tax incentive program for the benefit of the tenant. NNN Lenox Medical, LLC has the option to purchase Lenox Office Park Building G at any time for $1,000. We acquired the membership interests from NNN Lenox Medical Member, LLC, a wholly-owned subsidiary of Triple Net Properties.

NNN Lenox Medical, LLC acquired Lenox Office Park Building G and NNN Lenox Medical Land, LLC acquired the two parcels of land on January 3, 2007, for a total purchase price of $18,500,000. In connection with the purchase, NNN Lenox Medical, LLC entered into a secured loan with LaSalle evidenced by a promissory note in the principal amount of $12,000,000.

We financed the purchase price of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC through the assumption of the $12,000,000 secured note (but not for interest payments for periods prior to March 23, 2007). The balance of the purchase price was provided by funds raised through this offering. Since

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we acquired Lenox Office Park Building G and the two parcels of land from subsidiaries of NNN Realty Advisors, an independent appraiser was engaged by the independent directors to value the property. The terms of the acquisition have been approved by a majority of our board of directors, including a majority of our independent directors, as fair and reasonable to us and at a price no greater than the cost of the investment to NNN Realty Advisors subsidiaries or the property s appraised value, as determined by the independent appraiser. An acquisition fee of $555,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Lenox Office Park Building G consists of approximately 98,000 square feet of gross leasable area. The building is currently 100% leased to Pfizer Inc., one of the largest pharmaceutical companies in the world which has a AAA credit rating by Standard & Poor s. Pfizer currently pays gross annual rent of $2,134,000, which will increase 2.0% each year up to $2,220,000 in 2010. Pfizer s lease expires in January 2010, but Pfizer has three five-year extension options. Upon renewal of the lease, Pfizer is entitled to rent the property at a rate equal to 97.0% of market rent, as defined in the lease, for the property.

The building was built in 2000 and is located in East Memphis, Tennessee. There are at least 15 comparable properties located in the same market that might compete with the property. Our management currently has plans to spend approximately $237,000 for both capital and tenant improvements to Lenox Office Park Building G.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of Lenox Office Park Building G, under terms as further discussed in the prospectus.

The two parcels of land are located within Lenox Office Park and consist of approximately 7.2 acres. Management currently has no plans to develop these parcels.

Management believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in Lenox Office Park Building G is approximately $16.8 million. We calculate depreciation for income tax purposes using the straight-line method. We depreciate buildings based upon estimated useful lives of 39 years. Land is not depreciated for federal income tax purposes. Real estate taxes payable on the property for 2006 were approximately $38,000 at a rate of approximately 1.1%, net of tax credits.

The following table shows the occupancy rate and the effective annual rental rate per square foot for Lenox Office Park Building G for the last five years:

Year	**Occupancy Rate**	**Effective Annual Rental Rate per Square Foot**	
2002	100%	$	19.75
2003	100%	$	20.15
2004	100%	$	20.55
2005	100%	$	20.96
2006	100%	$	21.38

Commons V

On April 24, 2007, we, through our operating partnership, acquired Commons V Medical Office Building, or Commons V, for a purchase price of $14,100,000, plus closing costs. The building is a three-story medical office building located in Naples, Florida. We acquired the property from an unaffiliated third party.

We financed the purchase price of $14,100,000 by funds raised through this offering. An acquisition fee of $423,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. In addition, a real estate commission of $300,000, or approximately 2.0% of the purchase price, was paid by the seller to Grubb & Ellis, which is now our sponsor.

Commons V consists of approximately 55,000 square feet of gross leasable area. The building is approximately 100% leased. Anchor Health is the largest tenant with 19 separate leases comprising approximately 42,000 square feet, or approximately 76.4% of the property. Anchor Health s current base annual rent is $758,000 with annual consumer price index increases. Since there are 19 different leases associated with this tenant there are various expiration dates, with a majority of those leases expiring in 2012 with no remaining options for renewal. Collier Surgery Center occupies approximately 10,000 square feet or approximately 17.5% of the property and pays a gross base annual rent of $197,000 with annual consumer price index increases. Collier Surgery Center s lease expires on April 14, 2009 with two options to renew for five-year periods. We intend to continue to lease the building to medical tenants.

The building was built in 1991 and is located in Naples, Florida, one-half mile from the Homewood Residence, a 100-room adult living facility, the 250-unit Goodlette Arms Senior Apartments and Naples Community Hospital.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of Commons V.

Management believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in Commons V is approximately $10.6 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon an estimated useful life of 39 years. Real estate taxes payable on the property for 2006 were approximately $115,000 at a rate of approximately 1.2%.

The following table sets forth the lease expirations of Commons V for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007			$	%
2008	2	3,000	$ 76,000	7.6%
2009	3	13,000	$ 264,000	26.2%
2010	2	4,000	$ 76,000	7.5%
2011	4	7,000	$ 164,000	16.3%
2012	11	28,000	$ 462,000	42.5%
2013			$	%
2014			$	%
2015			$	%
2016			$	%

The following table shows the average occupancy rate and the average effective annual rental rate per square foot for Commons V for the last five years:

% of Average	Average Effective Annual Rental

Year	Occupancy Rate	Rate per Square Foot
2002	88.6%	$16.69
2003	93.4%	$17.30
2004	96.7%	$17.73
2005	100%	$18.28
2006	100%	$18.88

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Yorktown Medical Center and Shakerag Medical Center

On May 2, 2007, we through our operating partnership, acquired Yorktown Medical Center and Shakerag Medical Center, which we refer to collectively as the Fayette property, for a purchase price of $21,500,000, plus closing costs. We acquired the property from an unaffiliated third party.

In connection with the acquisition of the Fayette property, on May 1, 2007, we, through NNN Healthcare/Office REIT Peachtree, LLC, our wholly-owned subsidiary, entered into a secured loan with Wachovia Bank, National Association, or Wachovia, as evidenced by a promissory note in the principal amount of $13,530,000. The balance of the purchase price was provided by funds raised through this offering. An acquisition fee of $645,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

The Fayette property consists of approximately 108,000 square feet of gross leasable area. The Fayette property is approximately 90.6% leased, with approximately 84.8% occupied by medical tenants. Peachtree Medical Care Corporation occupies approximately 74,000 square feet of the Fayette property and pays a gross base annual rent of approximately $1,876,000, with annual consumer price index increases, under multiple leases. Peachtree Medical Care Corporation s leases expire between 2009 and 2013.

The Yorktown Medical Center was built in 1987 and is located in Fayetteville, Georgia, approximately two miles from the Piedmont Fayette Hospital. The Shakerag Medical Center was built in 1994 and is located in Peachtree City, Georgia, approximately seven miles from the Piedmont Fayette Hospital.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of the Fayette Property.

Management believes that the Fayette property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in the Fayette property is approximately $18.7 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon an estimated useful life of 39 years. Real estate taxes payable on the Fayette property for 2006 were approximately $173,000 at a rate of approximately 3.2%.

The following table sets forth the lease expirations of the Fayette property for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007	2	2,000	$ 47,000	2.0%
2008	1	3,000	$ 89,000	3.7%
2009	7	26,000	$ 629,000	23.7%
2010			$	%
2011	3	12,000	$ 256,000	11.1%
2012	4	12,000	$ 332,000	10.9%

2013	4	41,000	$	1,058,000	38.3%
2014			$		%
2015			$		%
2016			$		%

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The following table shows the average occupancy rate and the average effective annual rental rate per square foot for Yorktown Medical Center for the last five years:

Year	% of Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2002	100%	$ 13.25
2003	100%	$ 13.25
2004	100%	$ 13.25
2005	74.0%	$ 24.00
2006	81.0%	$ 25.04

The following table shows the average occupancy rate and the average effective annual rental rate per square foot for Shakerag Medical Center for the last five years:

Year	% of Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2002	100%	$ 13.25
2003	100%	$ 13.25
2004	100%	$ 13.25
2005	86.0%	$ 23.00
2006	100%	$ 24.00

Thunderbird Medical Plaza

On May 15, 2007, we, through our operating partnership, acquired Thunderbird Medical Plaza in Glendale, Arizona from an unaffiliated third party for a total purchase price of $25,000,000, plus closing costs. Thunderbird Medical Plaza is comprised of real property located at 5422 and 5410 West Thunderbird Road, or T-Bird 5422/5410, and real property located at 5310 West Thunderbird Road, or T-Bird 5310.

Of the total purchase price of $25,000,000, $11,500,000 was allocated to T-Bird 5422/5410 and $13,5000,000 was allocated to T-Bird 5310. We financed the purchase price using a combination of $9,651,000 in net proceeds from the $10,000,000 loan from Wachovia secured by our Commons V property and funds raised through this offering. An acquisition fee of $750,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Thunderbird Medical Plaza consists of approximately 110,000 square feet of gross leasable area. The property is approximately 74.3% leased, with 100% occupied by medical tenants, none of which occupy 10.0% or more of the gross leaseable area.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of Thunderbird Medical Plaza.

There are at least seven comparable properties located in the same submarket that might compete with Thunderbird Medical Plaza.

Management believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in Thunderbird Medical Plaza is approximately $21.9 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. Real estate taxes payable on the property for 2006 were approximately $283,000 at a Primary (Limited) rate of approximately 6.7% and a Secondary (Full Cash) rate of approximately 5.4%.

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The following table sets forth the lease expirations of Thunderbird Medical Plaza for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007	3	6,000	$ 145,000	7.4%
2008	5	8,000	$ 179,000	9.1%
2009	4	5,000	$ 123,000	6.2%
2010	6	13,000	$ 313,000	15.8%
2011	1	8,000	$ 204,000	10.3%
2012	9	22,000	$ 478,000	24.2%
2013	4	14,000	$ 315,000	16.0%
2014			$	%
2015			$	%
2016	2	9,000	$ 218,000	11.0%

Triumph Hospital Portfolio

On June 8, 2007, we, through our operating partnership, acquired the Triumph Hospital Portfolio in suburban Houston, Texas from an unaffiliated third party for a total purchase price of $36,500,000, plus closing costs. The Triumph Hospital Portfolio consists of Triumph Hospital Northwest and Triumph Hospital Southwest.

Of the total purchase price of $36,500,000, $17,750,000 was allocated to Triumph Hospital Northwest and $18,750,000 was allocated to Triumph Hospital Southwest. We financed the aggregate purchase price of the Triumph Hospital Portfolio using a combination of: (1) $12,605,000 in net proceeds from a $14,000,000 loan from Wachovia secured by the Thunderbird property; (2) an unsecured loan from NNN Realty Advisors, in the principal amount of $4,000,000; and (3) funds raised through this offering. An acquisition fee of $1,095,000, or 3.0% of the aggregate purchase price, was paid to our advisor and its affiliate. Since NNN Realty Advisors was our sponsor at the time of the loan, this loan is deemed a related party loan. Therefore, the terms of the unsecured loan and the unsecured note were approved by a majority of our directors, including a majority of our independent directors, and deemed fair, competitive and commercially reasonable by our directors.

Triumph Hospital Northwest and Triumph Hospital Southwest were originally built in 1986 and 1989, respectively, and are located on 12 and eight acres, respectively, in suburban Houston, Texas. The Triumph Hospital Portfolio consists of approximately 151,000 square feet of gross leasable area, which is currently 100% leased to affiliates of Triumph Healthcare, the largest provider of long-term acute care in the Houston area and the third largest provider in the United States. Triumph Healthcare s lease of Triumph Hospital Southwest, which includes approximately 68,000 square feet of gross leasable area, expires in December 2012, with two five-year renewal options. Triumph Healthcare s lease of Triumph Hospital Northwest, which includes approximately 83,000 square feet of gross leasable area, expires in February 2013, with two five-year renewal options.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of the Triumph Hospital Portfolio.

There are approximately ten comparable properties located in the Houston market that might compete with the Triumph Hospital Portfolio.

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Management currently has no renovation plans for the property, and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in the Triumph Hospital Portfolio is approximately $34.6 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. For 2006, Triumph Hospital Northwest paid real estate taxes of approximately $225,000 at a rate of approximately 3.1%, and Triumph Hospital Southwest paid real estate taxes of approximately $146,000 at a rate of approximately 2.5%.

The following table sets forth the lease expirations of the Triumph Hospital Portfolio for the next ten years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007			$	%
2008			$	%
2009			$	%
2010			$	%
2011			$	%
2012	1	68,000	$ 1,558,000	51.3%
2013	1	83,000	$ 1,482,000	48.8%
2014			$	%
2015			$	%
2016			$	%

The following table shows the average occupancy rate and the average effective annual rental rate per square foot for the Triumph Hospital Portfolio for the last five years:

Year	Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2002	37.9%	$ 6.40
2003	100%	$ 17.14
2004	100%	$ 17.14
2005	100%	$ 17.14
2006	100%	$ 17.14

Gwinnett Professional Center

On July 27, 2007, we, through our operating partnership, acquired a fee simple interest in Gwinnett Professional Center located in Lawrenceville, Georgia from an unaffiliated third party for a purchase price of $9,300,000, plus closing costs.

We financed the purchase price of Gwinnett Professional Center through: (1) the assumption of a $6,000,000 loan from LaSalle, secured by the property, and (2) funds raised through this offering. An acquisition fee of $279,000, or 3.0% of the aggregate purchase price, was paid to our advisor and its affiliate.

Gwinnett Professional Center, a three-story multi-tenant medical office building, was originally built in 1985 and is located on approximately 5.2 acres on the hospital campus of Gwinnett Medical Center in Lawrenceville, Georgia, northeast of downtown Atlanta. Gwinnett Professional Center consists of approximately 60,000 square feet and is approximately 80.0% leased. The principal businesses and professions occupying the building are healthcare providers. Gwinnett Pediatrics leases approximately 8,000 square feet pursuant to a lease that expires in April 2016 and has no renewal options. Gwinnett Pediatrics provides primary pediatric heath care from birth through adolescence. The rental rate per annum for Gwinnett Pediatrics is approximately $184,000, or $22.66 per square foot.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of Gwinnett Professional Center as provided in our advisory agreement.

There are at least seven comparable properties located in the same submarket that might compete with Gwinnett Professional Center.

Management currently has no renovation plans for the property, and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in Gwinnett Professional Center is approximately $8.3 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. For 2006, Gwinnett Professional Center paid real estate taxes of approximately $89,000 at a rate of approximately 3.4%.

The following table sets forth the lease expirations of Gwinnett Professional Center for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007			$	%
2008	8	18,000	$ 397,000	35.0%
2009	5	11,000	$ 292,000	25.7%
2010	2	5,000	$ 129,000	11.4%
2011	2	5,000	$ 110,000	9.7%
2012	1	1,000	$ 24,000	2.1%
2013			$	%
2014			$	%
2015			$	%
2016	1	8,000	$ 184,000	16.3%

The following table shows the average occupancy rate and the average effective annual rental rate per square foot for Gwinnett Professional Center for the last three years.

Year	Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2004	96.0%	$ 22.68

2005	80.0%	$ 23.74
2006	68.0%	$ 24.10

1 and 4 Market Exchange

On August 15, 2007, we, through our wholly-owned subsidiary, NNN Healthcare/Office REIT Market Exchange, LLC, acquired a fee simple interest in 1 Market Exchange, 4 Market Exchange and a vacant parcel of land, each located in Columbus, Ohio, or collectively, 1 and 4 Market Exchange, from unaffiliated third parties for a total purchase price of $21,900,000, plus closing costs.

We financed the purchase price of 1 and 4 Market Exchange with funds raised through this offering. An acquisition fee of $657,000, or 3.0% of the aggregate purchase price, was paid to our advisor and its affiliate.

1 and 4 Market Exchange consists of two multi-tenant Class A medical office buildings and a vacant parcel of land to be developed as a parking lot. 1 Market Exchange is a five-story building constructed in

2001 located at 515 East Main Street. 1 Market Exchange was awarded the 2002 Columbus Chapter American Institute of Architecture Sustainability Award due to its Green design which maximizes natural day-lighting while screening out unwanted solar gain during the summer months. 4 Market Exchange is a three-story building constructed in 2003 located at 500 Main Street. Combined, they consist of approximately 116,000 square feet and are approximately 92.6% leased. Both buildings are located less than one mile from Columbus Children s Hospital, just east of the Columbus Central Business District and are an integral part of the Market Exchange redevelopment taking place along East Main Street. Additionally, the property is located at the I-70 and I-71 interchange and just south of I-670, allowing easy access to all parts of Columbus and its surrounding communities. The principal businesses and professions of the tenants occupying the buildings are healthcare providers. The vacant parcel of land is a 28,000 square foot unimproved parcel of land that, once developed, shall serve as a parking lot for 1 and 4 Market Exchange which will provide approximately 85 additional parking spaces.

The most significant tenants of 1 and 4 Market Exchange are Columbus Children s Hospital, OhioHealth and Design Group. Columbus Children s Hospital leases approximately 27,000 square feet pursuant to leases that expire in 2009-2011, approximately 2,000 square feet of which have one five-year renewal options.

Columbus Children s Hospital, the nation s 5th largest children s hospital, is the primary pediatric health care provider for 37 counties, with more than 800 medical staff members and 4,500 employees. The rental rate per annum for Columbus Children s Hospital is approximately $378,000, or $13.77 per square foot. OhioHealth leases approximately 22,000 square feet pursuant to leases that expire between 2007 and 2012, some of which have five-year renewal options. OhioHealth is a nationally recognized, not-for-profit, charitable healthcare organization consisting of 15 hospitals, 20 health and surgery centers, home-health providers, and medical equipment and health service suppliers throughout a 46-county area. The rental rate per annum for OhioHealth is approximately $358,000, or $16.25 per square foot. Design Group leases approximately 28,000 square feet pursuant to a lease that expires in October 2010 with one ten-year renewal option. Design Group, a firm that provides expertise in planning, architecture, interior design, graphics and sustainable design, was responsible for designing 1 and 4 Market Exchange. The rental rate per annum for Design Group is approximately $473,000 or $16.71 per square foot.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of 1 and 4 Market Exchange as provided in our advisory agreement.

1 and 4 Market Exchange faces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with which 1 and 4 Market Exchange competes are located on either the campuses of nearby hospitals or in surrounding suburban areas.

Management currently has no renovation plans for the property other than the development of the vacant parcel of land into a parking lot, and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in 1 and 4 Market Exchange is approximately $20.2 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. For 2006, 1 and 4 Market Exchange paid real estate taxes of approximately $121,000 at a rate of approximately 6.7%.

The following table sets forth the lease expirations of 1 and 4 Market Exchange for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007	2	7,000	$ 124,000	7.1%
2008	2	4,000	$ 73,000	4.2%
2009	4	11,000	$ 176,000	10.1%
2010	5	65,000	$ 1,042,000	59.6%
2011	2	6,000	$ 92,000	5.3%
2012	2	14,000	$ 242,000	13.8%
2013			$	%
2014			$	%
2015			$	%
2016			$	%

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

Year	Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2003	88.6%	$ 14.43
2004	90.2%	$ 22.68
2005	91.0%	$ 23.74
2006	92.6%	$ 24.10

Kokomo Medical Office Park

On August 30, 2007, we, through our wholly-owned subsidiary, NNN Healthcare/Office REIT Kokomo Medical Office Park, LLC, acquired a fee simple interest in Kokomo Medical Office Park located in Kokomo, Indiana from an unaffiliated third party for a total purchase price of $13,350,000, plus closing costs.

We financed the purchase price of Kokomo Medical Office Park using funds raised through this offering and an unsecured loan of $1,300,000 from NNN Realty Advisors, which has been repaid using funds raised through this offering. An acquisition fee of $401,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. Since NNN Realty Advisors was our sponsor at the time of the loan, this loan was deemed a related party loan. Therefore, the terms of the unsecured loan and the unsecured promissory note were approved by a majority of our directors, including a majority of our independent directors, and deemed fair, competitive and commercially reasonable by our directors.

Kokomo Medical Office Park is comprised of four one-story medical office buildings. All of the buildings are located within two miles of St. Vincent/St. Joseph Hospital as well as Howard County Regional Health Center but are not part of the campuses of the hospital facilities. Two of the buildings were constructed in 1992, with an addition to one being completed in 2003. The third building was completed in 1994, and the fourth was completed in 1995. The buildings consist of approximately 87,000 square feet located on approximately 12.1 acres of land, of which approximately 1.4 acres are undeveloped.

Kokomo Medical Office Park is a multi-tenant medical office property with 10 different medical tenants currently occupying the property. The tenants have a long history with the property with approximately 74,000 square feet, or approximately 81.7% of the total area, having been occupied by the same tenants for a period of at least six years. Further, the three largest tenants, American Health Network of Indiana, LLC (d/b/a Kokomo Family Care, Inc.), Howard Regional Specialty Care, LLC and RCG Indiana, LLC have all been occupants of the property since 1992. Kokomo Medical Office Park is approximately 98.2% leased.

American Health Network of Indiana, LLC, or American Health Network, leases approximately 38,000 square feet pursuant to a lease that expires in August 2017. American Health Network is a comprehensive healthcare provider that has over 60 offices throughout Ohio and Indiana with nearly 200 physicians and 1,300 employees. Services offered by American Health Network include family medicine, podiatry, general surgery, neurology and pediatrics. The rental rate per annum for American Health Network is approximately $600,000, or $15.67 per square foot. Howard Regional Specialty Care, LLC, or Howard Regional, leases approximately 20,000 square feet pursuant to a lease that expires in August 2012. Howard Regional is a certified rehabilitation facility specializing in the treatment of all orthopedic, neurological, and sports related injuries. The rental rate per annum for Howard Regional is approximately $329,000, or $16.48 per square foot. RCG Indiana, LLC, a provider of dialysis services, leases approximately 8,000 square feet pursuant to a lease that expires in December 2010. The rental rate per annum for RCG Indiana, LLC is approximately $127,000, or $15.50 per square foot.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of Kokomo Medical Office Park.

Kokomo Medical Office Park faces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with which Kokomo Medical Office Park competes are located on either the campuses of nearby hospitals or in surrounding suburban areas.

Management currently has no renovation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in Kokomo Medical Office Park is approximately $12.0 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. For 2006, Kokomo Medical Office Park paid real estate taxes of approximately $190,000 at a rate of approximately 2.6%.

The following table sets forth the lease expirations of Kokomo Medical Office Park for the next ten years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	**No. of Leases Expiring**	**Total Square Feet of Expiring Leases**	**Gross Annual Rent of Expiring Leases**	**% of Gross Annual Rent Represented by Expiring Leases**
2007			$	%
2008	2	5,000	$ 76,000	5.5%
2009	1	2,000	$ 35,000	2.6%
2010	3	13,000	$ 261,000	18.2%
2011	1	2,000	$ 37,000	2.7%
2012	2	22,000	$ 365,000	26.8%
2013			$	%
2014			$	%
2015			$	%
2016			$	%

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The following table shows the average occupancy rate and the average effective annual rental rate per square foot for Kokomo Medical Office Park for the last five years.

Year	Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot	
2002	90.5%	$	15.15
2003	97.2%	$	15.48
2004	94.7%	$	15.53
2005	93.9%	$	15.88
2006	94.8%	$	15.64

St. Mary Physicians Center

On September 5, 2007, we, through our wholly-owned subsidiary, NNN Healthcare/Office REIT St. Mary Physician Center, LLC acquired a fee simple interest in St. Mary Physicians Center located in Long Beach, California from St. Mary Physicians Center, LLC, an unaffiliated third party, for a total purchase price of $13,800,000, plus closing costs.

We financed the purchase price of St. Mary Physicians Center through a secured loan of $8,280,000 on the property from the seller, and an unsecured loan of $6,100,000 with NNN Realty Advisors. An acquisition fee of $414,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. Since NNN Realty Advisors was our sponsor at the time of the loan, this loan is deemed a related party loan. Therefore, the terms of the unsecured loan and the unsecured promissory note were approved by a majority of our directors, including a majority of our independent directors, and deemed fair, competitive and commercially reasonable by our directors.

St. Mary Physicians Center consists of a four-story multi-tenant medical office building located on the campus of St. Mary Medical Center, a 539-bed, not-for-profit medical center just north of downtown Long Beach, California. Originally built in 1992, St. Mary Physicians Center is located on approximately 0.7 acres. The property consists of approximately 67,000 square feet and operates two gurney size elevators. The building shares an adjacent parking structure on the St. Mary Medical Center campus with approximately 300 parking spaces allocated to St. Mary Physicians Center for a parking ratio of approximately 4.5 parking spaces per 1,000 rentable square feet. In addition, there are two adjacent surface parking lots available for tenants and visitors to the building. The building s construction is comprised of a stucco finish over a steel frame. St. Mary Physicians Center is approximately 82.4% leased.

Pacific Shores Medical Group leases approximately 9,000 square feet pursuant to a lease that expires in October 2007 and has no renewal option. Pacific Shores Medical Group is an oncology and hematology practice. The rental rate per annum for Pacific Shores Medical Group is approximately $221,000, or $26.07 per square foot. St. Mary Medical Center/Radiology leases approximately 9,000 square feet pursuant to a month-to-month lease. The rental rate per annum for St. Mary Medical Center/Radiology is approximately $229,000, or $25.74 per square foot. St. Mary Medical Center/Surgery Center leases approximately 10,000 square feet pursuant to a lease that expires in September 2010 with two one-year renewal options remaining. The rental rate per annum for St. Mary Medical Center/Surgery Center is $275,000 or $28.84 per square foot. St. Mary Medical Center/C.A.R.E leases approximately 8,000 square feet pursuant to a lease that is on a month-to-moth basis and has no renewal option. The rental rate per annum for St. Mary Medical Center/C.A.R.E is $223,000 or $26.23 per square foot.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of St. Mary Physicians Center.

St. Mary Physicians Center faces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with which St. Mary Physicians Center competes are located on either the campuses of nearby hospitals or in surrounding suburban areas.

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Management does not currently believe that any capital improvements will be required for the property but anticipates spending approximately $50,000 for routine repairs and maintenance. Management believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in St. Mary Physicians Center is approximately $12.5 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. For 2006, St. Mary Physicians Center paid real estate taxes of approximately $51,000 at a rate of approximately 1.3%.

The following table sets forth the lease expirations of St. Mary Physicians Center for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007	5	31,000	$ 797,000	55.3%
2008			$	%
2009	3	7,000	$ 173,000	12.0%
2010	2	10,000	$ 300,000	20.8%
2011	1	3,000	$ 64,000	4.5%
2012			$	%
2013			$	%
2014			$	%
2015			$	%
2016	1	4,000	$ 107,000	7.4%

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

Year	Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2002	78.9%	$ 22.59
2003	78.5%	$ 22.98
2004	81.1%	$ 23.91
2005	81.9%	$ 25.05
2006	83.8%	$ 26.09

2750 Monroe Boulevard

On September 10, 2007, we, through our wholly-owned subsidiary, NNN Healthcare/Office REIT 2750 Monroe, LLC, acquired a fee simple interest in certain real property located at 2750 Monroe Boulevard in Valley Forge, Pennsylvania, from an unaffiliated third party, for a purchase price of $26,700,000, plus closing costs. We have previously referred to this property as the Quest Diagnostics Office Building.

We financed the purchase price of 2750 Monroe Boulevard with $27,870,000 in borrowings under our secured revolving line of credit with LaSalle. We paid an acquisition fee of $801,000, or 3.0% of the purchase price, to our advisor and its affiliate. A real estate sales commission of $339,000, or 1.3% of the sales price, was also paid by the seller to Grubb & Ellis, which is now our sponsor.

2750 Monroe Boulevard is comprised of a two-story office building and an accessory building for storage, located in Valley Forge, Pennsylvania, within the Valley Forge Corporate Center northwest of downtown Philadelphia, Pennsylvania. The building was originally built in 1985 and underwent $2.0 million in renovations in 2001. 2750 Monroe Boulevard consists of approximately 109,000 square feet located on approximately 10.5 acres of land.

2750 Monroe Boulevard is a single-tenant office property. Quest Diagnostics Incorporated, or Quest, has occupied 2750 Monroe Boulevard since January 2001, pursuant to a lease that expires in April 2011 and has one 5-year renewal option. Quest is one of the nation s leading providers of diagnostic testing, with over 2,000 patient service centers where samples are collected, 30 primary laboratories and 150 rapid response laboratories throughout the United States, Mexico and the United Kingdom. Laboratory services provided by Quest include routine tests such as blood tests, cholesterol checks, drugs tests and prenatal tests. The rental rate per annum for Quest is approximately $2,623,000, or $24.00 per square foot.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of 2750 Monroe Boulevard as provided in our advisory agreement.

2750 Monroe Boulevard faces competition from other nearby office buildings that provide comparable services. Most of the office buildings with which 2750 Monroe Boulevard competes are located within five miles.

Management currently has plans to expend approximately $17,000 in repairs and maintenance and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in 2750 Monroe Boulevard is approximately $25.6 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon an estimated useful life of 39 years. For 2006, 2750 Monroe Boulevard paid real estate taxes of approximately $204,000 at a rate of approximately 2.6%.

The following table shows the average occupancy rate and the average effective annual rental rate per square foot for 2750 Monroe Boulevard for the last five years.

Year	Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2002	100%	$ 20.35
2003	100%	$ 21.10
2004	100%	$ 21.85
2005	100%	$ 22.60
2006	100%	$ 23.30

East Florida Senior Care Portfolio

On September 28, 2007, we, through our subsidiary, NNN Healthcare/Office REIT E Florida LTC, LLC, acquired a fee simple interest in certain real property and improvements located in Jacksonville, Winter Park and Sunrise, Florida, which we refer to collectively as the East Florida Senior Care Portfolio, from unaffiliated third parties for a total purchase price of $52,000,000, plus closing costs. We have previously referred to this property as The Institute for Senior Living of Florida Portfolio.

We financed the purchase price of the East Florida Senior Care Portfolio using funds raised through this offering, $11,000,000 in net proceeds from our secured revolving line of credit with LaSalle and $24,918,000 in cash proceeds (net of closing costs, a lender holdback of $4,500,000 and lender required reserves) from a $30,500,000 loan with KeyBank National Association, or KeyBank. An acquisition fee of $1,560,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

The East Florida Senior Care Portfolio is comprised of six facilities located on three campuses in Jacksonville, Winter Park and Sunrise, Florida. Each campus has one skilled nursing facility and one assisted living facility, located adjacent to each other and connected by an enclosed hallway. The Jacksonville, Winter Park and Sunrise campuses were built in 1985, 1988 and 1989, respectively, and are located on approximately 16.5, 23.0, and 9.0 acres, respectively. Combined, the facilities account for 733 licensed beds and 667 operating beds, consisting of approximately 355,000 square feet.

The skilled nursing facilities and assisted living facilities are master leased to the Institute for Senior Living of Florida, a single purpose, not-for-profit entity which holds the license to operate the centers. The facility is leased on a triple-net basis and the term expires in May 2014. In a triple-net lease the tenant is responsible for the rent and any other expenses relating to the property, including real estate taxes, insurance, repairs and maintenance. The Institute for Senior Living of Florida contracts with Senior Health Management, a privately-held healthcare facilities operator based in St. Petersburg, Florida, to manage the centers. The leases are guaranteed by Senior Health Management and its principals to the extent of the management fees received from each tenant.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the management of the East Florida Senior Care Portfolio.

The East Florida Senior Care Portfolio competes with the facilities of other landlords or healthcare operators of skilled nursing and assisted living facilities and the level of competition depends on several factors, including the number of physicians referring patients to the facilities, the demographics and population of the surrounding area and the capital resources of the landlords or operators of the competing facilities. The profitability of our facilities or its tenant could also be impacted by changes to private, federal and state payment programs associated with healthcare.

Management currently has no renovation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in the East Florida Senior Care Portfolio is approximately $43.7 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon an estimated useful life of 39 years. For 2006, real estate taxes for the East Florida Senior Care Portfolio were approximately $501,000 at a rate of approximately 2.1%. Pursuant to triple-net leases, real estate taxes for the East Florida Senior Care Portfolio are paid by the tenant of the property.

Assisted living facilities are licensed to provide housing and personal care to elderly who may need assistance with activities of daily living but require only limited medical care. Services provided by our tenant are primarily paid for by residents directly or though private insurance. Skilled nursing facilities are licensed to provide a higher level of care for those in need of rehabilitative or nursing services. Skilled nursing services provided by our tenants are primarily paid for by private sources or the Medicare or Medicaid programs. For the fiscal year ended May 31, 2007, the average skilled nursing and assisted living facility occupancies for each of the properties were as follows:

Location	**Skilled Nursing**	**Assisted Living**
Jacksonville	92.9%	89.8%
Winter Park	85.3%	71.8%
Sunrise	87.7%	79.4%

Northmeadow Medical Center

On November 15, 2007, we, through our wholly-owned subsidiary, NNN Healthcare/Office REIT Northmeadow, LLC, acquired a fee simple interest in Northmeadow Medical Center located in Roswell, Georgia, or the Northmeadow property, from an unaffiliated third party for a purchase price of $11,850,000, plus closing costs.

We financed the purchase price, closing costs and working capital through $12,400,000 in borrowings under our secured revolving line of credit with LaSalle. An acquisition fee of $356,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

The Northmeadow property consists of a two-story, multi-tenant medical office building located across the street from North Fulton Regional Hospital in Roswell, Georgia. The building was built in 1999 and consists of a total of approximately 51,000 square feet of gross leasable area located on approximately 5.5 acres of land.

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The Northmeadow property is a multi-tenant medical office building with nine different medical tenants currently occupying the property. The four largest tenants, North Fulton Urology, Cardiology of Georgia, North Point Pulmonary and Atlanta Cancer Care, have been occupants of the property since February 2005, June 2004, June 2004 and November 2005, respectively. The Northmeadow property is 100.0 % leased.

North Fulton Urology leases approximately 10,000 square feet pursuant to a lease that expires in June 2012. North Fulton Urology is a urologic care practice. The rental rate per annum for 2007 is approximately $273,000, or $26.85 per square foot.

Cardiology of Georgia leases approximately 10,000 square feet pursuant to a lease that expires in February 2014. Cardiology of Georgia is a cardiac services practice. The rental rate per annum for 2007 is approximately $239,000, or $23.87 per square foot.

North Point Pulmonary leases approximately 9,000 square feet pursuant to a lease that expires in May 2014. North Point Pulmonary is a pulmonary disease practice. The rental rate per annum for 2007 is approximately $226,000, or $24.59 per square foot.

Atlanta Cancer Care leases approximately 7,000 square feet pursuant to a lease that expires in November 2012. Atlanta Cancer Care is a medical oncology practice. The rental rate per annum for 2007 is approximately $160,000, or $21.99 per square foot.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of the Northmeadow property.

The Northmeadow property faces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with which the Northmeadow property competes are located in the area surrounding North Fulton Regional Hospital.

Management currently has no renovation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in the Northmeadow property is approximately $10.9 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. For 2006, the Northmeadow property paid Fulton County real estate taxes of approximately $83,000 at a rate of approximately 3.3%. For 2006, the Northmeadow property paid City of Roswell real estate taxes of approximately $15,000 at a rate of approximately 0.6%.

The following table sets forth the lease expirations of the Northmeadow property for the next ten years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	**No. of Leases Expiring**	**Total Square Feet of Expiring Leases**	**Gross Annual Rent of Expiring Leases**	**% of Gross Annual Rent Represented by Expiring Leases**

2007			$		%
2008			$		%
2009			$		%
2010			$		%
2011			$		%
2012	4	21,000	$	496,000	41.9%
2013	1	3,000	$	72,000	6.1%
2014	2	12,000	$	296,000	24.9%
2015	1	10,000	$	239,000	20.1%
2016	0		$		%
2017	1	4,000	$	82,000	6.9%

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The following table shows the average occupancy rate and the average effective annual rental rate per square foot for the Northmeadow property for the last five years.

Year	Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2002	100%	$ 19.00
2003	47.4%	$ 18.58
2004	49.8%	$ 11.62
2005	50.1%	$ 12.41
2006	68.7%	$ 18.45

Tucson Medical Office Portfolio

On November 20, 2007, we, through our wholly-owned subsidiary, NNN Healthcare/Office REIT Tucson Medical Office, LLC, acquired a fee simple interest in certain real property located at 2001 W. Orange Grove Road, Tucson, Arizona, or the Desert Life property, and a long-term leasehold interest in certain real property located at 6261 North La Cholla Boulevard, Tucson, Arizona, or the La Cholla property, located in Tucson, Arizona, which we collectively refer to as the Tucson Medical Office Portfolio, from unaffiliated third parties for a total purchase price of $21,050,000, plus closing costs.

We used $22,000,000 in borrowings under our secured revolving line of credit with LaSalle to finance the purchase price of the Tucson Medical Office Portfolio as well as to pay closing costs and for working capital. An acquisition fee of $632,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

The Tucson Medical Office Portfolio is a two project portfolio comprised of seven multi-tenant medical office buildings located on 10.2 acres of land on the Northwest Medical Center campus in Tucson, Arizona. The Desert Life property consists of six multi-tenant contiguous buildings built between 1979 and 1980, that consists of approximately 56,000 square feet of gross leasable area that is approximately 59.6% leased. The La Cholla Medical Building, built in 1994, consists of approximately 55,000 square feet of gross leasable area that is approximately 68.9% leased.

The principal businesses occupying the buildings are healthcare providers and researchers. Tenants typically require proximity to the Northwest Medical Center, a 300-bed full-service hospital, which is located within walking distance to the Tucson Medical Office Portfolio. The three largest tenants, Fresenius Medical Care North America, Genova Clinical Research and Laboratory Corporation of America, have been occupants of the property since 2007, 2005, and 1993, respectively.

Fresenius leases approximately 10,000 square feet pursuant to a lease that expires in April 2017. Fresenius provides dialysis care, products and services. The rental rate per annum for Fresenius is approximately $227,000, or $23.00 per square foot.

Genova leases approximately 8,000 square feet pursuant to a lease that expires in October 2009. Genova provides research services for the pharmaceutical industry. The rental rate per annum for Genova is approximately $62,000, or $20.80 per square foot.

Laboratory Corporation of America leases approximately 7,000 square feet pursuant to a lease that expires in May 2008. Laboratory Corporation operates a nationwide network of medical testing locations and patient service centers.

The rental rate per annum for Laboratory Corporation of America is approximately $137,000, or $20.47 per square foot.

Realty serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of the Tucson Medical Office Portfolio as provided in our advisory agreement.

The Tucson Medical Office Portfolio faces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with which the Tucson Medical Office Portfolio competes are located on or near the Northwest Medical Center campus.

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Management currently has minimal renovation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in the Tucson Medical Office Portfolio is approximately $19.6 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon an estimated useful life of 39 years. For 2006, the Tucson Medical Office Portfolio paid real estate taxes of approximately $154,000 at a primary rate of approximately 8.42% and a secondary rate of approximately 6.1%.

The following table sets forth the lease expirations of the Tucson Medical Office Portfolio for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007	5	14,000	$ 292,000	18.6%
2008	3	5,000	$ 89,000	5.7%
2009	9	21,000	$ 444,000	28.3%
2010	5	13,000	$ 272,000	17.3%
2011	4	9,000	$ 205,000	13.1%
2012	2	2,000	$ 42,000	2.7%
2013			$	%
2014			$	%
2015			$	%
2016	2	10,000	$ 227,000	14.4%

Lima Medical Office Portfolio

On December 7, 2007, we acquired Lima Medical Office Portfolio, located in Lima, Ohio, or the Lima Medical property, for a total purchase price of $25,250,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of $26,000,000 in borrowings under a secured revolving line of credit with LaSalle. An acquisition fee of $758,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

The Lima Medical property consists of six multi-tenant medical office buildings, five of which are located on the campus of St. Rita s Medical Center in Lima, Ohio. The sixth medical office building is located in the downtown square of Lima, approximately one mile away from the hospital campus. The on-campus buildings were built in 1970, 1985, 1990, 1996, and 2004. The off-campus building is located in a renovated historic theater and was built in the 1920 s. The property is comprised of approximately 193,000 square feet with St. Rita s Medical Center occupying approximately 55.3% of the property. The six buildings are currently 80.5% leased.

St. Rita s Medical Center, based in Lima, Ohio, is a non-profit healthcare provider serving a 10-county area of northwest and west-central Ohio. St. Rita s Medical Center is part of the obligated group of Catholic Healthcare Partners (CHP), one of the largest not-for-profit health systems in the country and the largest in Ohio. This organization structure makes St. Rita s Medical Center main hospital the largest medical facility within a 70-mile radius of Lima, Ohio. St. Rita s Medical Center is a member of West Central Ohio Health Partner s, one of CHP s nine regional consortiums. CHP has a Moody s credit rating of Aa3 and a Standard & Poor s rating of AA- and its operating revenue was $3.36 billion in its fiscal year ended December 31, 2005.

As of November 2006, St. Rita s Medical Center operated 330 of 425 licensed beds. The construction of a new tower connected to the main hospital will add an additional 36 operational beds by the end of 2007. The St. Rita s Medical Center Emergency Department treats approximately 58,000 cases annually and has approximately 4,000 employees. As of June 2006, it is Allen County s largest employer. In 2005, St. Rita s Medical Center began a $130 million expansion project that will add six new inpatient and outpatient service floors and encompass 350,000 square feet in new and renovated space. St. Rita s Medical Center began utilizing the new space in May 2007, with full utilization expected by the end of the year. After completion, two of the medical office buildings in the Lima Medical property will enjoy significantly closer physical integration with the hospital.

Realty serves as the property manager and provide services and receives certain fees and expense reimbursements in connection with the operation and management of the Lima Medical property.

The Lima Medical property faces competition from other nearby medical office buildings that provide comparable services. Most medical office buildings with which the Lima Medical property competes are located on either the campuses of nearby hospitals or in surrounding suburban areas.

Other than the construction described above, management currently has minimal renovation plans for the property and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in the Lima Medical property is approximately $25.6 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon an estimated useful life of 39 years. For 2006, the Lima Medical property paid real estate taxes of approximately $385,000 at a primary rate of approximately 1.3%.

The following table sets forth the lease expirations of the Lima Medical property for the next 10 years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007			$	%
2008	6	17,000	$ 178,000	9.0%
2009	3	4,000	$ 33,000	1.7%
2010	4	5,000	$ 61,000	3.1%
2011	5	17,000	$ 237,000	12.0%
2012	14	98,000	$ 1,295,000	65.6%
2013	1	6,000	$ 68,000	3.4%
2014			$	%
2015	2	4,000	$ 58,000	2.9%
2016	1	3,000	$ 45,000	2.3%

The following table shows the average occupancy rate and the average effective annual rental rate per square foot for the Lima Medical property for the last three years:

Years	% of Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot

2004	58.0%	$	5.82
2005	69.8%	$	7.42
2006	71.4%	$	7.97

Proposed Acquisitions

Park Place Office Park

On November 19, 2007, our board of directors approved the acquisition of Park Place Office Park located in Dayton, Ohio, or the Park Place property. We anticipate purchasing the Park Place property for a total purchase price of $16,200,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of $486,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in

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the fourth quarter of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the Park Place property.

Highlands Ranch Healthcare Plaza

On November 19, 2007, our board of directors approved the acquisition of Highlands Ranch Healthcare Plaza, or the Highlands Ranch property. We anticipate purchasing the Highlands Ranch property for a total purchase price of $14,500,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of $435,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the Highlands Ranch property.

Chesterfield Rehabilitation

On December 13, 2007, our board of directors approved the acquisition of an 80.0% interest in certain real property and improvements located in Chesterfield, Missouri, or the Chesterfield property, pursuant to a joint venture with a subsidiary of Duke Realty Corporation, or Duke, the current owner of the Chesterfield property. The Chesterfield property is 100.0% leased to St. John s Mercy Rehabilitation, LLC and operates as St. John s Mercy Rehabilitation Hospital. In the proposed transaction, Duke will contribute the Chesterfield property, valued at approximately $36,500,000, to the joint venture, and we will contribute approximately $11,700,000, which we expect to fund through a combination of debt and equity financing. In addition, the joint venture is expected to obtain debt financing of approximately $22,000,000. As a result of these contributions, we will receive an 80.0% interest in the joint venture, and Duke will receive a 20.0% interest in the joint venture as well as a distribution of approximately $33,500,000 in cash. We anticipate that the closing will occur in December of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the Chesterfield property.

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MANAGEMENT

Board of Directors

We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. The board of directors is responsible for the management and control of our affairs. We have no employees, and the board of directors has retained our advisor to manage our day-to-day operations and to implement our investment strategy, subject to the board s direction, oversight and approval.

We currently have six members on our board of directors, five of whom are independent of us, our advisor and our advisor s affiliates. Our charter and bylaws provide that the number of our directors may be established by a majority of the entire board of directors, but that number may not be fewer than three nor more than 15. The charter also provides that a majority of the directors must be independent directors and that at least one of the independent directors must have at least three years of relevant real estate experience. An independent director is a person who is not an officer or employee of our advisor or its affiliates and has not otherwise been affiliated with such entities for the previous two years.

Directors are elected annually and serve until the next annual meeting of stockholders or until their successor has been duly elected and qualified. There is no limit on the number of times a director may be elected to office. Although the number of directors may be increased or decreased, a decrease will not have the effect of shortening the term of any incumbent director.

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

Any vacancy created by an increase in the number of directors or the death, resignation, removal, adjudicated incompetence or other incapacity of a director shall be filled by a vote of a majority of the remaining directors. The independent directors will nominate replacements for vacancies in the independent director positions.

Duties of Directors

Our charter was reviewed and ratified by a unanimous vote of our directors, including our independent directors. The responsibilities of our board of directors include:

- approving and overseeing our overall investment strategy, which will consist of elements such as (1) allocation of percentages of capital to be invested in real estate properties and real estate related securities, (2) allocation of percentages of capital to be invested in medical office properties, healthcare-related facilities and quality commercial office properties, (3) diversification strategies, (4) investment selection criteria and (5) investment disposition strategies;

- approving all real property acquisitions, developments and dispositions, including the financing of such acquisitions and developments;

- approving specific discretionary limits and authority to be granted to our advisor in connection with the purchase and disposition of real estate related securities that fit within the asset allocation framework;

approving and overseeing our debt financing strategy;

approving and monitoring the performance of our advisor;

approving joint ventures, limited partnerships and other such relationships with third parties;

determining our distribution policy and declaring distributions from time to time;

approving amounts available for repurchases of shares of our common stock; and

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

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

The directors have established and periodically review written policies on investments and borrowings consistent with our investment objectives and monitor our administrative procedures, investment operations and performance and those of our advisor to assure that such policies are carried out.

The independent directors are also responsible for reviewing our fees and expenses on at least an annual basis and with sufficient frequency to determine that the expenses incurred are in the best interest of the stockholders.

In order to reduce or eliminate certain potential conflicts of interest, our charter requires that a majority of the independent directors, and a majority of directors not otherwise interested in the transaction, must approve all transactions with any of our directors, our advisor, or any of their affiliates. The independent directors are also responsible for reviewing the performance of our advisor and determining that the compensation paid to our advisor and the distributions that may be payable to our advisor pursuant to its subordinated participation interest in our operating partnership are reasonable in relation to the nature and quality of services to be performed and that the provisions of the advisory agreement are being carried out. As a part of their review of our advisor s compensation, the independent directors will consider factors such as:

the quality and extent of service and advice furnished by our advisor;

the amount of the fees and other compensation paid to our advisor in relation to the size, composition and performance of our investments;

the success of our advisor in generating appropriate investment opportunities;

rates charged to comparable externally advised REITs and other investors by advisors performing similar services;

additional revenues realized by our advisor and its affiliates through their relationship with us, whether paid by us or by others with whom we do business; and

the performance of our investment portfolio.

Committees of the Board of Directors

Our board of directors may establish committees it deems appropriate to address specific areas in more depth than may be possible at a full board meeting, provided that the majority of the members of each committee are independent directors. Our board of directors has established an audit committee. We do not have a compensation committee because we do not plan to pay any compensation to our officers. However, if in the future we provide any compensation to our officers, we will establish a compensation committee comprised entirely of independent directors to determine the nature and amount of such compensation.

Our audit committee s primary function is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls which management has established, and the audit and financial reporting process. The audit committee is responsible for the selection, evaluation and, when necessary, replacement of our independent registered public accounting firm. Under our audit committee charter, the audit committee will always be comprised solely of independent directors. The audit committee is currently comprised of W. Bradley Blair, II, Maurice J. DeWald, Warren D. Fix and Gary T. Wescombe, all of whom are independent directors. Mr. DeWald currently serves as the chairman and has been designated as the audit committee financial expert.

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Directors and Executive Officers

As of the date of this prospectus, our directors and our executive officers, their ages and their positions and offices are as follows:

Name	Age	Position
Scott D. Peters	49	Chief Executive Officer, President and Chairman of the Board
Shannon K S Johnson	30	Chief Financial Officer
Andrea R. Biller	58	Executive Vice President and Secretary
Danny Prosky	42	Vice President Acquisitions
W. Bradley Blair, II	62	Independent Director
Maurice J. DeWald	66	Independent Director
Warren D. Fix	68	Independent Director
Larry L. Mathis	63	Independent Director
Gary T. Wescombe	63	Independent Director

Scott D. Peters has served as our Chief Executive Officer since April 2006, President since June 2007, and Chairman of the Board since July 2006 and as the Chief Executive Officer of Grubb & Ellis Healthcare REIT Advisor, LLC, our advisor, since July 2006. He has also served as the Chief Executive Officer, President and a director of Grubb & Ellis, our sponsor, since December 2007, and as the Chief Executive Officer, President and director of NNN Realty Advisors, a wholly owned subsidiary of Grubb & Ellis and our former sponsor, since its formation in September 2006 and as its Chairman of the Board since December 2007. Mr. Peters also has served as the Chief Executive Officer of Triple Net Properties since November 2006. From September 2004 to October 2006, Mr. Peters served as the Executive Vice President and Chief Financial Officer of Triple Net Properties. Since December 2005, Mr. Peters has also served as the Chief Executive Officer and President of G REIT, Inc., having previously served as its Executive Vice President and Chief Financial Officer since September 2004. Mr. Peters also served as the Executive Vice President and Chief Financial Officer of T REIT, Inc. from September 2004 to December 2006 and as a director and Executive Vice President of Grubb & Ellis Apartment REIT, Inc. since April 2007 and January 2006, respectively. From February 1997 to February 2007, Mr. Peters served as Senior Vice President, Chief Financial Officer and a director of Golf Trust of America, Inc., a publicly traded real estate investment trust. Mr. Peters received his B.B.A. degree in accounting and finance from Kent State University in Ohio.

Shannon K S Johnson has served as our Chief Financial Officer since August 2006. Ms. Johnson has also served as a Financial Reporting Manager for Triple Net Properties since January 2006 and has served as the Chief Financial Officer of Grubb & Ellis Apartment REIT, Inc. since April 2006. From June 2002 to January 2006, Ms. Johnson gained public accounting and auditing experience while employed as an auditor with PricewaterhouseCoopers LLP. Prior to joining PricewaterhouseCoopers LLP, from September 1999 to June 2002, Ms. Johnson worked as an auditor with Arthur Andersen LLP, where she worked on the audits of a variety of public and private entities. Ms. Johnson is a Certified Public Accountant and graduated summa cum laude with her B.A. degree in Business-Economics and a minor in Accounting from the University of California, Los Angeles.

Andrea R. Biller has served as our Executive Vice President and Secretary since April 2006 and as the Executive Vice President of our advisor since July 2006. She has also served as the General Counsel, Executive Vice President and Secretary of Grubb & Ellis, our sponsor, since December 2007, and NNN Realty Advisors, a wholly owned subsidiary of Grubb & Ellis and our former sponsor, since its formation in September 2006 and as a director of NNN Realty

Advisors since December 2007. She has served as General Counsel for Triple Net Properties since March 2003 and as Executive Vice President since January 2007. Ms. Biller has also served as the Secretary and Executive Vice President of G REIT, Inc. since June 2004 and December 2005, respectively, the Secretary of T REIT, Inc. from May 2004 to July 2007 and the Secretary of Grubb & Ellis Apartment REIT, Inc. since January 2006. Ms. Biller practiced as a private attorney specializing in securities and corporate law from 1990 to 1995 and 2000 to 2002. She practiced at the SEC from 1995 to 2000, including two years as special counsel for the Division of Corporation Finance. Ms. Biller earned a B.A.

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degree in Psychology from Washington University, an M.A. degree in Psychology from Glassboro State University in New Jersey and a J.D. degree from George Mason University School of Law in Virginia in 1990, where she graduated first with distinction. Ms. Biller is a member of the California, Virginia and the District of Columbia State Bar Associations.

Danny Prosky serves as our Vice President Acquisitions. He has served as Triple Net Properties Managing Director Health Care Properties since March 2006 and is responsible for all medical property acquisitions, management and dispositions. Mr. Prosky previously worked with Health Care Property Investors, Inc., a healthcare-focused real estate investment trust, or REIT, where he served as the Assistant Vice President Acquisitions & Dispositions from 2005 to March 2006, and as Assistant Vice President Asset Management from 1999 to 2005. From 1992 to 1999, he served as the Manager, Financial Operations, Multi-Tenant Facilities for American Health Properties, Inc. Mr. Prosky received a B.S. degree in Finance from the University of Colorado and an M.S. degree in Management from Boston University.

W. Bradley Blair, II has served as an independent director of our company since September 2006. Mr. Blair served as the Chief Executive Officer, President and Chairman of the board of directors of Golf Trust of America, Inc. from the time of its initial public offering in 1997 until his resignation and retirement in November 2007. From 1993 until February 1997, Mr. Blair served as Executive Vice President, Chief Operating Officer and General Counsel for The Legends Group. As an officer of The Legends Group, Mr. Blair was responsible for all aspects of operations, including acquisitions, development and marketing. From 1978 to 1993, Mr. Blair was the managing partner at Blair Conaway Bograd & Martin, P.A., a law firm specializing in real estate, finance, taxation and acquisitions. Mr. Blair earned a B.S. degree in Business from Indiana University and his J.D. degree from the University of North Carolina at Chapel Hill Law School.

Maurice J. DeWald has served as an independent director of our company since September 2006. He has served as the Chairman and Chief Executive Officer of Verity Financial Group, Inc., a financial advisory firm, since 1992. Mr. DeWald also serves as a director of Advanced Materials Group, Inc., Integrated Healthcare Holdings, Inc. and Mizuho Corporate Bank of California. Mr. DeWald was an audit partner and managing partner with the international accounting firm KPMG, LLP from 1962 to 1991. Mr. DeWald holds a B.B.A. degree from the University of Notre Dame in Indiana and is a member of its Mendoza School of Business Advisory Council. Mr. DeWald is a certified public accountant in California.

Warren D. Fix has served as an independent director of our company since September 2006. He serves as the Chief Executive Officer and a director of WCH, Inc., formerly Candlewood Hotel Company, Inc., having served as its Executive Vice-President, Chief Financial Officer and Secretary since 1995. From July 1994 to October 1995, Mr. Fix was a consultant to Doubletree Hotels, primarily developing debt and equity sources of capital for hotel acquisitions and refinancings. Mr. Fix has been a partner in The Contrarian Group, a business management company, from December 1992 to the present. From 1989 to December 1992, Mr. Fix served as President of the Pacific Company, a real estate investment and development company. From 1964 to 1989, Mr. Fix held numerous positions within The Irvine Company, a California-based real estate and development company, including, Chief Financial Officer. Mr. Fix also serves as a director of Clark Investment Group, Clark Equity Capital, The Keller Financial Group, First Foundation Bank and Accel Networks. Mr. Fix is a Certified Public Accountant. Mr. Fix received his B.A. degree from Claremont McKenna College in California and is a graduate of the UCLA Executive Management Program, the Stanford Financial Management Program and the UCLA Anderson Corporate Director Program.

Larry L. Mathis has served as an independent director of our company since April 2007. Mr. Mathis, has served as an executive consultant since 1998 with D. Petersen & Associates, providing counsel to select clients on leadership, management, governance, and strategy. He served in various capacities within The Methodist Hospital System, located in Houston, Texas, for the 27 years prior to joining D. Petersen & Associates, including consultant to the chairman of the board from 1997 to 1998, and President and Chief Executive Officer, as well as a member of the board of directors, from 1983 to 1997. Mr. Mathis has also served as a member of the board of directors, chairman of the governance and nominating committee, and a member of the audit committee of Alexion Pharmaceuticals, Inc., a NASDAQ-listed company, since 2004. Mr. Mathis received a B.A. degree in Social Sciences from Pittsburg State University in Kansas and a M.A. degree in Health Administration from Washington University in St. Louis.

Gary T. Wescombe has served as an independent director of our company since October 2006. He provides consulting services to various entities in the real estate sector and is a principal of American Oak Properties, LLC. He is also director, chief financial officer and treasurer of the Arnold and Mabel Beckman Foundation, a nonprofit foundation established for the purpose of supporting scientific research. From October 1999 to December 2001, he was a partner in Warmington Wescombe Realty Partners in Costa Mesa, California, where he focused on real estate investments and financing strategies. Prior to retiring in 1999, Mr. Wescombe was a Partner with Ernst & Young, LLP (previously Kenneth Leventhal & Company) from 1970 to 1999. In addition, Mr. Wescombe has also served as a director of G REIT, Inc. since December 2001. Mr. Wescombe received a B.S. degree in Accounting and Finance from California State University, San Jose in 1965 and is a member of the American Institute of Certified Public Accountants and California Society of Certified Public Accountants.

Compensation of Directors and Officers

Executive Compensation

We have no employees. Our day-to-day management functions are performed by employees of our advisor and its affiliates. The individuals who serve as our executive officers do not receive compensation directly from us for services rendered to us, and we do not currently intend to pay any compensation directly to our executive officers. As a result, we do not have, and our board of directors has not considered, a compensation policy or program for our executive officers.

Each of our executive officers, including those officers who serve as directors, is employed by our advisor or its affiliates, and is compensated by these entities for their services to us. We pay these entities fees and reimburse expenses pursuant to our advisory agreement between us, our advisor and Triple Net Properties.

Director Compensation

Pursuant to the terms of our director compensation program, which are contained in our 2006 Independent Directors Compensation Plan, a sub-plan of our 2006 Incentive Plan, our independent directors receive the following forms of compensation:

Annual Retainer. Our independent directors receive an annual retainer of $36,000.

Meeting Fees. Our independent directors receive $1,000 for each board meeting attended in person or by telephone, $500 for each committee meeting attended in person or by telephone, and an additional $500 to the Audit Committee chair for each audit committee meeting attended in person or by telephone. If a board meeting is held on the same day as a committee meeting, an additional fee will not be paid for attending the committee meeting.

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

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

Our non-independent director does not receive any compensation from us.

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The following table sets forth the compensation earned by our directors from us in 2006:

Name (a)	Fees Earned or Paid in Cash ($) (b)(1)	Stock Awards ($) (c)(2)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($) (h)
Scott D. Peters(3)	$	$	$	$	$	$	$
W. Bradley Blair, II	$ 14,500	$ 12,778	$	$	$	$	$ 27,278
Maurice J. DeWald	$ 15,000	$ 12,778	$	$	$	$	$ 27,778
Warren D. Fix	$ 14,500	$ 12,778	$	$	$	$	$ 27,278
Gary T. Wescombe	$ 10,500	$ 12,391	$	$	$	$	$ 22,891
Larry L. Mathis(4)	$	$	$	$	$	$	$

(1) Consists of the amounts described below.

Director	Role	Basic Annual Retainer ($)	Meeting Fees ($)
Peters(3)	Chairman of the Board	$	$
Blair	Member, Audit Committee	$ 12,000	$ 2,500
DeWald	Chairman, Audit Committee	$ 12,000	$ 3,000
Fix	Member, Audit Committee	$ 12,000	$ 2,500
Wescombe	Member, Audit Committee	$ 9,000	$ 1,500
Mathis(4)	Member	$	$

(2) The amounts in this column represent the proportionate amount of the total fair value of stock awards recognized by the Company in 2006 for financial accounting purposes, disregarding for this purpose the estimate of forfeitures related to service-based vesting conditions. The amounts included in the table for each award include the amount recorded as expense in our statement of operations for the period from April 28, 2006 (Date of Inception) through December 31, 2006. The fair values of these awards and the amounts expensed in 2006 were determined in accordance with Statement of Financial Accounting Standards, or SFAS, No. 123(R), *Share-Based Payment.*

The following table shows the shares of restricted common stock awarded to each independent director during 2006, and the aggregate grant date fair value for each award (computed in accordance with SFAS No. 123(R)).

Director	Grant Date	Number of Restricted Shares (#)	Full Grant Date Fair Value of Award ($)
Peters(3)			
Blair	9/20/06	5,000	$ 50,000
DeWald	9/20/06	5,000	$ 50,000
Fix	9/20/06	5,000	$ 50,000
Wescombe	10/4/06	5,000	$ 50,000
Mathis(4)			

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The following table shows the aggregate numbers of nonvested restricted shares of common stock held by each director as of December 31, 2006:

Director	**Nonvested Restricted Stock**
Peters(3)	
Blair	4,000
DeWald	4,000
Fix	4,000
Wescombe	4,000
Mathis(4)	

(3) Mr. Peters is not an independent director and did not receive any compensation from us as a director.

(4) Mr. Mathis was appointed to serve as a member of the Board of Directors on April 12, 2007 and did not receive any compensation from us in 2006.

Incentive Stock Plan

We have adopted an incentive stock plan, which we will use to attract and retain qualified independent directors, employees and consultants providing services to us who are considered essential to our long-term success by offering these individuals an opportunity to participate in our growth through awards in the form of, or based on, our common stock. Although we do not currently intend to hire any employees, any employees we may hire in the future would also be eligible to participate in our incentive stock plan.

The incentive stock plan provides for the granting of awards to participants in the following forms to those independent directors, employees, and consultants selected by the plan administrator for participation in the incentive stock plan:

- options to purchase shares of our common stock, which may be nonstatutory stock options or incentive stock options under the U.S. tax code,
- stock appreciation rights, which give the holder the right to receive the difference between the fair market value per share on the date of exercise over the grant price;
- performance awards, which are payable in cash or stock upon the attainment of specified performance goals;
- restricted stock, which is subject to restrictions on transferability and other restrictions set by the committee;
- restricted stock units, which give the holder the right to receive shares of stock, or the equivalent value in cash or other property, in the future;
- deferred stock units, which give the holder the right to receive shares of stock, or the equivalent value in cash or other property, at a future time;

dividend equivalents, which entitle the participant to payments equal to any dividends paid on the shares of stock underlying an award; and/or

other stock based awards in the discretion of the plan administrator, including unrestricted stock grants.

Any such awards will provide for exercise prices, where applicable, that are not less than the fair market value of our common stock on the date of the grant. Any shares issued under the incentive stock plan will be subject to the ownership limits contained in our charter.

Our board of directors or a committee of its independent directors will administer the incentive stock plan, with sole authority to select participants, determine the types of awards to be granted and all of the terms and conditions of the awards, including whether the grant, vesting or settlement of awards may be subject to the attainment of one or more performance goals. No awards will be granted under the plan if the grant, vesting and/or exercise of the awards would jeopardize our status as a REIT under the Internal Revenue Code or otherwise violate the ownership and transfer restrictions imposed under our charter.

The maximum number of shares of common stock that may be issued upon the exercise or grant of an award under the incentive stock plan is 2,000,000. In the event of a nonreciprocal corporate transaction that causes the per-share value of our common stock to change, such as a stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend, the share authorization limits of the incentive stock plan will be adjusted proportionately.

Unless otherwise provided in an award certificate, upon the death or disability of a participant, or upon a change in control, all of such participant s outstanding awards under the incentive stock plan will become fully vested. The plan will automatically expire on the tenth anniversary of the date on which it is adopted, unless extended or earlier terminated by the board of directors. The board of directors may terminate the plan at any time, but such termination will have no adverse impact on any award that is outstanding at the time of such termination. The board of directors may amend the plan at any time, but any amendment would be subject to stockholder approval if, in the reasonable judgment of the board, stockholder approval would be required by any law, regulation or rule applicable to the plan. No termination or amendment of the plan may, without the written consent of the participant, reduce or diminish the value of an outstanding award determined as if the award had been exercised, vested, cashed in or otherwise settled on the date of such amendment or termination. The board may amend or terminate outstanding awards, but those amendments may require consent of the participant and, unless approved by the stockholders or otherwise permitted by the antidilution provisions of the plan, the exercise price of an outstanding option may not be reduced, directly or indirectly, and the original term of an option may not be extended.

Under Section 162(m) of the Internal Revenue Code, a public company generally may not deduct compensation in excess of $1 million paid to its chief executive officer and the four next most highly compensated executive officers. In order for awards granted after the expiration of such grace period to be exempt, the incentive stock plan must be amended to comply with the exemption conditions and be resubmitted for approval by our stockholders.

Limited Liability and Indemnification of Directors, Officers and Others

Our organizational documents limit the personal liability of our stockholders, directors and officers for monetary damages subject to the limitations of the Statement of Policy Regarding Real Estate Investment Trusts adopted by the North American Securities Administrators Association, or the NASAA Guidelines. We also maintain a directors and officers liability insurance policy. The Maryland General Corporation Law allows directors and officers to be indemnified against judgments, penalties, fines, settlements and reasonable expenses actually incurred in connection with a proceeding unless the following can be established:

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

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

- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

In spite of the above provisions of the Maryland General Corporation Law, our charter provides that our directors, our advisor and its affiliates will be held harmless and indemnified by us for losses only if all of the following conditions are met:

the indemnitee determined, in good faith, that the course of conduct which caused the loss, liability or expense was in our best interests;

the indemnitee was acting on our behalf or performing services for us;

in the case of affiliated directors, our advisor or its affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking indemnification; and in the case of independent directors, the liability or loss was not the result of gross negligence or willful misconduct by the party seeking indemnification.

In addition, any indemnification or any agreement to hold harmless is recoverable only out of our assets and not from our stockholders.

On January 17, 2007, we entered into indemnification agreements with four of our independent directors, W. Bradley Blair, II, Maurice J. DeWald, Warren D. Fix, Gary T. Wescombe, and each of our officers and non-independent director, Scott D. Peters, Danny Prosky and Andrea R. Biller. On March 1, 2007, we entered into an indemnification agreement with our officer, Shannon K S Johnson. On April 18, 2007, we entered into an indemnification agreement with our independent director, Larry L. Mathis. Pursuant to the terms of these indemnification agreements, we will indemnify and advance expenses and costs incurred by our directors and officers in connection with any claims, suits or proceedings brought against such directors and officers as a result of his or her service. However, our indemnification obligation is subject to the limitations set forth in the indemnification agreements and in our charter.

The general effect to investors of any arrangement under which any of our controlling persons, directors or officers are insured or indemnified against liability is a potential reduction in distributions resulting from our payment of premiums, deductibles and other costs associated with such insurance or, to the extent any such loss is not covered by insurance, our payment of indemnified losses. In addition, indemnification could reduce the legal remedies available to us and our stockholders against the indemnified individuals, however this provision does not reduce the exposure of our directors and officers to liability under federal or state securities laws, nor does it limit our stockholder s ability to obtain injunctive relief or other equitable remedies for a violation of a director s or an officer s duties to us or our stockholders, although the equitable remedies may not be an effective remedy in some circumstances.

The SEC takes the position that indemnification against liabilities arising under the Securities Act of 1933 is against public policy and unenforceable. Indemnification of our directors, officers, our advisor or its affiliates or any person acting as a broker-dealer on our behalf, including our dealer manager, will not be allowed for liabilities arising from or out of a violation of state or federal securities laws, unless one or more of the following conditions are met:

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

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

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

Our operating partnership must also indemnify us and our directors, officers and other persons we may designate against damages and other liabilities in our capacity as general partner. See The Operating Partnership Agreement Indemnification.

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Our Advisor

Triple Net Properties, which is an indirect wholly owned subsidiary of our sponsor Grubb & Ellis, owns a 75.0% managing member interest in our advisor. Grubb & Ellis Healthcare Management, LLC owns a 25.0% non-managing member interest in our advisor. The members of Grubb & Ellis Healthcare Management, LLC include Scott D. Peters, our Chief Executive Officer, President and Chairman of the Board, our advisor s Chief Executive Officer, Grubb & Ellis Chief Executive Officer, President and director, NNN Realty Advisors Chief Executive Officer, President and Chairman of the Board, and Triple Net Properties Chief Executive Officer; Andrea R. Biller, our Executive Vice President and Secretary, our advisor s Executive Vice President, Grubb & Ellis Executive Vice President, Secretary and General Counsel, NNN Realty Advisors Executive Vice President, Secretary, General Counsel and director and Triple Net Properties Executive Vice President and General Counsel; and Triple Net Properties for the benefit of other employees who perform services for us. Each of Mr. Peters and Ms. Biller own 18.0% membership interests in Grubb & Ellis Healthcare Management, LLC. Triple Net Properties owns a 46.0% membership interest in Grubb & Ellis Healthcare Management, LLC. Anthony W. Thompson, the Chairman of the Board of Grubb & Ellis, is a special member of Grubb & Ellis Healthcare Management, LLC and may receive compensation of up to $175,000 annually.

We will rely on our advisor to manage our day-to-day activities and to implement our investment strategy. We, our operating partnership and our advisor are parties to an advisory agreement, pursuant to which our advisor performs its duties and responsibilities as our fiduciary.

Our advisor will use its best efforts, subject to the oversight, review and approval of the board of directors, to perform the following duties pursuant to the terms of the advisory agreement:

- participate in formulating an investment strategy and asset allocation framework consistent with achieving our investment objectives;
- research, identify, review and recommend to our board of directors for approval of real property and real estate related securities acquisitions and dispositions consistent with our investment policies and objectives;
- structure and negotiate the terms and conditions of transactions pursuant to which acquisitions and dispositions of real properties will be made;
- actively oversee and manage our real property and real estate related securities investment portfolio for purposes of meeting our investment objectives;
- manage our day-to-day affairs, including financial accounting and reporting, investor relations, marketing, informational systems and other administrative services on our behalf;
- select joint venture partners, structure corresponding agreements and oversee and monitor these relationships;
- arrange for financing and refinancing of our assets; and
- recommend to our board of directors when appropriate various transactions which would provide liquidity to our stockholders (such as listing our shares of common stock on a national securities exchange, liquidating our portfolio, or the sale or merger of our company).

The above summary is provided to illustrate the material functions which our advisor will perform for us as our advisor and it is not intended to include all of the services which may be provided to us by our advisor or third parties.

Grubb & Ellis, NNN Realty Advisors and Triple Net Properties

Grubb & Ellis, headquartered in Santa Ana, California, is one of the most recognized full-service commercial real estate services firms in the United States. Drawing on the resources of nearly 5,500 real estate professionals, including a brokerage sales force of approximately 1,800 brokers nationwide, Grubb & Ellis and

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its affiliates combine local market knowledge with a national service network to provide innovative, customized solutions for real estate owners, corporate occupants and investors.

On December 7, 2007, NNN Realty Advisors, which previously served as our sponsor, merged with and into a wholly owned subsidiary of our current sponsor, Grubb & Ellis. The transaction was structured as a reverse merger whereby stockholders of NNN Realty Advisors received shares of Grubb & Ellis in exchange for their NNN Realty Advisors shares and, immediately following the merger, former NNN Realty Advisor stockholders owned approximately 60.1% of Grubb & Ellis. Additionally, six of the nine post-merger directors of Grubb & Ellis were directors of NNN Realty Advisors prior to the merger, including the current Grubb & Ellis Chairman of the Board, Anthony W. Thompson. Scott D. Peters, the Chief Executive Officer, President and current Chairman of the Board of NNN Realty Advisors, also now serves as Chief Executive Officer, President and a director of Grubb & Ellis.

The merger combines one of the world s leading full-service commercial real estate organizations with a leading sponsor of commercial real estate programs to create a diversified real estate services business providing a complete range of transaction, management and consulting services, and possessing a strong platform for continued growth. Grubb & Ellis continues to use the Grubb & Ellis name and continues to be listed on the New York Stock Exchange under the ticker symbol GBE.

As a result of the merger, we consider Grubb & Ellis to be our sponsor. Upon Grubb & Ellis becoming our sponsor, we changed our name from NNN Healthcare/Office REIT, Inc. to Grubb & Ellis Healthcare REIT, Inc.

Triple Net Properties, the parent and manager of our advisor and an indirect wholly owned subsidiary of our sponsor, offers a diverse line of investment products as well as a full-range of services including asset and property management, brokerage, leasing, analysis and consultation. Triple Net Properties is also an active seller of real estate, bringing many of its investment programs full cycle.

The following individuals serve as the executive officers and directors of Grubb & Ellis, NNN Realty Advisors or Triple Net Properties and, as such, perform services for us.

Name	Age	Position
Anthony W. Thompson	60	Chairman of Grubb & Ellis and Founder of Triple Net Properties
Scott D. Peters	49	Chief Executive Officer, President and Director of Grubb & Ellis; Chief Executive Officer, President and Chairman of NNN Realty Advisors; Chief Executive Officer of Triple Net Properties
Andrea R. Biller	58	General Counsel, Executive Vice President and Secretary of Grubb & Ellis; General Counsel, Executive Vice President, Secretary and a director of NNN Realty Advisors; General Counsel and Executive Vice President of Triple Net Properties
Francene LaPoint	42	Executive Vice President, Accounting and Finance, of Grubb & Ellis; Chief Financial Officer and a director of NNN Realty Advisors; Chief Financial Officer of Triple Net Properties
Jack Van Berkel	46	Executive Vice President, Human Resources and Operations, of Grubb & Ellis and Senior Vice President,

		Human Resources of NNN Realty Advisors
Jeffrey T. Hanson	36	Executive Vice President, Investment Programs, of Grubb & Ellis; Chief Investment Officer of NNN Realty Advisors; President and Chief Investment Officer of Triple Net Properties

Name	Age	Position
Kevin K. Hull	41	Chief Executive Officer and President of NNN Capital Corp.
Stanley J. Olander, Jr.	53	Executive Vice President, Multifamily Division, of Grubb & Ellis
Richard W. Pehlke	53	Executive Vice President and Chief Financial Officer of Grubb & Ellis
Glenn L. Carpenter	63	Independent Director of Grubb & Ellis
Harold H. Greene	67	Independent Director of Grubb & Ellis
Gary H. Hunt	57	Independent Director of Grubb & Ellis
C. Michael Kojaian	45	Independent Director of Grubb & Ellis
Robert J. McLaughlin	73	Independent Director of Grubb & Ellis
D. Fleet Wallace	39	Independent Director of Grubb & Ellis
Roger D. Young	61	Independent Director of Grubb & Ellis

For biographical information regarding Mr. Peters and Ms. Biller, see Directors and Executive Officers. Below is a brief description of the other officers and directors of Grubb & Ellis, NNN Realty Advisors and Triple Net Properties identified above.

Anthony W. (Tony) Thompson is the Chairman of Grubb & Ellis, our sponsor, and currently owns approximately 14% of its outstanding common stock. Mr. Thompson also served as Chairman of the Board of NNN Realty Advisors from September 2006 to December 2007 and is the founder of Triple Net Properties, the managing member of our advisor. Mr. Thompson is a special member of Grubb & Ellis Healthcare Management, LLC and may receive compensation of up to $175,000 annually. Mr. Thompson was the Chairman of the Board of Managers of Triple Net Properties from its inception in April 1998 to November 2006, was its Chief Executive Officer from inception to October 2006, and was its President from inception until September 2004. He was also the Chairman of Realty, an affiliated real estate brokerage and management company that provides certain real estate brokerage and management services to us, from its inception to March 2007, and was its Chief Executive Officer from its inception to July 2006. From 1986 to 1995, he was a 50.0% shareholder, director and an executive officer of TMP Group, Inc., a full-service real investment group. Mr. Thompson is a FINRA-registered securities principal. Mr. Thompson served as the Chairman of the Board of Directors of G REIT, Inc. from December 2001 to December 2005. Mr. Thompson is also a member of the Sterling College Board of Trustees and various other charitable and civic organizations. He is a graduate of Sterling College with a B.S. degree in Economics.

Francene LaPoint has served as the Executive Vice President, Accounting and Finance, of Grubb & Ellis since December 2007. She has also served as the Chief Financial Officer of NNN Realty Advisors since September 2006 and as one of its directors since December 2007. Ms. LaPoint has also served as the Chief Financial Officer of Triple Net Properties since November 2006, having served as its Executive Vice President and Controller since July 2004. Ms. LaPoint has also served as Chief Financial Officer of Realty since March 2007. Ms. LaPoint served as Senior Vice President and Corporate Controller of Hawthorne Savings, FSB (Hawthorne Financial Corporation), a publicly traded financial institution, from June 1999 to June 2004. Ms. LaPoint obtained her license to be a Certified Public Accountant while working for PricewaterhouseCoopers from January 1996 to June 1999. She graduated from California State University, Fullerton with a B.A. degree in Business Administration Accounting Concentration and is a member of the American Institute of Certified Public Accountants.

Jack Van Berkel has served as the Executive Vice President, Human Resources and Operations, of Grubb & Ellis since December 2007 and as Senior Vice President, Human Resources, of NNN Realty Advisors since August 2007.

Mr. Van Berkel joined NNN Realty Advisors to oversee the integration of Grubb & Ellis and NNN Realty Advisors. From 2002 until he joined NNN Realty Advisors, Mr. Van Berkel served as the Senior Vice President, Human Resources, of CB Richard Ellis. Including his experience at CB Richard Ellis, he has more than 25 years of experience in human resources. Mr. Van Berkel is responsible for the strategic direction of all Grubb & Ellis, human resources initiatives, including training, recruiting, employee relations, compensation and benefits.

Jeffrey T. Hanson has served as the Executive Vice President, Investment Programs, of Grubb & Ellis since December 2007. He has also served as the Chief Investment Officer of NNN Realty Advisors since September 2006. He has also served as the President and Chief Investment Officer of Triple Net Properties since December 2007 and January 2007, respectively, and has served as the President and Chief Executive Officer of Realty since July 2006 and as its Chairman of the Board of Directors since April 2007. Mr. Hanson s responsibilities include managing the company s real estate portfolio and directing acquisitions and dispositions nationally for the company s public and private real estate programs. From 1996 to July 2006, Mr. Hanson served as Senior Vice President with Grubb & Ellis Company s Institutional Investment Group in the firm s Newport Beach office. While with Grubb & Ellis, he managed investment sale assignments throughout Southern California and other Western US markets for major private and institutional clients. Mr. Hanson is a member of the Sterling College Board of Trustees and formerly served as a member of the Grubb & Ellis President s Counsel and Institutional Investment Group Board of Advisors. Mr. Hanson earned a B.S. degree in Business from the University of Southern California with an emphasis in Real Estate Finance.

Kevin K. Hull has served as the Chief Executive Officer and President of NNN Capital Corp. since February 2005. From January 2001 to January 2005, Mr. Hull was a senior associate at Dechert LLP, a large international law firm. Mr. Hull began his career in the securities industry in 1988 as an examiner in the Los Angeles office of FINRA and then served in a registered capacity as chief operating officer and chief financial officer of an independent broker-dealer. Mr. Hull is a member of the MA Compliance and Legal Division and holds securities registrations as a general securities principal, financial and operations principal, municipal principal and options principal. Mr. Hull earned a J.D. degree from The Catholic University of America, Columbus School of Law and a B.A. in Business Administration from California State University, Fullerton. He is admitted to practice law in California, New York and Massachusetts.

Stanley J. Olander, Jr. has served as the Executive Vice President, Multifamily Division, of Grubb & Ellis since December 2007. He has also served as the Chief Executive Officer and a director of Grubb & Ellis Apartment REIT, Inc. and the Chief Executive Officer of Grubb & Ellis Apartment REIT Advisor, LLC since December 2005. Since December 2006, he has also served as Chairman of the Board of Grubb & Ellis Apartment REIT, Inc. and, since April 2007, he has served as President of Grubb & Ellis Apartment REIT, Inc., and President of Grubb & Ellis Apartment REIT Advisor, LLC. Mr. Olander has also been a Managing Member of ROC REIT Advisors since 2006 and was a Managing Member of ROC Realty Advisors from 2005 to July 2007. Since July 2007, Mr. Olander has also served as Chief Executive Officer, President and a director of NNN Residential Management Inc., an indirect wholly owned subsidiary of Grubb & Ellis that provides property management services to apartment communities. He served as President and Chief Financial Officer and a member of the board of directors of Cornerstone Realty Income Trust, Inc. from 1996 until April 2005. Prior to the sale of Cornerstone in April 2005, the company s shares were listed on the New York Stock Exchange, and it owned approximately 23,000 apartment units in five states and had a total market capitalization of approximately $1.5 billion. Mr. Olander has been responsible for the acquisition and financing of approximately 40,000 apartment units. He holds a bachelor s degree in Business Administration from Radford University in Virginia and a master s degree in Real Estate and Urban Land Development from Virginia Commonwealth University.

Richard W. Pehlke has served as the Executive Vice President and Chief Financial Officer of Grubb & Ellis since February 15, 2007. Prior to joining Grubb & Ellis, Mr. Pehlke served as Executive Vice President and Chief Financial Officer and a member of the Board of Directors of Hudson Highland Group, a publicly held global professional staffing and recruiting business, from 2003 to 2005. From 2001 to 2003, Mr. Pehlke operated his own consulting business specializing in financial strategy and leadership development. In 2000, he was Executive Vice President and Chief Financial Officer of ONE, Inc. a privately held software implementation business. Prior to 2000, Mr. Pehlke held senior financial positions in the telecommunications, financial services and food and consumer products industries. He received his B.S. in Business Administration Accounting from Valparaiso University and an MBA in Finance from DePaul University.

Glenn L. Carpenter was appointed to the board of directors of Grubb & Ellis in December 2007 to serve as an independent director. He also served as an independent director of NNN Realty Advisors from November 2006 to December 2007. Mr. Carpenter is the Chief Executive Officer, President and Chairman of FountainGlen Properties, LP, a privately held company in Newport Beach, California that develops, owns and operates apartment communities for active seniors. Prior to serving with FountainGlen, from 1994 to 2001, Mr. Carpenter was the Chief Executive Officer and founder of Pacific Gulf Properties Inc., a publicly traded REIT that developed and operated industrial business parks and various types of apartment communities. From 1970 to 1994, Mr. Carpenter served as Chief Executive Officer and President, and other officer positions of Santa Anita Realty Enterprises Inc., a publicly traded REIT that owned and managed industrial office buildings, apartments and shopping centers. Mr. Carpenter received his B.S. degree in accounting in 1967 from California State University, Long Beach. He has received numerous honors in the real estate field including the 2000 Real Estate Man of the Year Award and was voted the 1999 Orange County Entrepreneur of the Year for real estate. Mr. Carpenter sits on the board of councilors of the School of Gerontology at the University of Southern California and is a council and executive board member of the American Seniors Housing Association.

Harold H. Greene was appointed to the board of directors of Grubb & Ellis in December 2007 to serve as an independent director. He also served as an independent director of NNN Realty Advisors from November 2006 to December 2007. Mr. Greene is a 40-year veteran of the commercial and residential real estate lending industry. He most recently served as the Managing Director for Bank of America s California Commercial Real Estate Division from 1998 to 2001 where he was responsible for lending to commercial real estate developers in California and managed an investment portfolio of approximately $2.6 billion. From 1990 to 1998, Mr. Greene was the Executive Vice President of SeaFirst Bank in Seattle, Washington and prior to that he served as the Vice Chairman of MetroBank from 1989 to 1990 and in various positions, including Senior Vice President in charge of the Asset Based Finance Group, with Union Bank, where he worked for 27 years. Mr. Greene currently serves as a director of Gary s and Company (men s clothing retailer), as a director and member of the audit committee of Paladin Realty Income Properties, Inc. and as a director and member of the audit, compensation and nominating and corporate governance committees of William Lyon Homes.

Gary H. Hunt was appointed to the board of directors of Grubb & Ellis in December 2007 to serve as an independent director. He also served as an independent director of NNN Realty Advisors from November 2006 to December 2007. Mr. Hunt has served as director of G REIT, Inc. since July 2005. Mr. Hunt has served as the managing partner of California Strategies, LLC, a privately held consulting firm in Irvine, California that works with large homebuilders, real estate companies and government entities since 2001. Prior to serving with California Strategies, Mr. Hunt was the executive vice president and served on the Board of Directors and on the Executive Committee of the Board of The Irvine Company, a 110-year-old privately held company that plans, develops and invests in real estate primarily in Orange County, California for 25 years. He also serves on the Board of Directors of Glenair Inc., The Beckman Foundation and William Lyon Homes. Mr. Hunt holds a J.D. from the Irvine University School of Law.

C. Michael Kojaian was appointed to the board of directors of Grubb & Ellis in December 1996 and served as Chairman from June 2002 until December 2007. Mr. Kojaian is President of Kojaian Ventures, LLC and also Executive Vice President, a director and a shareholder of Kojaian Management Corporation, both of which are investment firms headquartered in Bloomfield Hills, Michigan. He is also a director of Arbor Realty Trust, Inc. Mr. Kojaian has been a director of Grubb & Ellis Realty Advisors, Inc., an affiliate of Grubb & Ellis, since its inception in September 2005.

Robert J. McLaughlin was appointed to the board of directors of Grubb & Ellis in July 2004 to serve as an independent director for each company. Mr. McLaughlin previously served as a director of Grubb & Ellis from September 1994 to March 2001. He founded The Sutter Group in 1982, a management consulting company that focuses on enhancing shareholder value, and currently serves as its President. Mr. McLaughlin served as Chairman of the Board of Meridian Automotive Systems from March 2005 until December 2006, as President and Chief Executive Officer of Tru-Circle Corporation, an aerospace subcontractor from November 2003 to April 2004, and as Chairman of the Board of Directors of Imperial Sugar Company from August 2001 to February 2003, and as Chairman and Chief Executive Officer from October 2001 to April 2002. He is a director of Imperial Sugar Company and Meridian Automotive Systems.

D. Fleet Wallace was appointed to the board of directors of Grubb & Ellis in December 2007 to serve as an independent director. He also served as an independent director of NNN Realty Advisors from November 2006 to December 2007. Mr. Wallace is a principal and co-founder of McCann Realty Partners, LLC, an apartment investment company focusing on garden apartment properties in the Southeast formed in October 2004. Mr. Wallace also serves as principal of Greystone Capital Management, LLC, formed in September 2001, and helps manage Greystone Fund, L.P. Greystone Fund, L.P. is a professionally managed opportunity fund invested primarily in promising venture capital opportunities and distressed assets. From April 1998 to August 2001, Mr. Wallace served as corporate counsel and assistant secretary of United Dominion Realty Trust, Inc., a publicly-traded real estate investment trust. From September 1994 to April 1998, Mr. Wallace was in the private practice of law with McGuire Woods in Richmond, Virginia. Mr. Wallace also serves as a director of G REIT, Inc. Mr. Wallace received a J.D. degree and M.A. degree in History from the University of Virginia.

Rodger D. Young was appointed to the board of directors of Grubb & Ellis in April 2003 to serve as an independent director. Mr. Young has been a name partner of the law firm of Young & Susser, P.C., a boutique firm specializing in commercial litigation with offices in Southfield, Michigan and New York City, since its founding in 1991. In 2001, Mr. Young was named Chairman of the Bush Administration s Federal Judge and U.S. Attorney qualification Committee by Governor John Engler and Michigan s Republican Congressional Delegation. Mr. Young is a member of the American College of Trial Lawyers and was listed in the 2007 edition of *Best Lawyers in America*. Mr. Young was named by Chambers International and by *Best Lawyers in America* as one of the top commercial litigators in the United States.

The Advisory Agreement

The term of our advisory agreement is one year and ends on October 24, 2008. The advisory agreement may be renewed for an unlimited number of successive one-year periods upon the mutual consent of the parties. The independent directors will evaluate the performance of our advisor before renewing the advisory agreement. The advisory agreement may be terminated:

- immediately by us for cause , or upon the bankruptcy of our advisor;
- immediately by the advisor for good reason; or
- without cause or penalty upon 60 days written notice by our advisor or by us upon the approval of a majority of our independent directors.

Cause is defined in the advisory agreement to mean fraud, criminal conduct, willful misconduct or willful or grossly negligent breach of fiduciary duty by our advisor, or any uncured material breach of the advisory agreement by our advisor. Good reason is defined in the advisory agreement to mean either:

- any failure by us to obtain a satisfactory agreement from a successor to assume and agree to perform our obligations under the advisory agreement; or
- any uncured material breach of the advisory agreement by us.

In the event of the termination of the advisory agreement, our advisor will cooperate with us and take all reasonable steps requested to assist our board of directors in making an orderly transition of the advisory function. Should a termination of the advisory agreement with our current advisor occur, our board of directors will select a successor advisor that the board of directors has determined possesses sufficient qualifications to perform the advisory services. Our board of directors would also be required to determine the compensation that we will pay to any successor advisor is reasonable in relation to the nature and quality of the services to be performed for us and is within the limits prescribed in our charter.

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Our advisor and its affiliates expect to engage in other business ventures and, as a result, their resources will not be dedicated exclusively to our business. However, pursuant to the advisory agreement, our advisor s key personnel must devote sufficient resources to management of our operations to permit our advisor to discharge its obligations. Our advisor may assign the advisory agreement to an affiliate upon approval of our board of directors, including a majority of our independent directors. We may assign or transfer the advisory agreement to a successor entity in which case the successor entity shall be bound by the terms of the advisory agreement.

Our advisor may not make any real property acquisitions, developments or dispositions, including real property portfolio acquisitions, developments and dispositions, without the prior approval of the majority of our board of directors. The actual terms and conditions of transactions involving investments in real estate shall be determined by our advisor, subject to the approval of our board of directors.

We will reimburse our advisor for all of the costs it incurs in connection with the services provided to us under the advisory agreement, including, but not limited to:

- organizational and offering expenses, which consist of, among other items, the cumulative cost of actual legal, accounting, printing and other accountable offering expenses, including, but not limited to, amounts to reimburse our advisor for marketing, salaries and direct expenses of its employees, employees of its affiliates and others while engaged in registering and marketing the shares of our common stock to be sold in this offering, which shall include, but not be limited to, development of marketing materials and marketing presentations, participating in due diligence and marketing meetings and coordinating generally the marketing process for this offering. Our advisor and its affiliates will be responsible for the payment of our cumulative organizational and offering expenses, other than the selling commissions, the marketing support fee and the due diligence reimbursement, to the extent they exceed 1.5% of the aggregate gross proceeds from the sale of shares of our common stock sold in the primary offering without recourse against or reimbursement by us;

- the actual cost of goods and services used by us and obtained from entities not affiliated with our advisor, including brokerage fees paid in connection with the purchase and sale of our properties and other investments;

- administrative services including personnel costs, provided, however, that no reimbursement shall be made for personnel costs in connection with services for which our advisor receives a separate fee; and

- acquisition fees and expenses, including real estate commissions paid to third parties, which will not exceed, in the aggregate, 6.0% of the purchase price or total development cost, unless fees in excess of such limits are approved by a majority of our disinterested directors and a majority of our independent disinterested directors; acquisition expenses are defined to include expenses related to the selection and acquisition of properties, whether or not acquired.

Although there is no specific limit as to the amount of the administrative services that our advisor or its affiliates may provide to us, such as accounting and finance, internal audit, investor relations and legal services, we will reimburse our advisor and its affiliates for these services at cost and they may not be reimbursed for services for which they otherwise receive a fee under the advisory agreement. In addition, the cost of these administrative services is included in our operating expenses and therefore is subject to the reimbursement limitations described below.

Our advisor must reimburse us at least annually for reimbursements paid to the advisor in any year to the extent that such reimbursements to the advisor cause our total operating expenses to exceed the greater of (1) 2.0% of our average invested assets, which means the average monthly book value of our assets invested directly or indirectly in equity interests and loans secured by real estate during the 12-month period before deducting depreciation, bad debts or other non-cash reserves, or (2) 25.0% of our net income, which is defined as our total revenues less total operating expenses for any given period excluding reserves for depreciation and bad debt, unless the independent directors have determined that such excess expenses were justified based on unusual and non-recurring factors. The total operating expenses means all expenses paid or incurred by us, as determined under accounting principles generally accepted in the United States of America, or GAAP, that are in any way related to our operation, including asset management fees, but excluding: (a) the expenses of raising capital such as organizational and offering expenses, legal, audit, accounting, underwriting, brokerage, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer and registration of shares of our common stock; (b) interest payments; (c) taxes; (d) non-cash expenditures such as depreciation, amortization and bad debt reserves; (e) reasonable incentive fees based on the gain in the sale of our assets; and (f) acquisition fees and expenses (including expenses relating to potential acquisitions that we do not close), disposition fees on the resale of real property and other expenses connected with the acquisition, disposition, management and ownership of real estate interests, mortgage loans or other real property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of real property). Our advisor must reimburse the excess expenses to us unless the independent directors determine that the excess expenses were justified based on unusual and nonrecurring factors which they deem sufficient. Within 60 days after the end of any of our fiscal quarters for which total operating expenses for the 12 months then-ended exceed the limitation, we will send to our stockholders a written disclosure, together with an explanation of the factors the independent directors considered in arriving at the conclusion that the excess expenses were justified. However, at our advisor s option, our advisor or its affiliates, as applicable, may defer receipt of any portion of the asset management fee or reimbursement of expenses and elect to receive such payments, without interest, in any subsequent fiscal year that our advisor designates.

Our advisor and its affiliates will be paid compensation, fees, expense reimbursements, interest and distributions in connection with services provided to us. See Compensation Table. In the event the advisory agreement is terminated, our advisor and its affiliates will be paid all accrued and unpaid fees and expense reimbursements earned prior to the termination.

We have agreed to indemnify, defend and hold harmless our advisor and its affiliates, including all of their respective officers, managers and employees, from and against any and all liability, claims, damages or losses arising in the performance of their duties under the advisory agreement, and related expenses, including reasonable attorneys fees, to the extent such liability, claims, damages or losses and related expenses are not fully reimbursed by insurance, provided that (1) our advisor and its affiliates have determined that the cause of conduct which caused the loss or liability was in our best interests, (2) our advisor and its affiliates were acting on behalf of or performing services for us, and (3) the indemnified claim was not the result of negligence, misconduct, or fraud of our advisor or its affiliates or the result of a breach of the agreement by our advisor or its affiliates.

Any indemnification made to our advisor, its affiliates or their officers, managers or employees may be made only out of our net assets and not from our stockholders. Our advisor will indemnify and hold us harmless from contract or other liability, claims, damages, taxes or losses and related expenses, including attorneys fees, to the extent that such liability, claims, damages, taxes or losses and related expenses are not fully reimbursed by insurance and are incurred by reason of our advisor s bad faith, fraud, willful misfeasance, misconduct, or reckless disregard of its duties, but our advisor shall not be held responsible for any action of our board of directors in following or declining to follow the advice or recommendation given by our advisor.

Grubb & Ellis, our sponsor, Triple Net Properties and their affiliates have sponsored other real estate programs and may in the future sponsor real estate programs that have investment objectives similar to ours. As a result, our sponsor and its affiliates, including Triple Net Properties, could be subject to conflicts of interest between us and other NNN programs. Our advisory agreement provides that if Triple Net Properties identifies an opportunity to make an investment in one or more office buildings or other facilities for which greater than 50% of the gross rentable space is leased to, or reasonably expected to be leased to, one or more medical or healthcare-related tenants, either directly or indirectly through an affiliate or in a joint venture or other co-ownership arrangement, for itself or for any other NNN program, then Triple Net Properties will provide us with the first opportunity to purchase such investment. Triple Net Properties will provide all necessary information related to such investment to our advisor, in order to enable our board of directors to determine whether to proceed with such investment. Our advisor will present the information to our board of directors within three business days of receipt from Triple Net Properties. If our board of directors does not affirmatively authorize our advisor to proceed with the investment on our behalf within seven days of receipt of such information from our advisor, then Triple Net Properties may proceed with the investment opportunity for its own account or offer the investment opportunity to any other person or entity.

Ownership Interests

Healthcare Advisor has acquired 20,000 limited partnership units of our operating partnership, for which it contributed $200,000. As of the date of this prospectus, Healthcare Advisor is the only limited partner of our operating partnership. Healthcare Advisor may not sell any of these units during the period it serves as our advisor. Any resale of our shares that our advisor or its affiliates may acquire in the future will be subject to the provisions of Rule 144 promulgated under the Securities Act of 1933, which rule limits the number of shares that may be sold at any one time and the manner of such resale. Our advisor also holds 200 shares of our common stock. Although our advisor and its affiliates are not prohibited from acquiring additional shares, our advisor currently has no options or warrants to acquire any shares and has no current plans to acquire additional shares of our common stock.

In addition to its right to participate with other partners in our operating partnership on a proportionate basis in distributions, our advisor s limited partnership interest in our operating partnership also entitles it to a subordinated participation interest. The subordinated participation interest entitles our advisor to receive a cash distribution under the circumstances described below:

> *Subordinated Distribution of Net Sales Proceeds.* After our operating partnership has paid us distributions (all of which we intend to distribute to our stockholders) in an amount necessary to provide our stockholders, collectively, a return of the total amount of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan program) plus an annual 8.0% cumulative, non-compounded return on average invested capital, Healthcare Advisor is entitled to receive a cash distribution from our operating partnership equal to 15.0% of the remaining net proceeds from the sales of properties. Healthcare Advisor shall not be entitled to any further participating distributions described in the preceding sentence if (1) our shares become listed on a national securities exchange or (2) the advisory agreement is terminated for any reason.
>
> *Subordinated Distribution Upon Listing.* Upon the listing of our shares on a national securities exchange, Healthcare Advisor would become entitled to receive a cash distribution from our operating partnership equal to 15.0% of the amount by which (1) the market value of our outstanding shares of common stock plus distributions paid prior to listing, exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase program) and an amount of cash that, if distributed to the stockholders as of the date of listing, would have provided them an annual 8.0% cumulative, non-compounded return on average invested capital through the date of listing. Healthcare Advisor shall not be entitled to receive this distribution if our shares are listed following the termination of the advisory agreement for any reason. The market value of the shares at listing will be based on the market value of the outstanding common stock averaged over the 30 trading days beginning 180 days after the shares are first listed. The subordinated distribution upon listing may be paid in cash or shares of our common stock, as determined by our board of directors, including a majority of our independent directors. In the event that we elect to satisfy the distribution obligation in the form of shares of our common stock, the number of shares will be determined based on the market value following listing.

Subordinated Distribution Upon Termination. Upon termination or non-renewal of the advisory agreement, other than a termination of the agreement by us for cause, Healthcare Advisor would become entitled to receive a cash distribution from our operating partnership in an amount equal to

15.0% of the amount, if any, by which (1) the appraised value of our assets on the termination date, less any indebtedness secured by such assets, plus total distributions paid through the termination date, exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan) and the total amount of cash that, if distributed to them as of the termination date, would have provided them an annual 8.0% cumulative, non-compounded return on average invested capital through the termination date. Healthcare Advisor shall not be entitled to receive this distribution if our shares of common stock have been listed on a national securities exchange prior to the termination of the advisory agreement. Our operating partnership may satisfy the distribution obligation by either paying cash or issuing an interest-bearing promissory note. If the promissory note is issued and not paid within five years after the termination date, we would be required to purchase the promissory note (including accrued but unpaid interest) in exchange for cash or shares of our common stock.

The actual amount of these distributions cannot be determined at this time as they are dependent upon our results of operations and, in the case of the subordinated distribution upon listing, the market value of our common stock following listing. See Compensation Table and The Operating Partnership Agreement Distributions and Allocations.

Affiliated Companies

Property Manager

Certain of our real properties may be managed and leased by Triple Net Properties Realty, Inc., or Realty. Realty, an indirect wholly owned subsidiary of Grubb & Ellis and an affiliate of our advisor, was organized in 1998 to lease and manage real properties acquired by affiliated entities or other third parties.

We will pay Realty a property management fee equal to 4.0% of the gross income from each of our real properties that it manages. For each property managed directly by entities other than Realty, we will pay Realty a monthly oversight fee of up to 1.0% of the gross income of the property. In addition, we may pay Realty a separate fee for the one-time initial lease-up of newly constructed real properties it manages for us in an amount not to exceed the fee customarily charged in arm s length transactions by others rendering similar services in the same geographic area for similar real properties, as determined by a survey of brokers and agents in such area. Such fee is generally expected to range from 3.0% to 8.0% of the projected first years annual gross revenues of the property. However, the actual percentage is variable and will depend on factors such as geographic location and real property type (for example, commercial office or medical office).

In the event that Realty assists a tenant with tenant improvements, a separate fee may be charged to the tenant and paid by the tenant. This fee will not exceed 5.0% of the cost of the tenant improvements. Realty will only provide these services if the provision of the services does not cause any of our income from the applicable real property to be treated as other than rents from real property for purposes of the applicable REIT requirements described under Federal Income Tax Considerations.

Realty will hire, direct and establish policies for employees who will have direct responsibility for the operations of each real property it manages, which may include but is not limited to on-site managers and building and maintenance personnel. Certain employees of Realty may be employed on a part-time basis and may also be employed by our advisor, the dealer manager or certain companies affiliated with them. Realty will also direct the purchase of equipment and supplies and will supervise all maintenance activity. The management fees to be paid to Realty will include, without additional expense to us, all of Realty s general overhead costs.

Realty expects to own a significant interest in a title insurance agency joint venture with unaffiliated third party title insurance professionals that will provide title and escrow services in connection with our acquisition,

financing and sale of properties. We expect that we will pay a material amount of title insurance premiums to this joint venture on an annual basis.

Dealer Manager

NNN Capital Corp. is an indirect wholly owned subsidiary of Grubb & Ellis and a member of FINRA. Since August 1986, our dealer manager has participated in and facilitated the distribution of securities of entities affiliated with Triple Net Properties. Our dealer manager will provide certain sales, promotional and marketing services to us in connection with the distribution of the shares of common stock offered pursuant to this prospectus. See Plan of Distribution.

We will pay our dealer manager a selling commission of up to 7.0% of the gross proceeds from the sale of shares of our common stock sold in the primary offering and a marketing support fee of up to 2.5% of the gross proceeds from the sale of shares of our common stock sold in the primary offering. In addition, we will pay our dealer manager up to 0.5% of the gross proceeds from the sale of shares of our common stock in the primary offering for reimbursement of actual *bona fide* due diligence expenses. No such fees or expense reimbursement will be paid for shares of our common stock issued pursuant to the distribution reinvestment plan.

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COMPENSATION TABLE

The following table summarizes and discloses all of the compensation, fees, expense reimbursements and distributions, to be paid by us to our advisor and its affiliates in connection with our organization, this offering and our operations.

Type of Compensation (Recipient)	Description and Method of Computation	Estimated Amount
Offering Stage		
Selling Commissions (our dealer manager)(1)	Up to 7.0% of gross offering proceeds from the sale of shares of our common stock in the primary offering (all or a portion of which may be reallowed to participating broker-dealers). No selling commissions are payable on shares sold under our distribution reinvestment plan.	Actual amount depends upon the number of shares sold. We will pay a total of $140,000 if we sell the minimum offering and $140,000,000 if we sell the maximum offering.
Marketing Support Fee and Due Diligence Expense Reimbursement (our dealer manager)(1)	Non-accountable marketing support fee equal to 2.5% of gross offering proceeds from the sale of shares of our common stock in the primary offering (up to 1.5% of which may be reallowed to participating broker-dealers). An additional accountable 0.5% of gross offering proceeds from the sale of shares of our common stock in the primary offering (all or a portion of which may be reallowed to participating broker- dealers) for *bona fide* due diligence expenses. No marketing support fee, due diligence expense reimbursement or selling commission will be charged for shares sold under our distribution reinvestment plan.	Actual amount depends upon the number of shares sold. We will pay a total of $60,000 if we sell the minimum offering and $60,000,000 if we sell the maximum offering.
Other Organizational and Offering Expenses (our advisor or its affiliates)(2)	Up to 1.5% of gross offering proceeds for shares sold under our primary offering.	Actual amount depends upon the number of shares sold. We estimate that we will pay a total of $30,000 if we sell the minimum offering and $30,000,000 if we sell the maximum offering.
Acquisition and Development Stage		

Acquisition Fees (our advisor or its affiliates)(3)	Up to 3.0% of the contract purchase price for each property acquired or up to 4.0% of the total development cost of any	Actual amounts depend upon the purchase price of properties acquired and the total development

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Type of Compensation (Recipient)	Description and Method of Computation	Estimated Amount
	development property acquired, as applicable.	cost of properties acquired for development.
Reimbursement of Acquisition Expenses (our advisor or its affiliates)(3)	All expenses related to selecting, evaluating, acquiring and investing in properties, whether or not acquired. Acquisition expenses will not exceed 0.5% of the purchase price of properties. The reimbursement of acquisition fees and expenses, including real estate commission paid to third parties, will not exceed, in the aggregate, 6.0% of the purchase price or total development costs, unless fees in excess of such limits are approved by a majority of disinterested directors and by a majority of disinterested independent directors.	Actual amounts depend upon the actual expenses incurred.
Operational Stage		
Asset Management Fee (our advisor or its affiliates)	Subject to our stockholders receiving annualized distributions in an amount equal to 5.0% per annum on average invested capital, a monthly asset management fee equal to one-twelfth of 1.0% of the average invested assets. For such purposes, average invested capital means, for a specified period, the aggregate issue price of shares purchased by our stockholders, reduced by distributions of net sales proceeds by us to our stockholders and by any amounts paid by us to repurchase shares pursuant to our share repurchase plan; and average invested assets means the sum of (i) the average of the aggregate book value of our assets invested in real estate, before deducting depreciation, depletion, bad debts or other similar non-cash reserves, computed by taking the average of such values at the end of each month during the period of calculation and (ii) the aggregate	Actual amounts depend upon the average invested assets, and, therefore, cannot be determined at this time.

	value of the real estate related securities at the end of such month.	
Property Management Fees (our advisor or its affiliates)(4)	4.0% of the gross cash receipts from each property managed by	Actual amounts depend upon the gross income of the properties,

Type of Compensation (Recipient)	Description and Method of Computation	Estimated Amount
	our affiliated property manager. For each property managed directly by entities other than our advisor or its affiliates, we will pay our advisor or its affiliates a monthly oversight fee of up to 1.0% of the gross cash receipts from the property. In addition, we may pay our affiliated property manager a separate fee for any leasing activities in an amount not to exceed the fee customarily charged in arm s-length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area. Such fee is generally expected to range from 3.0% to 8.0% of the gross revenues generated during the initial term of the lease. However, the actual percentage is variable and will depend on factors such as geographic location and real property type (such as medical office, healthcare-related property or quality commercial office property).	and, therefore, cannot be determined at this time.
Operating Expenses (our advisor or its affiliates)(4)	Reimbursement of cost of providing administrative services to us.	Actual amounts depend upon the services provided, and, therefore, cannot be determined at this time.
Liquidity Stage		
Disposition Fees (our advisor or its affiliates)(5)	Up to the lesser of 1.75% of the contract sales price or 50.0% of a customary competitive real estate commission given the circumstances surrounding the sale, in each case as determined by our board of directors (including a majority of our independent directors) and will not exceed market norms. The amount of disposition fees paid, when added to the real estate commissions paid to unaffiliated parties, will not exceed the lesser of the customary competitive real estate commission	Actual amounts depend upon the sale price of properties, and, therefore, cannot be determined at this time.

or an amount equal to 6.0% of the
contract sales price.

Type of Compensation (Recipient)	Description and Method of Computation	Estimated Amount
Subordinated Participation Interest in Healthcare OP (our advisor)		
Subordinated Distribution of Net Sales Proceeds (payable only if we liquidate our portfolio while Healthcare Advisor is serving as our advisor)(6)	After distributions to our stockholders, in the aggregate, of a full return of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase program) plus an annual cumulative, non-compounded return of 8.0% on average invested capital, the distribution will be equal to 15.0% of the remaining net proceeds from the sales of properties.	Actual amounts depend upon the sale price of properties, and, therefore, cannot be determined at this time.
Subordinated Distribution Upon Listing (payable only if our shares are listed on a national securities exchange while Healthcare Advisor is serving as our advisor)(7)(8)	Upon the listing of our shares of common stock on a national securities exchange, a distribution equal to 15.0% of the amount by which (1) the market value of our outstanding common stock at listing plus distributions paid prior to listing exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan) and the amount of cash that, if distributed to stockholders as of the date of listing would have provided them an annual 8.0% cumulative, non-compounded return on average invested capital through the date of listing.	Actual amounts depend upon the market value of our common stock at the time of listing, among other factors, and, therefore, cannot be determined at this time.

(1) Selling commissions may be reduced or waived in connection with certain categories of sales, such as sales for which a volume discount applies, sales through investment advisors or banks acting as trustees or fiduciaries and sales to our affiliates.

(2) The organizational and offering expense reimbursement consists of compensation for incurrence on our behalf of legal, accounting, printing and other offering expenses, including for marketing, salaries and director expenses of our advisor s employees, employees of its affiliates and others while engaged in registering and marketing the shares of our common stock, which shall include development of marketing materials and marketing presentations, planning and participating in due diligence and marketing meetings

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and generally coordinating the marketing process for us. Our advisor and its affiliates will be responsible for the payment of our cumulative organizational and offering expenses, other than the selling commissions, the marketing support fee and due diligence expense reimbursement, to the extent they exceed 1.5% of the aggregate gross proceeds from the sale of shares of our common stock sold in the primary offering on a best efforts basis without recourse against or reimbursement by us.

(3) We will pay our advisor or its affiliates the acquisition fee upon the closing of a real property acquisition transaction for properties that are in the operational stage or as a percentage of completion for properties in the development stage. Acquisition expenses include any and all expenses incurred in connection with the selection, evaluation and acquisition of, and investment in properties, including, but not limited to, legal fees and expenses, travel and communications expenses, cost of appraisals and surveys, nonrefundable option payments on property not acquired, accounting fees and expenses, computer use related expenses, architectural, engineering and other property reports, environmental and asbestos audits, title insurance and escrow fees, loan fees or points or any fee of a similar nature paid to a third party, however designated, transfer taxes, and personnel and miscellaneous expenses related to the selection, evaluation and acquisition of properties. We will reimburse our advisor for acquisition expenses, whether or not the evaluated property is acquired. We expect that our acquisitions expenses will equal no more than 0.5% of the purchase price of acquired properties. Our charter limits our ability to pay acquisition fees if the total of all acquisition fees and expenses, including real estate commissions paid to third parties, would exceed 6.0% of the contract purchase price or total development cost. Under our charter, a majority of our disinterested directors, including a majority of the disinterested independent directors, would have to approve any acquisition fees (or portion thereof) which would cause the total of all acquisition fees and expenses relating to a real property acquisition to exceed 6.0% of the purchase price.

(4) Our advisor must reimburse us at least annually for reimbursements paid to the advisor in any year to the extent that such reimbursements to the advisor cause our total operating expenses to exceed the greater of (1) 2.0% of our average invested assets, or (2) 25.0% of our net income, which is defined as our total revenues less total expenses for any given period excluding reserves for depreciation and bad debt, unless the independent directors have determined that such excess expenses were justified based on unusual and non-recurring factors. Average invested assets means the average monthly book value of our assets invested directly or indirectly in equity interests and loans secured by real estate during the 12-month period before deducting depreciation, bad debts or other non-cash reserves. Total operating expenses means all expenses paid or incurred by us, as determined under GAAP, that are in any way related to our operation, including asset management fees, but excluding (a) the expenses of raising capital such as organizational and offering expenses, legal, audit, accounting, underwriting, brokerage, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer and registration of shares of our common stock; (b) interest payments; (c) taxes; (d) non-cash expenditures such as depreciation, amortization and bad debt reserves; (e) reasonable incentive fees based on the gain in the sale of our assets; and (f) acquisition fees and expenses (including expenses relating to potential acquisitions that we do not close), disposition fees on the resale of real property and other expenses connected with the acquisition, disposition, management and ownership of real estate interests, mortgage loans or other real property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of real property).

(5) Although we are most likely to pay disposition fees in our liquidity stage, these fees may also be earned during our operational stage.

(6) The distribution is payable only if we liquidate our portfolio while Healthcare Advisor is serving as our advisor.

(7) The market value of the shares at listing will be based on the market value of the outstanding common stock averaged over the 30 trading days beginning 180 days after the shares are first listed. The subordinated

distribution upon listing may be paid in cash or shares, as determined by our board of directors, including a majority of the independent directors. In the event that we elect to satisfy the distribution obligation in the form of shares, the number of shares will be determined based on the listed market price described above. The distribution is payable only if our shares are listed on a national securities exchange.

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(8) Upon termination of the advisory agreement without cause, our advisor will be entitled to a similar distribution, which we refer to as the subordinated distribution upon termination. Such distribution, if any, will equal 15.0% of the amount by which (1) the appraised value of our assets on the termination date, less any indebtedness secured by such assets, plus total distributions paid through the termination date, exceeds (2) the sum of the total amount of capital raised from our stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan) and the total amount of cash that, if distributed to them as of the termination, would have provided them an annual 8.0% cumulative, non-compounded return on average invested capital through the date of termination. Our operating partnership would satisfy the distribution obligation by either paying cash or issuing an interest-bearing promissory note. If the promissory note is issued and not paid within five years, we would be required to purchase the promissory note in exchange for cash or shares of our common stock. Our advisor cannot earn the subordinated distribution upon termination if it has already received the subordinated distribution upon listing. The subordinated distribution upon termination may occur during the liquidity stage or during the operational stage.

If at any time the shares become listed on a national securities exchange, we will negotiate in good faith with our advisor a fee structure appropriate for an entity with a perpetual life. A majority of the independent directors must approve the new fee structure negotiated with our advisor. In negotiating a new fee structure, the independent directors shall consider all of the factors they deem relevant, including but not limited to:

- the size of the advisory fee in relation to the size, composition and profitability of our portfolio;
- the success of our advisor in generating opportunities that meet our investment objectives;
- the rates charged to other REITs and to investors other than REITs by advisors performing similar services;
- additional revenues realized by our advisor and its affiliates through their relationship with us;
- the quality and extent of service and advice furnished by our advisor;
- the performance of our investment portfolio, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations;
- the quality of our portfolio in relationship to the investments generated by our advisor for its own account or for other clients; and
- other factors related to managing a public company, such as stockholder services and support and compliance with securities laws, including the Sarbanes-Oxley Act.

Since our advisor is entitled to differing levels of compensation for undertaking different transactions on our behalf, such as the real estate commissions, the asset management fee and the subordinated unit distribution of net sales proceeds, our advisor has the ability to affect the nature of the compensation it receives by undertaking different transactions. However, our advisor is subject to oversight by our board of directors and is obligated pursuant to the advisory agreement to provide us a continuing and suitable investment program consistent with our investment objectives and policies, as determined by our board of directors. See Management The Advisory Agreement. Because these fees or expenses are payable only with respect to certain transactions or services, they may not be recovered by our advisor or its affiliates by reclassifying them under a different category.

BENEFICIAL OWNERSHIP

The following table shows, as of November 30, 2007, the amount of shares of our common stock and units of our operating partnership beneficially owned by (1) any person who is known by us to be the beneficial owner of more than 5.0% of the outstanding shares of our common stock, (2) our directors and chief executive officer and (3) all of our directors and executive officers as a group. The percentage of common stock beneficially owned is based on 19,802,667 shares of our common stock outstanding as of November 30, 2007. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes securities over which a person has voting or investment power and securities that a person has the right to acquire within 60 days.

Name of Beneficial Owners(1)	Number of Shares Beneficially Owned	Percentage
Scott D. Peters, Chief Executive Officer, President and Chairman of the Board(2)	200	*
W. Bradley Blair, II, Independent Director	7,500	*
Maurice J. DeWald, Independent Director	7,500	*
Warren D. Fix, Independent Director	7,892	*
Gary T. Wescombe, Independent Director	7,500	*
Larry L. Mathis, Independent Director	7,500	*
All directors and executive officers as a group (9 persons)	41,092	*

* Represents less than 1.0% of our outstanding common stock

(1) The address of each beneficial owner listed is c/o Grubb & Ellis Healthcare REIT, Inc., 1551 N. Tustin Avenue, Suite 300, Santa Ana, California 92705.

(2) Includes 200 shares of our common stock owned by our advisor. Scott D. Peters is the Chief Executive Officer of our advisor. Our advisor also owns 20,000 units of Grubb & Ellis Healthcare REIT Holdings, L.P., or our operating partnership.

CONFLICTS OF INTEREST

We are subject to various conflicts of interest arising out of our relationship with our advisor and its affiliates, including conflicts related to the existing advisory agreement pursuant to which our advisor will be compensated by us. See Compensation Table. Our independent directors have an obligation to function on our behalf in all situations in which a conflict of interest may arise and have a fiduciary obligation to act in the best interest of the stockholders. See Management. However, we cannot assure you that the independent directors will be able to eliminate or reduce the risks related to these conflicts of interest. Some of these conflicts of interest and restrictions and procedures we have adopted to address these conflicts are described below.

Interests in Other Real Estate Programs

Other than performing services as our advisor, our advisor presently has no interests in other real estate programs. However, some of our officers and our non-independent director are officers of our advisor, Grubb & Ellis, our sponsor, NNN Realty Advisors, our former sponsor and wholly owned subsidiary of our current sponsor, and Triple

Net Properties, which manages our advisor, and other affiliated entities which will receive fees in connection with this offering and operations. Scott D. Peters is our Chief Executive Officer, President and Chairman of the Board and also serves as the Chief Executive Officer of our advisor, the Chief Executive Officer and President of Triple Net Properties, the Chief Executive Officer, President and a director of our sponsor and the Chief Executive Officer, President and Chairman of the Board of NNN Realty Advisors. Mr. Peters currently owns approximately 2.0% of our sponsor s outstanding common stock and he has de minimis ownership in several other NNN programs. Shannon K S Johnson is our Chief Financial Officer and

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also serves as a Financial Reporting Manager of Triple Net Properties. Ms. Johnson has de minimis ownership in our sponsor and no equity ownership in any NNN programs. Andrea R. Biller is our Executive Vice President and Secretary and also serves as the Executive Vice President of our advisor, General Counsel and Executive Vice President of Triple Net Properties, General Counsel, Executive Vice President and Secretary of our sponsor and the General Counsel, Executive Vice President, Secretary and a director of NNN Realty Advisors. Ms. Biller owns less than 1.0% of our sponsor s outstanding common stock and she has de minimis ownership in several NNN programs. Danny Prosky is our Vice President Acquisitions and also serves as the Managing Director Health Care Properties of Triple Net Properties. Mr. Prosky has no equity ownership in our sponsor or any NNN programs, other than 3,000 shares of our common stock. In addition, each of Mr. Peters, Ms. Johnson, Ms. Biller and Mr. Prosky holds options to purchase a de minimis amount of our sponsor s outstanding common stock. As of December 14, 2007, each of Mr. Peters and Ms. Biller own 18.0% membership interests in Grubb & Ellis Healthcare Management, LLC, which owns 25.0% of the membership interest of our advisor. These persons are presently, and plan in the future to continue to be, involved with other real estate programs and activities sponsored by our sponsor, Grubb & Ellis and its affiliates that have investment objectives similar to ours. In addition, to the extent that Grubb & Ellis acts as a broker for the seller or us in a transaction in which we acquire a property, these officers and director may cause us to pay a higher price for the property than we might otherwise pay to increase the commission that Grubb & Ellis is entitled to receive.

In the event that we and any other entity formed or managed by Grubb & Ellis or its affiliates are in the market for similar real estate, Grubb & Ellis and its affiliates will attempt to reduce the conflict of interest by reviewing the investment portfolio of each such affiliated entity and following the conflict resolution procedures described below in making a decision as to which real estate program will make such investments. See Certain Conflict Resolution Restrictions and Procedures below.

Grubb & Ellis and its affiliates are not prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business venture or ventures, including businesses and ventures involved in the acquisition, development, ownership, management, leasing or sale of real estate projects of the type that we will seek to acquire. None of the NNN affiliated entities are prohibited from raising money for another entity that makes the same types of investments that we target and we may co-invest with any such entity. All such potential co-investments will be subject to approval by our independent directors.

Allocation of Our Advisor s Time

We rely on our advisor to manage our day-to-day activities and to implement our investment strategy. Our advisor and certain of its affiliates, including its principals and management personnel, are presently, and plan in the future to continue to be, involved with real estate programs and activities unrelated to us. As a result, our advisor and its affiliates will have conflicts of interest in allocating their time between us and other programs and activities in which they are involved. See Risk Factors Risk Related to Conflicts of Interest. However, our advisor believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to all of the programs and ventures in which they are or will be involved.

In addition, we have no employees and some of our officers are also officers of our advisor and officers and/or members of our sponsor and its affiliates. Our advisor will rely on these officers, its other employees and employees of its affiliates to manage and operate our business. The same employees of our advisor and its affiliates who will manage and operate our business will also be actively involved in activities other than our business. Those individuals spend a material amount of time managing those activities and operations that are unrelated to our business. As a result, those individuals will face conflicts of interest in allocating their time between our operations and those other activities and operations. In addition, our officers owe fiduciary duties to these other entities, which may conflict with the fiduciary duties they owe to us and our stockholders. See Risk Factors Risks Related to Conflicts of Interest.

Competition

Conflicts of interest will exist to the extent that we may acquire properties in the same geographic areas where other NNN programs own the same type of properties. In such a case, a conflict could arise in the leasing of our properties in the event that we and another program managed by Grubb & Ellis or its affiliates were to compete for the same tenants in negotiating leases, or a conflict could arise in connection with the resale of our properties in the event that we and another program managed by Grubb & Ellis or its affiliates were to attempt to sell similar properties at the same time.

In addition, our advisor will seek to reduce conflicts that may arise with respect to properties available for sale or rent by making prospective purchasers or tenants aware of all such properties. However, these conflicts cannot be fully avoided in that our advisor may establish differing compensation arrangements for employees at different properties or differing terms for resales or leasing of the various properties.

Affiliated Dealer Manager

NNN Capital Corp., our dealer manager is an indirect wholly owned subsidiary of Grubb & Ellis. This relationship may create conflicts of interest in connection with the performance of due diligence by the dealer manager. Although the dealer manager will examine the information in the prospectus for accuracy and completeness, the dealer manager is an affiliate of our advisor and will not make an independent due diligence review and investigation of our company or this offering of the type normally performed by an unaffiliated, independent underwriter in connection with the offer of securities. Accordingly, you do not have the benefit of such independent review and investigation. However, certain of the participating brokers-dealers may make their own independent due diligence investigations.

Our dealer manager is currently involved in offerings for other NNN programs. The dealer manager is not prohibited from acting in any capacity in connection with the offer and sale of securities of other NNN programs that may have some or all investment objectives similar to ours.

Affiliated Property Manager

Realty is an indirect wholly owned subsidiary of Grubb & Ellis. Realty performs certain property management services for us and our operating partnership. The property manager is affiliated with our sponsor and Triple Net Properties, which manages our advisor, and in the future there is potential for a number of the members of our sponsor s management team and the property manager to overlap. As a result, we might not always have the benefit of independent property management to the same extent as if our sponsor and the property manager were unaffiliated and did not share any employees or managers. In addition, given that our property manager is affiliated with us, our sponsor and our advisor, any agreements with the property manager will not be at arm s length. As a result, any such agreement will not have the benefit of arm s length negotiations of the type normally conducted between unrelated parties.

Lack of Separate Representation

Alston & Bird LLP is counsel to us, our advisor and certain affiliates in connection with this offering and other matters and may in the future act as counsel to us, our advisor and certain affiliates. There is a possibility that in the future the interests of the various parties may become adverse. In the event that a dispute was to arise between us and our advisor or any of our respective affiliates, we will retain separate counsel for such matters as and when appropriate.

Joint Ventures with Affiliates of Our Advisor

Subject to approval by our board of directors and a separate approval of our independent directors, we may enter into joint ventures or other arrangements with affiliates of our advisor to acquire, develop and/or manage properties. However, we will not participate in tenant in common syndications or transactions. See Investment Objectives, Strategy and Criteria Joint Venture Investments. Our advisor and its affiliates may have conflicts of interest in determining which of such entities should enter into any particular joint venture agreement. Our joint venture partners may have economic or business interests or goals which are or that may become inconsistent with our business interests or goals. Should any such joint venture be consummated, our advisor may face a conflict in structuring the terms of the relationship between our interests and the interests of the affiliated co-venturer and in managing the joint venture. Since our advisor and its affiliates will make investment decisions on our behalf, agreements and transactions between our advisor s affiliates and any such affiliated joint venture partners will not have the benefit of arm s-length negotiation of the type normally conducted between unrelated parties.

Fees and Other Cash Distributions to Our Advisor and its Affiliates

A transaction involving the purchase and sale of properties may result in the receipt of commissions, fees and other cash distributions to our advisor and its affiliates, including the acquisition fees and the asset management fee under the advisory agreement and the subordinated distribution of net sales proceeds payable to our advisor pursuant to its subordinated participation interest in our operating partnership. Subject to the oversight of our board of directors, our advisor has considerable discretion with respect to all decisions relating to the terms and timing of all transactions. Therefore, our advisor may have conflicts of interest concerning certain actions taken on our behalf, particularly due to the fact that certain fees will generally be payable to our advisor and its affiliates regardless of the quality of the properties acquired or the services provided to us. However, the cash distributions payable to our advisor relating to the sale of our properties are subordinated to the return to the stockholders of their capital contributions plus cumulative returns on such capital.

Each transaction we enter into with our advisor or its affiliates is subject to an inherent conflict of interest. Our board of directors may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by or disagreement with an affiliate or in invoking powers, rights or options pursuant to any agreement between us and our advisor or any of its affiliates. A majority of the independent directors who are otherwise disinterested in the transaction must approve each transaction between us and our advisor or any of its affiliates as being fair and reasonable to us and on terms and conditions no less favorable to us than those available from unaffiliated third parties.

Interests in Our Investments

We are permitted to make or acquire investments in which our directors, officers or stockholders, our advisor or any of our or their respective affiliates have direct or indirect pecuniary interests. However, any such transaction in which our advisor, our directors or any of their respective affiliates has any interest would be subject to the limitations described below under the caption Certain Conflict Resolution Restrictions and Procedures.

Certain Conflict Resolution Restrictions and Procedures

In order to reduce or eliminate certain potential conflicts of interest, our charter and the advisory agreement contain restrictions and conflict resolution procedures relating to (1) transactions we enter into with our advisor, our directors or their respective affiliates, (2) certain future offerings and (3) allocation of properties among affiliated entities. Each of the restrictions and procedures that applies to transactions with our advisor and its affiliates will also apply to any transaction with any entity or real estate program advised, managed or controlled by Grubb & Ellis and its affiliates. These restrictions and procedures include, among others, the following:

Except as otherwise described in this prospectus, we will not accept goods or services from our advisor or its affiliates unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transactions, approve such transactions as fair, competitive and commercially reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties.

We will not purchase or lease any asset (including any property) in which our advisor, any of our directors or any of their respective affiliates has an interest without a determination by a majority of our directors, including a majority of the independent directors, not otherwise interested in such transaction, that such transaction is fair and reasonable to us and at a price to us no greater than the cost of the property to our advisor, such director or directors or any such affiliate, unless there is substantial justification for any amount that exceeds such cost and such excess amount is determined to be reasonable. In no event will we acquire any such asset at an amount in excess of its appraised value. We will not sell or lease assets to our advisor any of our directors or any of their respective affiliates unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, determine the transaction is fair and reasonable to us, which determination will be supported by an appraisal obtained from a qualified, independent appraiser selected by a majority of our independent directors.

We will not make any loans to our advisor, any of our directors or any of their respective affiliates. In addition, any loans made to us by our advisor, our directors or any of their respective affiliates must be approved by a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, as fair, competitive and commercially reasonable, and no less favorable to us than comparable loans between unaffiliated parties.

Our advisor and its affiliates shall be entitled to reimbursement, at cost, for actual expenses incurred by them on our behalf or on behalf of joint ventures in which we are a joint venture partner, subject to the limitation on reimbursement of operating expenses to the extent that they exceed the greater of 2% of our average invested assets or 25% of our net income, as described in Management The Advisory Agreement.

Our advisory agreement provides that if Triple Net Properties identifies an opportunity to make an investment in one or more office buildings or other facilities for which greater than 50% of the gross rentable space is leased to, or reasonably expected to be leased to, one or more medical or healthcare-related tenants, either directly or indirectly through an affiliate or in a joint venture or other co-ownership arrangement, for itself or for any other NNN program, then Triple Net Properties will provide us with the first opportunity to purchase such investment. Triple Net Properties will provide all necessary information related to such investment to our advisor, in order to enable our board of directors to determine whether to proceed with such investment. Our advisor will present the information to our board of directors within three business days of receipt from Triple Net Properties. If our board of directors does not affirmatively authorize our advisor to proceed with the investment on our behalf within seven days of receipt of such information from our advisor, then Triple Net Properties may proceed with the investment opportunity for its own account or offer the investment opportunity to any other person or entity.

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SELECTED FINANCIAL DATA

The following should be read with Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operation and our consolidated financial statements and the notes thereto included elsewhere in this prospectus. Our historical results are not necessarily indicative of results for any future period.

	September 30, 2007	December 31, 2006	April 28, 2006 (Date of Inception)
BALANCE SHEET DATA:			
Total assets	$ 303,085,000	$ 385,000	$ 202,000
Mortgage loan payables, net	$ 123,331,000	$	$
Stockholders equity (deficit)	$ 134,312,000	$ (189,000)	$ 2,000

	For the Nine Months Ended September 30, 2007	Period from April 28, 2006 (Date of Inception) through September 30, 2006	Period from April 28, 2006 (Date of Inception) through December 31, 2006
STATEMENT OF OPERATIONS DATA:			
Total revenues	$ 8,711,000	$	$
Loss from continuing operations	$ (3,669,000)	$ (50,000)	$ (241,771)
Net loss	$ (3,669,000)	$ (50,000)	$ (241,771)
Loss per common share basis and diluted(1):			
Loss from continuing operations	$ (0.53)	$ (141.88)	$ (149.03)
Net loss	$ (0.53)	$ (141.88)	$ (149.03)
STATEMENT OF CASH FLOW DATA:			
Cash flows provided by operating activities	$ 2,963,000	$	$
Cash flows used in investing activities	$ (258,510,000)	$	$
Cash flow provided by financing activities	$ 259,857,000	$ 202,000	$ 202,000
OTHER DATA:			
Distributions declared	$ 2,543,000	$	$
Distributions declared per share(1)	$ 0.52	$	$
Funds from operations(2)	$ 1,583,000	$ (50,000)	$ (241,771)

(1) Net loss and distributions per share are based upon the weighted-average number of shares of our common stock outstanding. Distributions by us of our current and accumulated earnings and profits for federal income tax purposes are taxable to stockholders as ordinary income. Distributions in excess of these earnings and profits generally are treated as a non-taxable reduction of the stockholder s basis in the shares to the extent thereof (a

return of capital for tax purposes) and, thereafter, as taxable gain. These distributions in excess of earnings and profits will have the effect of deferring taxation of the distributions until the sale of the stockholder s common stock.

(2) One of our objectives is to provide cash distributions to our stockholders from cash generated by our operations. Funds from operations is not equivalent to our net income or loss as determined under accounting principles generally accepted in the United States of America, or GAAP. Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts, or NAREIT, an industry trade group, has promulgated a measure known as Funds From Operations, or FFO, which it believes more accurately reflects the operating performance of a REIT such as us.

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as revised in February 2004. The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from sales of property but including asset impairment writedowns, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO.

We are disclosing FFO and intend to disclose FFO in future filings because we consider FFO to be an appropriate supplemental measure of a REIT s operating performance as it is based on a net income analysis of property portfolio performance that excludes non-cash items such as depreciation. The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values historically rise and fall with market conditions, presentations of operating results for a REIT, using historical accounting for depreciation, could be less informative. The use of FFO is recommended by the REIT industry as a supplemental performance measure.

For additional information, see Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations , which includes a reconciliation of our GAAP net income available to stockholders to FFO for the period for the nine months ended September 30, 2007 and from April 28, 2006 (Date of Inception) through December 31, 2006.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and information (and notes thereto) as of December 31, 2006 and April 28, 2006 (Date of Inception), together with our results of operations and cash flows for the period from April 28, 2006 (Date of Inception) through December 31, 2006 and the interim unaudited condensed consolidated financial statements and information (and notes thereto) as of September 30, 2007, together with our results of operations for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006 and cash flows for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006.

Overview and Background

We were formed as a Maryland corporation on April 20, 2006. We were initially capitalized on April 28, 2006, and therefore we consider that the date of our inception. We intend to provide investors the potential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, healthcare-related facilities and quality commercial office properties that produce current income. We may also invest in real estate related securities. We intend to qualify as a REIT for federal income tax purposes for our taxable year ended December 31, 2007.

We are conducting a best efforts initial public offering, our offering, in which we are offering a minimum of 200,000 shares of our common stock aggregating at least $2,000,000, the minimum offering, and a maximum of 200,000,000 shares of our common stock for $10.00 per share and 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan at $9.50 per share, aggregating up to $2,200,000,000, the maximum offering. Shares purchased by our executive officers and directors, by NNN Capital Corp., our dealer manager, by Grubb & Ellis Healthcare REIT Advisor, LLC, our advisor, or by its affiliates did not count towards the minimum offering. On January 8, 2007, excluding shares purchased by our executive officers and directors, our dealer manager and our advisor and its affiliates, we had received and accepted subscriptions in this offering for 200,846 shares of our common stock, or $2,004,000, thereby exceeding the minimum offering. As of December 7, 2007, we had received and accepted subscriptions in this offering for 19,995,950 shares of our common stock, or approximately $199,720,000, excluding shares issued pursuant to our distribution reinvestment plan.

We conduct substantially all of our operations through our operating partnership. We are externally advised by our advisor, pursuant to an advisory agreement between us, our advisor and Triple Net Properties, the managing member of our advisor. The advisory agreement has a one-year term that expires in October 2008, and is subject to successive one-year renewals upon the mutual consent of the parties. Our advisor supervises and manages our day-to-day operations and selects the properties and securities we acquire, subject to oversight by our board of directors. Our advisor also provides marketing, sales and client services on our behalf. Our advisor is affiliated with us in that we and our advisor have common officers, some of whom also own an indirect equity interest in our advisor. Our advisor engages affiliated entities, including Realty, to provide various services to us and our future properties.

On December 7, 2007, NNN Realty Advisors, which previously served as our sponsor, merged with and into a wholly owned subsidiary of Grubb & Ellis. The transaction was structured as a reverse merger whereby stockholders of NNN Realty Advisors received shares of Grubb & Ellis in exchange for their NNN Realty Advisors shares and, immediately following the merger, former NNN Realty Advisor stockholders owned approximately 60.1% of Grubb & Ellis. Additionally, six of the nine post-merger directors of Grubb & Ellis were directors of NNN Realty Advisors prior to the merger, including the current Grubb & Ellis Chairman of the Board, Anthony W. Thompson. Scott D. Peters, the

Chief Executive Officer, President and current Chairman of the Board of NNN Realty Advisors, also now serves as Chief Executive Officer, President and a director of Grubb & Ellis. As a result of the merger, we consider Grubb & Ellis to be our sponsor.

As of December 14, 2007, we had purchased 17 properties comprising approximately 1,902,000 square feet of gross leasable area, or GLA.

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Business Strategies

We intend to invest in a diversified portfolio of real estate and real estate related securities, focusing primarily on investments that produce current income. Our real estate investments will focus on medical office buildings, healthcare-related facilities and quality commercial office properties. We may also invest in real estate related securities. However, we do not presently intend to invest more than 15.0% of our total assets in real estate related securities. Our real estate related securities investments will generally focus on common and preferred stock of public or private real estate companies, collateralized mortgage-backed securities, other forms of mortgage debt and certain other securities, including collateralized debt obligations and foreign securities. We will seek to maximize long-term stockholder value by generating sustainable growth in cash flow and portfolio value. In order to achieve these objectives, we may invest using a number of investment structures which may include direct acquisitions, joint ventures, leveraged investments, issuing securities for property and direct and indirect investments in real estate. In order to maintain our exemption from regulation as an investment company under the Investment Company Act, we may be required to limit our investments in real estate related securities.

In addition, when and as determined appropriate by our advisor, the portfolio may also include properties in various stages of development other than those producing current income. These stages would include, without limitation, unimproved land, both with and without entitlements and permits, property to be redeveloped and repositioned, newly constructed properties and properties in lease-up or other stabilization, all of which will have limited or no relevant operating histories and no current income. Our advisor will make this determination based upon a variety of factors, including the available risk adjusted returns for such properties when compared with other available properties, the appropriate diversification of the portfolio, and our objectives of realizing both current income and capital appreciation upon the ultimate sale of properties.

For each of our investments, regardless of property type, our advisor will seek to invest in properties with the following attributes:

Quality. We will seek to acquire properties that are suitable for their intended use with a quality of construction that is capable of sustaining the property s investment potential for the long-term, assuming funding of budgeted maintenance, repairs and capital improvements.

Location. We will seek to acquire properties that are located in established or otherwise appropriate markets for comparable properties, with access and visibility suitable to meet the needs of its occupants.

Market; and Supply and Demand. We will focus on local or regional markets which have potential for stable and growing property level cash flow over the long-term. These determinations will be based in part on an evaluation of local economic, demographic and regulatory factors affecting the property. For instance, we will favor markets that indicate a growing population and employment base or markets that exhibit potential limitations on additions to supply, such as barriers to new construction. Barriers to new construction include lack of available land and stringent zoning restrictions. In addition, we will generally seek to limit our investments in areas that have limited potential for growth.

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

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

We will not invest more than 10.0% of the offering proceeds available for investment in unimproved or non-income producing properties or in other investments relating to unimproved or non-income producing property. A property: (1) not acquired for the purpose of producing rental or other operating income; or (2) with no development or construction in process or planned in good faith to commence within one year will be considered unimproved or non-income producing property for purposes of this limitation.

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We are not limited as to the geographic area where we may acquire properties. We are not specifically limited in the number or size of properties we may acquire or on the percentage of our assets that we may invest in a single property or investment. The number and mix of properties we acquire will depend upon real estate and market conditions and other circumstances existing at the time we are acquiring our properties and making our investments and the amount of proceeds we raise in this and potential future offerings.

Acquisitions in 2007

Affiliate Acquisitions

As a result of acquiring the NNN Southpointe, LLC, NNN Crawfordsville, LLC, NNN Gallery Medical, LLC, NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC membership interests from affiliates, as described below, an independent appraiser was engaged to value the properties and the transactions were approved and determined by a majority of our board of directors, including a majority of our independent directors, as fair and reasonable to us, and at prices no greater than the cost of the investments to our affiliate or the properties appraised values. For more information regarding the financing of these acquisitions, see Capital Resources Financing,

Southpointe Office Parke and Epler Parke I Indianapolis, Indiana

On January 22, 2007, we acquired all of the membership interests of NNN Southpointe, LLC from an affiliate, for a total purchase price of $14,800,000, plus closing costs. NNN Southpointe, LLC has fee simple ownership of Southpointe Office Parke and Epler Parke I, located in Indianapolis, Indiana. We primarily financed the purchase price through the assumption of an existing mortgage loan of $9,146,000 on the property with LaSalle and approximately $5,115,000 of the proceeds from a $7,500,000 unsecured loan from NNN Realty Advisors. The balance was provided by funds raised through our offering. An acquisition fee of $444,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Crawfordsville Medical Office Park and Athens Surgery Center Crawfordsville, Indiana

On January 22, 2007, we acquired all of the membership interests of NNN Crawfordsville, LLC from an affiliate, for a total purchase price of $6,900,000, plus closing costs. NNN Crawfordsville, LLC has fee simple ownership of Crawfordsville Medical Office Park and Athens Surgery Center, located in Crawfordsville, Indiana. We primarily financed the purchase price through the assumption of an existing mortgage loan of $4,264,000 on the property with LaSalle and approximately $2,385,000 of the proceeds from a $7,500,000 unsecured loan from NNN Realty Advisors. The balance was provided by funds raised through our offering. An acquisition fee of $207,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

The Gallery Professional Building St. Paul, Minnesota

On March 9, 2007, we acquired all of the membership interests of NNN Gallery Medical, LLC from an affiliate, for a purchase price of $8,800,000, plus closing costs. NNN Gallery Medical, LLC has fee simple ownership of The Gallery Professional Building, located in St. Paul, Minnesota. We primarily financed the purchase price through the assumption of an existing mortgage loan of $6,000,000 on the property with LaSalle and a $1,000,000 unsecured loan from NNN Realty Advisors. The balance of the purchase price was provided by funds raised through this offering. An acquisition fee of $264,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Lenox Office Park, Building G Memphis, Tennessee

On March 23, 2007, we acquired all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC from an affiliate, for a purchase price of $18,500,000, plus closing costs. NNN Lenox Medical, LLC holds a leasehold interest in Lenox Office Park, Building G, and NNN Lenox Medical Land, LLC holds a fee simple interest in two vacant parcels of land within Lenox Office Park, located in Memphis, Tennessee, which we collectively refer to as the Lenox property. We primarily financed the purchase price of the property and land parcels through the assumption of an existing mortgage loan of $12,000,000 on

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the property with LaSalle. The balance of the purchase price was provided by funds raised through this offering. An acquisition fee of $555,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Unaffiliated Third Party Acquisitions

Commons V Medical Office Building Naples, Florida

On April 24, 2007, we acquired Commons V Medical Office Building, located in Naples, Florida, or the Commons V property, from an unaffiliated third party, for a purchase price of $14,100,000, plus closing costs. We financed the purchase price using funds raised through this offering. An acquisition fee of $423,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. In addition, a real estate commission of $300,000, or approximately 2.0% of the purchase price, was paid to Grubb & Ellis. On May 14, 2007, we entered into a loan, secured by the Commons V property, with Wachovia, evidenced by a promissory note in the principal amount of $10,000,000. The proceeds from this loan were used to purchase the Thunderbird Medical Plaza as described below.

Yorktown Medical Center and Shakerag Medical Center Fayetteville and Peachtree City, Georgia

On May 2, 2007, we acquired Yorktown Medical Center and Shakerag Medical Center, located in Fayetteville, Georgia and Peachtree City, Georgia, respectively, which we collectively refer to as the Peachtree property, for a total purchase price of $21,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price through a secured loan with Wachovia as evidenced by a promissory note in the principal amount of $13,530,000 and by funds raised through this offering. An acquisition fee of $645,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Thunderbird Medical Plaza Glendale, Arizona

On May 15, 2007, we acquired Thunderbird Medical Plaza, located in Glendale, Arizona, for a total purchase price of $25,000,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of $9,651,000 in net proceeds from the $10,000,000 loan from Wachovia secured by the Commons V property (described above) and funds raised through this offering. An acquisition fee of $750,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. On June 8, 2007, we entered into a loan, secured by the Thunderbird property, with Wachovia, evidenced by a promissory note in the principal amount of $14,000,000. The proceeds from this loan were used to purchase Triumph Hospital Northwest and Triumph Hospital Southwest as described below.

Triumph Hospital Northwest and Triumph Hospital Southwest Houston and Sugar Land, Texas

On June 8, 2007, we acquired Triumph Hospital Northwest, located in Houston, Texas, and Triumph Hospital Southwest, located in Sugar Land, Texas, which we collectively refer to as the Triumph Hospital Portfolio, for a total purchase price of $36,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of $12,605,000 in net proceeds from the loan from Wachovia secured by the Thunderbird property (described above), $20,975,000 from funds raised through this offering and the balance of $4,000,000 from an unsecured loan from NNN Realty Advisors. An acquisition fee of $1,095,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Gwinnett Professional Center Lawrenceville, Georgia

On July 27, 2007, we acquired the Gwinnett Professional Center, located in Lawrenceville, Georgia, or the Gwinnett property, for a purchase price of $9,300,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of debt financing consisting of a $6,000,000 loan assumed with a current principal balance of $5,734,000 secured by the Gwinnett property from LaSalle and funds raised through this offering. An acquisition fee of $279,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

1 and 4 Market Exchange Columbus, Ohio

On August 15, 2007, we acquired 1 Market Exchange, 4 Market Exchange and a vacant parcel of land, located in Columbus, Ohio, which we collectively refer to as the 1 and 4 Market property, for a total purchase price of $21,900,000, plus closing costs. We acquired the property from unaffiliated third parties. We financed the purchase price using funds raised through this offering. An acquisition fee of $657,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. On September 28, 2007, we entered into a loan, secured by the 1 and 4 Market property, with Wachovia, evidenced by a promissory note in the principal amount of $14,500,000.

Kokomo Medical Office Park Kokomo, Indiana

On August 30, 2007, we acquired the Kokomo Medical Office Park, located in Kokomo, Indiana, or the Kokomo property, for a total purchase price of $13,350,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of funds raised through this offering and the balance of $1,300,000 from an unsecured loan from NNN Realty Advisors. An acquisition fee of $401,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

St. Mary Physicians Center Long Beach, California

On September 5, 2007, we acquired St. Mary Physicians Center, located in Long Beach, California, or the St. Mary property, for a purchase price of $13,800,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of $8,280,000 from a loan secured by the St. Mary property and the balance of $6,100,000 from an unsecured loan from NNN Realty Advisors. An acquisition fee of $414,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

2750 Monroe Boulevard Valley Forge, Pennsylvania

On September 10, 2007, we acquired 2750 Monroe Boulevard, located in Valley Forge, Pennsylvania, or the 2750 Monroe property, for a total purchase price of $26,700,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price of the property with approximately $27,870,000 in borrowings under our secured revolving line of credit with LaSalle. An acquisition fee of $801,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. In addition, a real estate commission of $339,000, or 1.3% of the sales price, was also paid by the seller to Grubb & Ellis.

East Florida Senior Care Portfolio Jacksonville, Winter Park and Sunrise, Florida

On September 28, 2007, we acquired the East Florida Senior Care Portfolio, located in Jacksonville, Winter Park and Sunrise, Florida, or the EFSC property, for a total purchase price of $52,000,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of $24,918,000 in net proceeds from a $26,000,000 loan (net of a $4,500,000 loan holdback) from KeyBank, secured by the EFSC property, $11,000,000 in borrowings under a secured revolving line of credit with LaSalle and the balance with funds raised through our offering. An acquisition fee of $1,560,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Acquisitions after September 30, 2007

Northmeadow Medical Center Roswell, Georgia

On November 15, 2007, we acquired Northmeadow Medical Center, located in Roswell, Georgia, for a purchase price of $11,850,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price with $12,400,000 in borrowings under our secured revolving line of credit with LaSalle. An acquisition fee of $356,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Tucson Medical Office Portfolio Tucson, Arizona

On November 27, 2007, we acquired of Tucson Medical Office Portfolio, located in Tucson, Arizona. for a purchase price of $21,050,000, plus closing costs, from an unaffiliated third party. We financed the purchase using $22,000,000 in borrowings using our secured revolving line of credit with LaSalle. We paid our advisor and its affiliate an acquisition fee of $634,000, or 3.0% of the purchase price, in connection with the acquisition.

Lima Medical Office Portfolio Lima, Ohio

On December 7, 2007, we acquired the Lima Medical Office Portfolio, located in Lima, Ohio, for a purchase price of $25,250,000, plus closing costs, from an unaffiliated third party. We financed the purchase using our secured revolving line of credit with LaSalle. We paid our advisor and its affiliate an acquisition fee of $758,000, or 3.0% of the purchase price, in connection with the acquisition.

Proposed Acquisitions

Park Place Office Park Dayton, Ohio

On November 19, 2007, our board of directors approved the acquisition of Park Place Office Park located in Dayton, Ohio, or the Park Place property. We anticipate purchasing the Park Place property for a total purchase price of $16,750,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of $503,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the Park Place property.

Highlands Ranch Healthcare Plaza Highlands Ranch, Colorado

On November 19, 2007, our board of directors approved the acquisition of Highlands Ranch Healthcare Plaza, or the Highlands Ranch property. We anticipate purchasing the Highlands Ranch property for a total purchase price of $14,500,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of $435,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the Highlands Ranch property.

Chesterfield Rehabilitation Chesterfield, Missouri

On December 13, 2007, our board of directors approved the acquisition of an 80.0% interest in certain real property and improvements located in Chesterfield, Missouri, or the Chesterfield property, pursuant to a joint venture with a subsidiary of Duke Realty Corporation, or Duke, the current owner of the Chesterfield property. The Chesterfield property is 100.0% leased to St. John s Mercy Rehabilitation, LLC and operates as St. John s Mercy Rehabilitation Hospital. In the proposed transaction, Duke will contribute the Chesterfield property, valued at approximately $36,500,000, to the joint venture, and we will contribute approximately $11,700,000, which we expect to fund through a combination of debt and equity financing. In addition, the joint venture is expected to obtain debt financing of approximately $22,000,000. As a result of these contributions, we will receive an 80.0% interest in the joint venture, and Duke will receive a 20.0% interest in the joint venture as well as a distribution of approximately $33,500,000 in cash. We anticipate that the closing will occur in December of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the Chesterfield property.

Critical Accounting Policies

We believe that our critical accounting policies are those that require significant judgments and estimates such as those related to revenue recognition, allowance for uncollectible accounts, capitalization of expenditures, depreciation of assets, impairment of real estate, properties held for sale, purchase price allocation, and qualification as a REIT. These estimates are made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Actual results could differ from those estimates, perhaps in material adverse ways, and those estimates could be different under different assumptions or conditions.

Revenue Recognition, Tenant Receivables and Allowance for Uncollectible Accounts

In accordance with Statement of Financial Accounting Standards, or SFAS, No. 13, *Accounting for Leases*, as amended and interpreted, we will recognize base rental income on a straight-line basis over the terms of the respective lease agreements (including rent holidays). Differences between rental income recognized and amounts contractually due under the lease agreements will be credited or charged, as applicable, to rent receivable. Tenant reimbursement revenue, which is comprised of additional amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses, will be recognized as revenue in the period in which the related expenses are incurred.

Tenant receivables and unbilled deferred rent receivables will be carried net of the allowances for uncollectible tenant receivables and unbilled deferred rent. An allowance will be maintained for estimated losses resulting from the inability of certain tenants to meet their contractual obligations under their lease agreements. We also will maintain an allowance for deferred rent receivables arising from the straight-lining of rents. We will determine the adequacy of this allowance by continually evaluating individual tenant receivables considering the tenant s financial condition, security deposits, letters of credit, lease guarantees, if applicable, and current economic conditions.

Capitalization of Expenditures and Depreciation of Assets

The cost of operating properties will include the cost of land and completed buildings and related improvements. Expenditures that increase the service life of properties will be capitalized; the cost of maintenance and repairs will be charged to expense as incurred. The cost of building and improvements will be depreciated on a straight-line basis over the estimated useful lives of the buildings and improvements, ranging primarily from 15 to 39 years and the shorter of the lease term or useful life, ranging from one to 10 years for tenant improvements. Furniture, fixtures and equipment will be depreciated over five years. When depreciable property will be retired or disposed of, the related costs and accumulated depreciation will be removed from the accounts and any gain or loss reflected in operations.

Impairment

Our properties will be carried at the lower of historical cost less accumulated depreciation or fair value. We will assess the impairment of a real estate asset when events or changes in circumstances indicate that the net book value may not be recoverable. Indicators we consider important and that we believe could trigger an impairment review include the following:

significant negative industry or economic trends;

a significant underperformance relative to historical or projected future operating results; and a significant change in the manner in which the asset is used.

In the event that the carrying amount of a property exceeds the sum of the undiscounted cash flows (excluding interest) that would be expected to result from the use and eventual disposition of the property, we would recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property. The estimation of expected future net cash flows will be inherently uncertain and will rely on subjective assumptions dependent upon future and current market conditions and events that affect the ultimate value of the property. It will require us to make assumptions related to future rental rates, tenant allowances, operating expenditures, property taxes, capital improvements, occupancy levels, and the estimated proceeds generated from the future sale of the property.

Properties Held for Sale

We will account for our properties held for sale in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets,* or SFAS No. 144, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and requires that, in a period in which a component of an entity either has been disposed of or is classified as held for sale, the income statements for current and prior periods shall report the results of operations of the component as discontinued operations.

In accordance with SFAS No. 144, at such time as a property is held for sale, such property will be carried at the lower of (1) its carrying amount or (2) fair value less costs to sell. In addition, a property being held for sale ceases to be depreciated. We will classify operating properties as property held for sale in the period in which all of the following criteria are met:

- management, having the authority to approve the action, commits to a plan to sell the asset;
- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- an active program to locate a buyer and other actions required to complete the plan to sell the asset has been initiated;
- the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale within one year;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- given the actions required to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that the plan would be withdrawn.

Purchase Price Allocation

In accordance with SFAS No. 141, *Business Combinations*, we, with assistance from independent valuation specialists, will allocate the purchase price of acquired properties to tangible and identified intangible assets based on their respective fair values. The allocation to tangible assets (building and land) will be based upon our determination of the value of the property as if it were vacant using discounted cash flow models similar to those used by independent appraisers. Factors considered by us will include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. Additionally, the purchase price of the applicable property will be allocated to the above or below market value of in-place leases and the value of in-place leases and related tenant relationships.

The value allocable to the above or below market component of the acquired in-place leases will be determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (1) the contractual amounts to be paid pursuant to the lease over its remaining term and (2) management s estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above market leases will be included in the intangible assets and below market lease values will be included in intangible liabilities in our consolidated financial statements and will be amortized to rental income over the weighted average remaining term of the acquired leases with each property.

The total amount of other intangible assets acquired will be further allocated to in-place lease costs and the value of tenant relationships based on management s evaluation of the specific characteristics of each tenant s lease and our overall relationship with that respective tenant. Characteristics considered by management in allocating these values will include the nature and extent of the credit quality and expectations of lease renewals, among other factors.

These allocations will be subject to change based on continuing valuation analysis, or other evidence, until the allocations are finalized or the stipulated time of one year from the date of acquisition.

Qualification as a REIT

For our taxable year ended December 31, 2007, we intend to elect to be taxed as a REIT under Section 856 through 860 of the Internal Revenue Code and, upon the election being made, we will be taxed as such beginning with our taxable year ended December 31, 2007. Because of our intention to elect REIT status in 2007, we will not benefit from the loss incurred in the year ended December 31, 2006. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90.0% of our REIT taxable income to stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates starting with that year and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service were to grant us relief under certain statutory provisions. Such an event could have a material adverse effect on our net income and net cash available for distribution to stockholders. However, we believe that we will be organized and will operate in such a manner as to qualify for treatment as a REIT for federal income tax purposes.

Factors Which May Influence Results of Operations

Rental Income

The amount of rental income generated by our properties depends principally on our ability to maintain the occupancy rates of currently leased space, to lease currently available space and lease space available from unscheduled lease terminations at the existing rental rates. Negative trends in one or more of these factors could adversely affect our rental income in future periods.

Scheduled Lease Expirations

As of September 30, 2007, our consolidated properties were 91.5% leased. 1.8% of the leased GLA expires during the remainder of 2007. Our leasing strategy for 2007 focuses on negotiating renewals for leases scheduled to expire during the remainder of the year. If we are unable to negotiate such renewals, we will try to identify new tenants or collaborate with existing tenants who are seeking additional space to occupy. Of the leases expiring in 2007, we anticipate, but cannot assure, that all of the tenants will renew for another term.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, and related laws, regulations and standards relating to corporate governance and disclosure requirements applicable to public companies, have increased the costs of compliance with corporate governance, reporting and disclosure practices which are now required of us. These costs may have a material impact on our results of operations and could impact our ability to pay distributions to our stockholders. Furthermore, we expect that these costs will increase in the future due to our continuing implementation of compliance programs mandated by these requirements. Any increased costs may affect our ability to distribute funds to our stockholders.

In addition, these laws, rules and regulations create new legal bases for potential administrative enforcement, civil and criminal proceedings against us in case of non-compliance, thereby increasing the risks of liability and potential sanctions against us. We expect that our efforts to comply with these laws and regulations will continue to involve significant, and potentially increasing costs and our failure to comply, could result in fees, fines, penalties or administrative remedies against us.

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Results of Operations

Nine Months Ended September 30, 2007 Compared to the Period from April 28, 2006 (Date of Inception) through September 30, 2006

Net Loss

For the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, we had a net loss of $3,669,000 and $50,000, respectively, or $(0.53) and $(141.88) per share, respectively, due to revenue of $8,711,000 and $0, respectively, offset by rental expenses of $3,065,000 and $0, respectively, general and administrative expenses of $1,957,000 and $50,000, respectively, depreciation and amortization of $5,252,000 and $0, respectively, interest expense of $2,302,000 and $0, respectively, and interest income of $196,000 and $0, respectively.

Revenue

For the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, revenue was comprised of $8,711,000 and $0 in rental income, respectively. The increases were primarily related to two full quarters of rental income at the Southpointe property, the Crawfordsville property, the Gallery property and the Lenox property. Also, the increase was related to a full quarter of rental income at the Commons V property, the Peachtree property, the Thunderbird property and the Triumph Hospital Portfolio. In addition to the increase, we received rental income from the Gwinnett property for 66 days, the 1 and 4 Market property for 47 days, the Kokomo property for 32 days, the St. Mary property for 26 days, the 2750 Monroe property for 21 days and the EFSC property for three days.

Rental Expense

For the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, rental expense was $3,065,000 and $0, respectively. Rental expense represents expense for two full quarters at the Southpointe property, the Crawfordsville property, the Gallery property and the Lenox property. Also, the increase was related to a full quarter of rental expense at the Commons V property, the Peachtree property, the Thunderbird property and the Triumph Hospital Portfolio. In addition to the increase, rental expense was comprised of the Gwinnett property for 66 days, the 1 and 4 Market property for 47 days, the Kokomo property for 32 days, the St. Mary property for 26 days, the 2750 Monroe property for 21 days and the EFSC property for three days.

General and Administrative

For the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, general and administrative expense was $1,957,000 and $50,000, respectively. General and administrative expenses consisted primarily of third-party professional legal and accounting fees related to our SEC filing requirements, asset management fees, board of directors fees and retainer and director and officer s insurance.

Depreciation and Amortization

For the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, depreciation and amortization expense was comprised primarily of depreciation on the properties of $2,312,000 and $0, respectively, and amortization of identified intangible assets of $2,937,000 and $0, respectively.

The increase from prior quarter is due to the increase in the number of properties owned by us.

Interest Expense

For the nine months ended September 30, 2007 and for the period from April 28 (Date of Inception) through September 30, 2006, interest expense was related to interest expense primarily on our mortgage loan payables and line of credit of $2,164,000 and $0, respectively, interest expense on the unsecured note payables to NNN Realty Advisors of $84,000, and $0, respectively, and amortization of loan fees associated with acquiring the mortgage loan payables of $54,000 and $0, respectively, that are being amortized to interest expense over the terms of the related mortgage note payables.

For the Period from April 28, 2006 (Date of Inception) through December 31, 2006

As of December 31, 2006, we had not raised the minimum offering nor had we acquired any real estate properties or real estate related investments. We are not aware of any material trends or uncertainties, other than national economic conditions affecting real estate generally, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or income from the acquisition, management and operation of properties other than those listed in Risk Factors.

If we fail to raise significant proceeds above our minimum offering, we will not have enough proceeds to invest in a diversified real estate portfolio. Our real estate portfolio would be concentrated in a small number of properties, resulting in increased exposure to local and regional economic downturns and the poor performance of one or more of our properties and, therefore, expose our stockholders to increased risk. In addition, many of our expenses are fixed regardless of the size of our real estate portfolio. Therefore, depending on the amount of offering proceeds we raise, we would expend a larger portion of our income on operating expenses. This would reduce our profitability and, in turn, the amount of net income available for distribution to our stockholders.

For the period from April 28, 2006 (Date of Inception) through December 31, 2006, we had a net loss of approximately $242,000, or $149.03 per share due to general and administrative expenses related to directors and officers insurance premiums of $68,000, directors fees of $55,000, restricted stock compensation of $51,000 and professional and legal fees of $68,000. We expect general and administrative expenses to increase in the future based on a full year of operations as well as increased activity as we make real estate investments. Our results of operations are not indicative of those expected in future periods.

Our organizational, offering and related expenses are initially being paid by our advisor, our dealer manager and their affiliates on our behalf. These organizational, offering and related expenses include all expenses (other than selling commissions and the marketing support fee) to be paid by us in connection with this offering. As of December 31, 2006, our advisor or its affiliates have incurred $1,093,000. These expenses will only become our liability to the extent selling commissions, the marketing support fee and due diligence expense reimbursement and other organizational and offering expenses do not exceed 11.5% of the gross proceeds of this offering. We have no obligation to reimburse our advisor, our dealer manager or their affiliates for any organizational, offering and related expenses unless we raise the minimum offering. As such, these expenses are not recorded in our accompanying consolidated financial statements because we had not raised the minimum offering as of December 31, 2006. When recorded by us, such expenses will be charged to stockholders equity as such amounts are paid from the gross proceeds of this offering. See Note 4, Related Party Transactions Offering Stage to our accompanying consolidated financial statements for a further discussion of expenses during our offering stage.

Liquidity and Capital Resources

We are dependent upon the net proceeds to be received from our offering to conduct our proposed activities. The capital required to purchase real estate and real estate related securities will be obtained from our offering and from any indebtedness that we may incur.

Our principal demands for funds will be for acquisitions of real estate and real estate related securities, to pay operating expenses and interest on our outstanding indebtedness and to make distributions to our stockholders. In addition, we will require resources to make certain payments to our advisor and our dealer manager, which during our offering include payments to our advisor and its affiliates for reimbursement of certain organizational and offering expenses and to our dealer manager and its affiliates for selling commissions, non-accountable marketing support fees and due diligence expense reimbursements.

Generally, cash needs for items other than acquisitions of real estate and real estate related securities will be met from operations, future borrowings, and the net proceeds of our offering. However, there may be a delay between the sale of shares of our common stock and our investments in properties and real estate related securities, which could result in a delay in the benefits to our stockholders, if any, of returns generated from our investment operations. We believe that these cash resources will be sufficient to satisfy our cash requirements for the foreseeable future, and we do not anticipate a need to raise funds from other than these sources within the next 12 months.

We currently anticipate that we will require up to $5,331,000 for the next 12 months for capital expenditures. We have reserves with lenders for such capital expenditures of $2,839,000 as of September 30, 2007. To the extent we purchase additional properties in the future, we may require funds for capital expenditures. To the extent funds from operations are not sufficient to fund these expenditures, we would be required to borrow amounts.

Our advisor evaluates potential additional investments and engages in negotiations with real estate sellers, developers, brokers, investment managers, lenders and others on our behalf. Until we invest the proceeds of our offering in properties and real estate related securities, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments will not earn significant returns, and we cannot predict how long it will take to fully invest the proceeds in properties and real estate related securities. The number of properties we may acquire and other investments we will make will depend upon the number of shares sold in our offering and the resulting amount of net proceeds available for investment.

When we acquire a property, our advisor prepares a capital plan that contemplates the estimated capital needs of that investment. In addition to operating expenses, capital needs may also include costs of refurbishment, tenant improvements or other major capital expenditures. The capital plan also sets forth the anticipated sources of the necessary capital, which may include a line of credit or other loans established with respect to the investment, operating cash generated by the investment, additional equity investments from us or joint venture partners or, when necessary, capital reserves. Any capital reserve would be established from the gross proceeds of our offering, proceeds from sales of other investments, operating cash generated by other investments or other cash on hand. In some cases, a lender may require us to establish capital reserves for a particular investment. The capital plan for each investment will be adjusted through ongoing, regular reviews of our portfolio or as necessary to respond to unanticipated additional capital needs.

Cash Flows

Cash flows from operating activities for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, were $2,963,000 and $0, respectively. Such cash flows related primarily to operations from the properties. We anticipate cash flows from operating activities to continue to increase as we purchase more properties and have a full year of operations.

Cash flows used in investing activities for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006 were $258,510,000 and $0, respectively. For the nine months ended September 30, 2007, such cash flows related primarily to the acquisition of our 14 properties in the amount of $253,574,000. We anticipate cash flows used in investing activities to continue to increase as we purchase more properties.

Cash flows from financing activities for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006, were $259,857,000 and $202,000, respectively. For the nine months ended September 30, 2007, such cash flows related primarily to funds raised from investors in the amount of $157,281,000, borrowings on mortgage loan payables and unsecured note payables to affiliates of $106,210,000 and net borrowings under our secured line of credit with LaSalle of $35,700,000 partially offset by principal repayments of $19,921,000 on unsecured loans, offering costs of $16,130,000 and distributions of $1,638,000. Additional cash outflows related to debt financing costs of $1,668,000 in relation to the acquisitions. In 2006, such cash flows related to $2,000 from the sale of 200 shares of our common stock to our advisor and $200,000 invested in our operating partnership from our advisor.

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Distributions

The amount of the distributions to our stockholders will be determined by our board of directors and are dependent on a number of factors, including funds available for payment of distributions, our financial condition, capital expenditure requirements and annual distribution requirements needed to maintain our status as a REIT under Sections 856 through 860 of the Internal Revenue Code.

We paid our first monthly distribution on February 15, 2007 for the period ended January 31, 2007.

On February 14, 2007, our board of directors approved a 7.25% per annum distribution to be paid to stockholders beginning with our February 2007 monthly distribution, which was paid in March 2007. Distributions are paid monthly.

If distributions are in excess of our taxable income, such distributions will result in a return of capital to our stockholders.

For the nine months ended September 30, 2007, we paid distributions of $1,638,000 from cash flow from operations of $2,963,000 for the period. However, as of September 30, 2007, we owed $632,000 to our advisor and its affiliates for operating expenses, on-site personnel and engineering payroll and asset and property management fees, which will be paid from cash flow from operations in the future.

Our advisor and its affiliates have no obligations to defer or forgive amounts due to them. As of September 30, 2007, no amounts due to our advisor or its affiliates have been forgiven. In the future, if our advisor or its affiliates do not defer or forgive amounts due to them and as a result if our cash flow from operations is less than the distributions to be paid, we would be required to pay our distributions, or a portion thereof, with proceeds from our offering or borrowed funds. As a result, the amount of proceeds available for investment and operations would be reduced, or we may incur additional interest expense as a result of borrowed funds.

For the nine months ended September 30, 2007, our funds from operations, or FFO, was $1,583,000. We paid distributions of $1,638,000, of which $1,583,000 was paid from FFO and the remainder from proceeds from our offering. See our disclosure regarding FFO below.

We paid no distributions during 2006.

Capital Resources

Financing

We anticipate that aggregate borrowings, both secured and unsecured, will not exceed 60.0% of all of our properties combined fair market values, as determined at the end of each calendar year beginning with our first full year of operations. For these purposes, the fair market value of each asset will be equal to the purchase price paid for the asset or, if the asset was appraised subsequent to the date of purchase, then the fair market value will be equal to the value reported in the most recent independent appraisal of the asset. Our policies do not limit the amount we may borrow with respect to any individual investment.

Our charter precludes us from borrowing in excess of 300.0% of the value of our net assets, unless approved by our independent directors and the justification for such excess borrowing is disclosed to our stockholders in our next quarterly report. In accordance with our charter, a majority of our directors, including a majority of our independent directors, approved our leverage exceeding 300.0% in connection with our first four acquisitions. The board of directors determined that the excess leverage was justified because it enabled us to purchase the properties during the initial stages of our offering, thereby improving our ability to meet our goal of acquiring a diversified portfolio of properties to generate current income for investors and preserve investor capital. As of December 14, 2007, our leverage does not exceed 300.0%. We may, with a majority of our independent directors authority, exceed our charter s leverage guidelines during the early stages of our operations. We will take action to reduce any such excess as soon as practicable. Net assets for purposes of this calculation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and other non-cash reserves, less total liabilities.

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Mortgage Loan Payables

Mortgage loan payables were $123,433,000 ($123,331,000, net of discount) and $0 as of September 30, 2007 and December 31, 2006, respectively. As of September 30, 2007, we had fixed and variable rate mortgage loans with the effective interest rates ranging from 5.52% to 6.52% per annum and the weighted-average effective interest rate of 6.01% per annum. We are required by the terms of the applicable loan documents to meet certain financial covenants, such as debt service coverage ratios and rent coverage ratios, and reporting requirements. As of September 30, 2007, we were in compliance with all such covenants and requirements.

Mortgage loan payables consisted of the following as of September 30, 2007 and December 31, 2006:

Property	Interest Rate		Maturity Date	Mortgage Loan Payables as of September 30, 2007		Mortgage Loan Payables as of December 31, 2006
Fixed Debt:						
Southpointe Office Parke and Epler Parke I	6.11	%	9/1/2016	$	9,146,000	$
Crawfordsville Medical Office Park and Athens Surgery Center	6.12	%	10/1/2016		4,264,000	
The Gallery Professional Building	5.76	%	3/1/2017		6,000,000	
Lenox Office Park, Building G	5.88	%	2/1/2017		12,000,000	
Commons V Medical Office Building	5.54	%	6/11/2017		10,000,000	
Yorktown Medical Center and Shakerag Medical Center	5.52	%	5/11/2017		13,530,000	
Thunderbird Medical Plaza	5.67	%	6/11/2017		14,000,000	
Gwinnett Professional Center	5.88	%	1/1/2014		5,713,000	
St. Mary Physicians Center	5.80	%	9/4/2009		8,280,000	
					82,933,000	
Variable Debt:						
1 and 4 Market Exchange	Variable*		9/30/2010		14,500,000	
East Florida Senior Care Portfolio	Variable**		10/1/2010		26,000,000	
					40,500,000	
Total fixed and variable debt					123,433,000	
Less: discount					(102,000)	
Mortgage loan payables				$	123,331,000	$

* At our option, the loan bears interest at per annum rates equal to: (a) 30-day LIBOR plus 1.35%; or (b) the Prime Rate, as announced by Wachovia Financial from time to time. As of September 30, 2007, the rate was 6.47%.

** At our option, the loan bears interest at per annum rates equal to: (a) a rate equal to the greater of: (i) the prime rate, as established from time to time by KeyBank, or (ii) 1.0% in excess of the federal funds effective rate, as defined in the loan agreement; or (b) the Adjusted LIBOR Rate, as defined in the loan agreement. As of September 30, 2007, the rate was 6.52%.

Unsecured Note Payables to Affiliate

On January 22, 2007 and March 9, 2007, we entered into unsecured loans with NNN Realty Advisors, evidenced by unsecured promissory notes in the principal amounts of $7,500,000 and $1,000,000, respectively. The unsecured notes provided for maturity dates of July 22, 2007 and September 9, 2007, respectively. The $7,500,000 and $1,000,000 unsecured notes bore interest at a fixed rate of 6.86% and 6.84% per annum, respectively, and required monthly interest-only payments for the terms of the unsecured notes. The unsecured notes provided for default interest rates in an event of default equal to 8.86% and 8.84% per annum, respectively. On March 28, 2007, we repaid all outstanding principal and accrued interest on both unsecured notes.

On June 8, 2007, we entered into an unsecured loan with NNN Realty Advisors, evidenced by an unsecured promissory note in the principal amount of $4,000,000. The unsecured note provided for a maturity date of December 8, 2007. The $4,000,000 unsecured note bore interest at a fixed rate of 6.82% per annum and required monthly interest-only payments for the term of the unsecured note. The unsecured note provided for a default interest rate in an event of default equal to 8.82% per annum. On June 28, 2007, we repaid all outstanding principal and accrued interest on the unsecured note.

On August 30, 2007 and September 5, 2007, we entered into unsecured loans with NNN Realty Advisors, evidenced by unsecured promissory notes in the principal amounts of $1,300,000 and $6,100,000, respectively. The unsecured notes provided for maturity dates of March 1, 2008 and March 5, 2008, respectively. The $1,300,000 and $6,100,000 unsecured notes bore interest at a fixed rate of 6.85% and 6.86% per annum, respectively, and required monthly interest-only payments for the terms of the unsecured notes. The unsecured notes provided for default interest rates in an event of default equal to 8.85% and 8.86% per annum, respectively. On September 4, 2007 and September 11, 2007, we repaid all outstanding principal and accrued interest on both the $1,300,000 and $6,100,000 unsecured notes, respectively.

Because these loans were related party loans, the terms of the loans and the unsecured notes were approved by our board of directors, including a majority of our independent directors, and deemed fair, competitive and commercially reasonable by our board of directors.

Line of Credit

On September 10, 2007, we entered into a loan agreement, or the loan agreement, with LaSalle Bank N.A. to obtain a secured revolving credit facility in the initial aggregate maximum principal amount of $50,000,000, or the secured revolving line of credit with LaSalle. The proceeds of loans made under the loan agreement may be used to finance the purchase of properties or, provided no event of default has occurred and is continuing, may be used for any other lawful purpose. In addition to loans, our operating partnership may obtain up to $10,000,000 of the credit available under the loan agreement in the form of letters of credit. The initial term of the loan agreement is three years, which may be extended by one 12-month period subject to satisfaction of certain conditions, including payment of an extension fee equal to 0.20% of the principal balance of loans then outstanding.

The actual amount of credit available under the loan agreement is a function of certain loan to cost, loan to value and debt service coverage ratios contained in the loan agreement. The maximum principal amount of the loan agreement may be increased to $120,000,000 subject to the terms of the loan agreement. Also, additional financial institutions may become lenders under the loan agreement.

On December 12, 2007 we entered into a modification of loan agreement, or the modification, to increase the aggregate maximum principal amount of the secured revolving line of credit with LaSalle to $80,000,000 and to revise the definition of applicable margin under the loan agreement. On December 12, 2007, KeyBank joined the group of lenders under the loan agreement.

At our option, loans under the loan agreement bear interest at per annum rates equal to (a) LIBOR plus a margin of 1.50%, (b) the greater of LaSalle s prime rate or the Federal Funds Rate plus 0.50%, or (c) a combination of these rates. Accrued interest under the loan agreement is payable monthly and at maturity. In addition to interest, we are required to pay a fee on the unused portion of the lenders commitments under the loan agreement at a per annum rate equal to 0.20%, payable quarterly in arrears, beginning with the quarter ending December 31, 2007.

Our obligations with respect to the loan agreement are guaranteed by us and by our subsidiaries that own properties that serve as collateral for the loan agreement.

The loan agreement contains various affirmative and negative covenants that are customary for facilities and transactions of this type, including limitations on the incurrence of debt by us and our subsidiaries that own properties that serve as collateral for the loan agreement, limitations on the nature of our business, and limitations on distributions by us and our subsidiaries that own properties that serve as collateral for the loan agreement. The loan agreement also imposes the following financial covenants on us and our operating partnership, as applicable: (a) a minimum ratio of operating cash flow to interest expense, (b) a minimum ratio of operating cash flow to fixed charges, (c) a maximum ratio of liabilities to asset value, (d) a maximum distribution covenant and (e) a minimum net worth covenant, all of which are defined in the loan agreement. In addition, the loan agreement includes events of default that are customary for facilities and transactions of this type.

As of September 30, 2007 and December 31, 2006, borrowings under the secured revolving line of credit with LaSalle totaled $35,700,000 and $0, respectively. Borrowings as of September 30, 2007 bore interest at a weighted-average interest rate of 7.08% per annum.

REIT Requirements

In order to qualify as a REIT for federal income tax purposes, we are required to make distributions to our stockholders of at least 90.0% of REIT taxable income. In the event that there is a shortfall in net cash available due to factors including, without limitation, the timing of such distributions or the timing of the collections of receivables, we may seek to obtain capital to pay distributions by means of debt financing through one or more third parties. We may also pay distributions from cash from capital transactions including, without limitation, the sale of one or more of our properties.

Commitments and Contingencies

Our organizational, offering and related expenses are being paid by our advisor and their affiliates on our behalf. These organizational, offering and related expenses include all expenses (other than selling commissions and the marketing support fee which generally represent 7.0% and 2.5% of our gross offering proceeds, respectively) to be paid by us in connection with our offering. These expenses will only become our liability to the extent selling commissions, the marketing support fee and due diligence expense reimbursement and other organizational and offering expenses do not exceed 11.5% of the gross proceeds of our offering. As of September 30, 2007 and December 31, 2006, our advisor or its affiliates have incurred expenses of $990,000 and $1,728,000, respectively, in excess of 11.5% of the gross proceeds of our offering, and therefore these expenses are not recorded in our accompanying condensed consolidated financial statements as of September 30, 2007 and December 31, 2006. To the extent we raise additional proceeds from our offering, these amounts may become our liability.

Debt Service Requirements

One of our principal liquidity needs is the payment of interest on outstanding indebtedness. As of September 30, 2007, we had fixed and variable mortgage loan payables and the secured revolving line of credit with LaSalle outstanding secured by our properties, in the principal amount of $159,133,000 ($159,031,000, net of discount). As of September 30, 2007, the weighted-average interest rate on our outstanding debt was 6.77% per annum.

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Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured mortgage loan payables and the secured revolving line of credit with LaSalle as of September 30, 2007. The table does not reflect any available extension options.

	Payments Due by Period				
	Less Than 1 Year (2007)	1-3 Years (2008-2009)	3-5 Years (2010-2012)	More Than 5 Years (After 2012)	Total
Principal payments variable rate debt	$	$	$ 40,500,000	$	$ 40,500,000
Principal payments fixed rate debt	14,000	8,738,000	2,561,000	71,620,000	82,933,000
Line of credit			35,700,000		35,700,000
Interest payments variable rate debt (based on rate in effect as of September 30, 2007)	446,000	5,194,000	1,458,000		7,098,000
Interest payments fixed rate debt	1,202,000	9,538,000	12,748,000	16,157,000	39,645,000
Interest payments line of credit	632,000	5,057,000	1,897,000		7,586,000
Total	$ 2,294,000	$ 28,527,000	$ 94,864,000	$ 87,777,000	$ 213,462,000

Off-Balance Sheet Arrangements

As of September 30, 2007, we had no off-balance sheet transactions, nor do we currently have any such arrangements or obligations.

Inflation

We will be exposed to inflation risk as income from future long-term leases is expected to be the primary source of our cash flows from operations. We expect that there will be provisions in the majority of our tenant leases that would protect us from the impact of inflation. These provisions include rent steps, reimbursement billings for operating expense pass-through charges, real estate tax and insurance reimbursements on a per square foot allowance. However, due to the anticipated long-term nature of the leases, among other factors, the leases may not re-set frequently enough to cover inflation.

Funds from Operations

One of our objectives is to provide cash distributions to our stockholders from cash generated by our operations. FFO is not equivalent to our net income or loss as determined under GAAP. Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts, or NAREIT, an industry trade group, has promulgated a measure known as FFO which it believes more accurately reflects the operating performance of a REIT such as us.

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as revised in February 2004. The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from sales of property but including asset impairment writedowns, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO.

We are disclosing FFO and intend to disclose FFO in future filings because we consider FFO to be an appropriate supplemental measure of a REIT s operating performance as it is based on a net income analysis of property portfolio performance that excludes non-cash items such as depreciation. The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values historically rise and fall with market conditions, presentations of operating results for a REIT, using historical accounting for depreciation, could be less informative. The use of FFO is recommended by the REIT industry as a supplemental performance measure.

Presentation of this information is intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO is not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income as an indication of our performance. Our FFO reporting complies with NAREIT s policy described above.

The following is the calculation of FFO for the three months ended September 30, 2007 and 2006, for the nine months ended September 30, 2007 and for the period from April 28, 2006 (Date of Inception) through September 30, 2006:

	Nine Months Ended September 30, 2007	Period from April 28, 2006 (Date of Inception) through September 30, 2006
Net loss	$ (3,669,000)	$ (50,000)
Add:		
Depreciation and amortization consolidated properties	5,252,000	
FFO	$ 1,583,000	$ (50,000)
Weighted average common shares outstanding basic and diluted	6,939,820	350

Subsequent Events

Status of our Offering

As of December 7, 2007, we had received and accepted subscriptions in our offering for 19,995,950 shares of our common stock, or $199,720,000, excluding shares issued under our distribution reinvestment plan.

Acquisitions after September 30, 2007

Northmeadow Medical Center Roswell, Georgia

On November 15, 2007, we acquired Northmeadow Medical Center, located in Roswell, Georgia, for a purchase price of $11,850,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price with $12,400,000 in borrowings under our secured revolving line of credit with LaSalle. An acquisition fee of $356,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Tucson Medical Office Portfolio Tucson, Arizona

On November 27, 2007, we acquired of Tucson Medical Office Portfolio, located in Tucson, Arizona. for a purchase price of $21,050,000, plus closing costs, from an unaffiliated third party. We financed the purchase using $22,000,000 in borrowings using our secured revolving line of credit with LaSalle. We paid our advisor and its affiliate an acquisition fee of $634,000, or 3.0% of the purchase price, in connection with the acquisition.

Lima Medical Office Portfolio   Lima, Ohio

On December 7, 2007, we acquired the Lima Medical Office Portfolio, located in Lima, Ohio, for a purchase price of $25,250,000, plus closing costs, from an unaffiliated third party. We financed the purchase using our secured revolving line of credit with LaSalle. We paid our advisor and its affiliate an acquisition fee of $758,000, or 3.0% of the purchase price, in connection with the acquisition.

Proposed Unaffiliated Third Party Acquisitions

Park Place Office Park Dayton, Ohio

On November 19, 2007, our board of directors approved the acquisition of Park Place Office Park located in Dayton, Ohio, or the Park Place property. The Park Place property is comprised of three multi-tenant medical office buildings located on 8.51 acres of land. Park Place I, built in 1987, is a three-story building; Park Place II, built in 1988, is a three-story building; and Park Place III, built in 2002, is a four-story building. The three buildings contain approximately 133,000 feet of gross leasable area and are currently 87.7% occupied. The principal businesses occupying the buildings are healthcare providers. We anticipate purchasing the Park Place property for a total purchase price of $16,750,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of $503,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the Park Place property.

Highlands Ranch Healthcare Plaza Highlands Ranch, Colorado

On November 19, 2007, our board of directors approved the acquisition of Highlands Ranch Healthcare Plaza, or the Highlands Ranch property. The Highlands Ranch property is a two-building medical office complex located on 6.56 acres of land in Highlands Ranch, Colorado. Built in 1985, the Highlands Ranch property contains a combined net rental area of approximately 80,000 feet and is currently 81.5% occupied. The principal businesses occupying the buildings are healthcare providers. We anticipate purchasing the Highlands Ranch property for a total purchase price of $14,500,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of $435,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the fourth quarter of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the Highlands Ranch property.

Chesterfield Rehabilitation Chesterfield, Missouri

On December 13, 2007, our board of directors approved the acquisition of an 80.0% interest in certain real property and improvements located in Chesterfield, Missouri, or the Chesterfield property, pursuant to a joint venture with a subsidiary of Duke Realty Corporation, or Duke, the current owner of the Chesterfield property. The Chesterfield property is 100.0% leased to St. John s Mercy Rehabilitation, LLC and operates as St. John s Mercy Rehabilitation Hospital. In the proposed transaction, Duke will contribute the Chesterfield property, valued at approximately $36,500,000, to the joint venture, and we will contribute approximately $11,700,000, which we expect to fund through a combination of debt and equity financing. In addition, the joint venture is expected to obtain debt financing of approximately $22,000,000. As a result of these contributions, we will receive an 80.0% interest in the joint venture, and Duke will receive a 20.0% interest in the joint venture as well as a distribution of approximately $33,500,000 in cash. We anticipate that the closing will occur in December of 2007; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the Chesterfield property.

Financing/Interest Rate Swaps

On October 12, 2007, we executed an interest rate swap agreement with Wachovia in connection with the $14,500,000 secured loan on the 1 and 4 Market Exchange property, or the Market Exchange loan. Pursuant to the terms of the original promissory note, the Market Exchange loan bears interest, at our option, at a per annum rate equal to either:

(a) 30-day LIBOR plus 1.35%; or (b) the Prime Rate, as announced by Wachovia Financial from time to time. As a result of the interest rate swap agreement, the Market Exchange loan bears interest at an effective fixed rate of 5.97% per annum from September 28, 2007 through September 28, 2010;

and provides for monthly interest-only payments due on the first day of each calendar month commencing on November 1, 2007.

On October 19, 2007, we executed an interest rate swap agreement with KeyBank in connection with the $30,500,000 secured loan on the EFSC property, or the EFSC loan. Pursuant to the terms of the original promissory note, the EFSC loan bears interest, at our option, at a per annum rate equal to either: (a) a rate equal to the greater of: (1) the prime rate, as established from time to time by KeyBank, or (2) 1.0% in excess of the federal funds effective rate, as defined in the loan agreement; or (b) the Adjusted LIBOR Rate, as defined in the loan agreement. As a result of the interest rate swap agreement, the EFSC loan bears interest at an effective fixed rate of 6.01% per annum from November 1, 2007 through October 1, 2010; and provides for monthly principal and interest payments due on the tenth day of each calendar month commencing on November 10, 2007.

On October 22, 2007, we met the requirements of the EFSC loan and received the $4,500,000 loan holdback held in escrow from KeyBank pursuant to the loan agreement.

On December 5, 2007, we entered into a secured loan, or the Kokomo loan, with Wachovia Financial. The secured loan is evidenced by a loan agreement, or the Kokomo loan agreement, and a promissory note in the principal amount of $8,300,000, or the Kokomo note. The cash proceeds, net of closing costs, of approximately $8,249,000, were used to reimburse funds that we originally used to finance the acquisition of the Kokomo property, which we acquired on August 30, 2007. The Kokomo note is secured by a Mortgage, Assignment, Security Agreement and Fixture Filing, on the Kokomo property, and a Repayment Guaranty. The Kokomo loan provides for monthly interest-only payments due on the first business day of each calendar month. At our option, the Kokomo loan bears interest at per annum rates equal to: (a) 30-day LIBOR plus 1.40%; or (b) the Prime Rate, as announced by Wachovia Financial from time to time. If any monthly installment that is due is not received by Wachovia Financial on or before the 15th day of each month, the loan provides for a late charge equal to 4.0% of such monthly installment.

On December 5, 2007, we entered into an interest rate swap agreement with Wachovia in connection with the $8,300,000 Kokomo loan, with Wachovia Financial. Pursuant to the terms of the promissory note in favor of Wachovia Financial, the Kokomo loan bears interest, at our option, at a per annum rate equal to either: (a) 30-day LIBOR plus 1.40%; or (b) the Prime Rate, as announced by Wachovia Financial from time to time. As a result of the interest rate swap agreement, the Kokomo loan bears interest at a fixed rate of 5.86% per annum from December 5, 2007 through November 30, 2010; and provides for monthly interest-only payments due on the first day of each calendar month commencing on January 2, 2008.

On December 12, 2007 we entered into a modification of loan agreement, or the modification, to increase the aggregate maximum principal amount of the secured revolving line of credit with LaSalle to $80,000,000 and to revise the definition of applicable margin under the loan agreement. On December 12, 2007, KeyBank joined the group of lenders under the loan agreement. As of December 14, 2007, we have $37,600,000 in borrowings outstanding on the secured revolving line of credit.

Recently Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board, or the FASB, issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN No. 48. This interpretation, among other things, creates a two step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN No. 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, in which the impact of adoption should be accounted for as a cumulative-effect adjustment to the beginning balance of retained earnings in the year of adoption. The adoption of FIN No. 48 as of the beginning of the first quarter of 2007 did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement*, or SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. We will adopt SFAS No. 157 on January 1, 2008. We are evaluating SFAS No. 157 and have not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

In September 2006, the SEC released Staff Accounting Bulletin, or SAB, No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Current Year Misstatements*, or SAB No. 108, to address diversity in practice regarding consideration of the effects of prior year errors when quantifying misstatements in current year financial statements. The SEC staff concluded that registrants should quantify financial statement errors using both a balance sheet approach and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material.
SAB No. 108 states that if correcting an error in the current year materially affects the current year s income statement, the prior period financial statements must be restated. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB No. 108 in the fourth quarter of 2006 did not have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the fiscal year beginning on or before November 15, 2007, provided the provisions of SFAS No. 157 are applied. We will adopt SFAS No. 159 on January 1, 2008. We are evaluating SFAS No. 159 and have not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

As of December 31, 2006, we had not commenced real estate operations and therefore had limited exposure to financial market risks. During the nine months ended September 30, 2007, we assumed or entered into fixed and variable rate mortgage loan payables and a secured line of credit secured by our 14 properties.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business plan, we expect that the primary market risk to which we will be exposed is interest rate risk.

We may be exposed to the effects of interest rate changes primarily as a result of borrowings used to maintain liquidity and fund expansion and refinancing of our real estate investment portfolio and operations. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings, prepayment penalties and cash flows and to lower overall borrowing costs while taking into account variable interest rate risk. To achieve our objectives, we may borrow at fixed rates or variable rates. We may also enter into derivative financial instruments such as interest rate swaps and caps in order to mitigate our interest rate risk on a related financial instrument. We will not enter into derivative or interest rate transactions for speculative purposes.

In addition to changes in interest rates, the value of our properties is subject to fluctuations based on changes in local and regional economic conditions and changes in the creditworthiness of tenants, which may affect our ability to refinance our debt if necessary.

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Our interest rate risk is monitored using a variety of techniques. The table below presents, as of September 30, 2007, the principal amounts and weighted-average interest rates by year of expected maturity to evaluate the expected cash flows and sensitivity to interest rate changes.

	Expected Maturity Date						
	2007	2008	2009	2010	Thereafter	Total	Fair Value
xed rate debt							
incipal payments	$ 14,000	$ 150,000	$ 8,588,000	$ 545,000	$ 73,636,000	$ 82,933,000	$ 81,728,000
eighted-average terest rate on aturing debt	5.88%	5.74%	5.80%	5.68%	5.76%	5.77%	
ariable rate debt							
incipal payments	$	$	$	$ 76,200,000	$	$ 76,200,000	$ 76,200,000
eighted-average terest rate on aturing debt ased on rates in fect as of eptember 30, 007)				6.77%		6.77%	

As of September 30, 2007, our debt consisted of fixed and variable mortgage loan payables in the principal amount of $123,433,000 ($123,331,000, net of discount), at a weighted-average interest rate of 6.01% per annum. As of September 30, 2007, we had $35,700,000 outstanding on our line of credit at a weighted-average interest rate of 7.08%.

An increase in the variable interest rate on the line of credit and our variable rate mortgage loan payables constitutes a market risk. As of September 30, 2007, for example a 0.5% increase in LIBOR would have increased our overall annual interest expense by $381,000, or 7.38%.

PRIOR PERFORMANCE SUMMARY

The information presented in the Prior Performance Summary, or Summary, represents the historical experience of real estate and notes programs managed by NNN Realty Advisors, our former sponsor and wholly owned subsidiary of our current sponsor, Grubb & Ellis, Triple Net Properties, an indirect wholly owned subsidiary of Grubb & Ellis or collectively, NNN Realty Advisors Group, through December 31, 2006. Investors in our company should not assume that they will experience returns, if any, comparable to those experienced by investors in these prior notes and real estate programs.

From inception through December 31, 2006, NNN Realty Advisors Group served as an advisor, sponsor or manager to 165 real estate investment programs formed for the purpose of acquiring and operating commercial real estate properties, primarily consisting of retail, office, industrial and medical office buildings, healthcare-related facilities and apartment properties. The programs are either (1) public programs that are required to file public reports with the SEC, or (2) private programs that have no public reporting requirements. From inception through December 31, 2006, there were six public real estate programs and 159 private real estate programs. NNN Realty Advisors Group also served as sponsor and manager of four private notes programs.

Each of the private real estate programs, other than Western Real Estate Investment Trust, began with the formation of a limited liability company, or LLC, to acquire the property. The LLC may sell investor, or membership, units; investors that purchase membership units thus acquire an indirect interest in the property through their equity interest in the LLC. Simultaneously with the acquisition of the property, the LLC may also sell undivided tenant in common interests, or TIC interests, directly in the property. A TIC interest is not an interest in any entity, but rather a direct real property interest. A TIC may be an individual or an entity such as a limited liability company. Typically, the TICs are involved in tax-deferred exchanges structured to comply with the requirements of Section 1031 of the Internal Revenue Code, whereas the cash purchase of LLC membership units does not meet the requirements of Section 1031, although the LLC s interest in the underlying real property interest will also be a TIC interest.

Each private real estate program bears the same name as the respective LLC formed to acquire the property and may include both the sale of interests in the LLC and the individual TIC interests. Thus, the LLC is the de-facto identity of the private program and may acquire either an entire or a partial interest in a property. When a private program owns 100% of a property and all funds are raised from TICs and members of the LLC, the private program is referred to by NNN Realty Advisors Group as a Simple Ownership Structure. Conversely, if the program only owns a partial interest in the property or some portion of the funds are raised through one of the public programs which are advised or managed by NNN Realty Advisors Group, it is referred to by NNN Realty Advisors Group as a Complex Ownership Structure.

The public programs include four corporations, G REIT, Inc. and T REIT, Inc., which have qualified as REITs, and Grubb & Ellis Apartment REIT, Inc. and Grubb & Ellis Healthcare REIT, Inc., which intend to qualify as REITs, and two limited liability companies, NNN 2002 Value Fund, LLC and NNN 2003 Value Fund, LLC. Each of the public programs may acquire wholly-owned or partial interests in real estate properties. When a public program purchases a partial interest in a property that is also partially owned by a private program, the public program may invest either directly in the private program (by investing in the LLC or by purchasing a TIC interest) or outside of the private program by purchasing an interest in the property directly from the seller. However, Grubb & Ellis Apartment REIT, Inc. and Grubb & Ellis Healthcare REIT, Inc. will not participate in tenant-in-common syndications or transactions.

In either the Complex or Simple Ownership Structure, the LLC may or may not retain an interest in the property after the program is closed, depending on whether the program sells the entire interest of the property to TIC investors. If the LLC retains an ownership interest in the program, it does so as one of the TICs and generally sells its ownership interest to a number of LLC members.

NNN Realty Advisors Group maintains the day-to-day accounting for the LLC as well as the books and records for the property. In addition, NNN Realty Advisors Group is required to report financial data pertinent to the operation of each program and is responsible for the timely filing of the LLC s income tax return as well as providing year-end tax basis income and expense information to the TICs.

In some instances, the program owns an entire property, as in a Simple Ownership Structure, and the entire operation of the property is attributable to the program. In other instances, where the program owns a portion of a property or has affiliated ownership within the program, as in a Complex Ownership Structure, further allocations and disclosure are required to clarify the appropriate portions of the property s performance attributable to the various ownership interests.

NNN Realty Advisors Group presents the data in Prior Performance Table III for each program on either a GAAP basis or an income tax basis depending on the reporting requirements of the particular program. In compliance with the SEC reporting requirements, the Table III presentation of Revenues, Expenses and Net Income for the public programs has been prepared and presented by NNN Realty Advisors Group in conformity with accounting principles generally accepted in the Unites States of America, or GAAP, which incorporates accrual basis accounting. NNN Realty Advisors Group presents Table III for all private programs on an income tax basis (which can in turn be presented on either a cash basis or accrual basis), as the only applicable reporting requirement is for the year-end tax information provided to each investor. The Table III data for all private programs (which are generally formed using LLCs) are prepared and presented by NNN Realty Advisors Group in accordance with the cash method of accounting for income tax purposes. This is because most, if not all, of the investors in these private programs are individuals required to report to the Internal Revenue Service using the cash method of accounting for income tax purposes, and the LLCs are required to report on this basis when more than 50% of their investors are taxpayers that report using the cash method of accounting for income tax purposes. When GAAP-basis affiliates invest in a private program, as in a Complex Ownership Structure, the ownership presentation in the tables is made in accordance with the cash method of accounting for income tax purposes. This presentation is made for consistency and to present results meaningful to the typical individual investor that invests in an LLC.

While SEC rules and regulations allow NNN Realty Advisors Group to record and report results for its private programs on an income tax basis, investors should understand that the results of these private programs may be different if they were reported on a GAAP basis. Some of the major differences between GAAP accounting and income tax accounting (and, where applicable, between cash basis and accrual basis income tax accounting) that impact the accounting for investments in real estate are described in the following paragraphs:

The primary difference between the cash methods of accounting and accrual methods (both GAAP and the accrual method of accounting for income tax purposes) is that the cash method of accounting generally reports income when received and expenses when paid while the accrual method generally requires income to be recorded when earned and expenses recognized when incurred.

GAAP requires that, when reporting lease revenue, the minimum annual rental revenue be recognized on a straight-line basis over the term of the related lease, whereas the cash method of accounting for income tax purposes requires recognition of income when cash payments are actually received from tenants, and the accrual method of accounting for income tax purposes requires recognition of income when the income is earned pursuant to the lease contract.

GAAP requires that when an asset is considered held for sale, depreciation ceases to be recognized on that asset, whereas for income tax purposes, depreciation continues until the asset either is sold or is no longer in service.

GAAP requires that when a building is purchased, certain intangible assets and liabilities (such as above-and below-market leases, tenant relationships and in-place lease costs) are allocated separately from the building and are amortized over significantly shorter lives than the depreciation recognized on the building. These intangible assets and liabilities are not recognized for income tax purposes and are not allocated separately from the building for purposes of tax depreciation.

GAAP requires that an asset is considered impaired when the carrying amount of the asset is greater than the sum of the future undiscounted cash flows expected to be generated by the asset, and an impairment loss must then be recognized to decrease the value of the asset to its fair value. For income tax purposes, losses are generally not recognized until the asset has been sold to an unrelated party or otherwise disposed of in an arm s length transaction.

When the private program owns 100% of the property and the entire fund is raised from TICs and LLC members investing directly in the private program, 100% of the private program s operating results are presented for the relevant years.

When a private real estate program directly invests in and owns a partial interest in the property (as an example, 75%) and the remaining interest of the property (25%) is owned outside of the program by a public program, only the operating results relating to the private program ownership in the property (75%) are presented for the relevant years. The allocation is based on the private program s effective ownership in the property.

When a private real estate program acquires a 100% interest in the property but is jointly owned by a public entity investing directly in the private program, 100% of the private program s operating results will be presented for the relevant years on a cash income tax basis. The affiliated ownership portion of the equity is eliminated in aggregation of all private programs reporting on a cash income tax basis. In such cases, Prior Performance Table III also presents the unaffiliated equity for informational purposes only.

NNN 2004 Notes Program, LLC, NNN 2005 Notes Program, LLC, NNN 2006 Notes Program LLC, and NNN Collateralized Senior Notes, LLC, or the Notes Programs, offered units of interest, or note units. The Notes Programs were formed for the purpose of making secured and unsecured loans to affiliates of NNN Realty Advisors Group for the sole purpose of acquiring and holding real estate. An investor of the Notes Programs invested in note units and made loans to the LLC. Triple Net Properties is the sole member and manager of each of the notes programs LLC and caused the LLC to use the net proceeds of the offering to support its efforts in sponsoring real estate investments by making secured and unsecured loans. Triple Net Properties, as the sole member and manager of the company, has guaranteed the payment of all principal and interest on the note units.

References in the Summary

References in this Summary to our Reorganization refer to the acquisition by NNN Realty Advisors in the fourth quarter of 2006 of the outstanding ownership interests of Triple Net Properties, NNN Capital Corp. and Realty. As a result of the Reorganization, NNN Realty Advisors became our sponsor until December 7, 2007, at which time Grubb & Ellis became our sponsor as a result of the merger with NNN Realty Advisors.

References in the Summary to unaffiliated members and to unaffiliated TICs refer to investors that hold membership units in a program LLC or a TIC interest in a program property, as applicable, but that are not otherwise affiliated with NNN Realty Advisors Group.

References in the Summary to Mr. Thompson refer to Anthony W. Thompson, who serves as the Chairman of the Board of Grubb & Ellis and owns approximately 14% of Grubb & Ellis.

References in the Summary to Mr. Rogers refer to Louis J. Rogers, who served as a director and owns approximately 3% of Grubb & Ellis and served as the former president of Triple Net Properties from September 2004 until April 2007.

References in the Summary to loans from affiliates of NNN Realty Advisors Group refer to loans from Cunningham Lending Group, LLC, which is 100.0% owned by Mr. Thompson, NNN 2004 Notes Program, LLC or NNN 2005 Notes Program, LLC. Loans made by these entities are unsecured loans which were not negotiated at arms length with interest rates ranging from 8.0% to 12.0%.

References in the Summary to shareholders of Triple Net Properties refer to individuals or entities that owned a membership interest in Triple Net Properties of less than 7.0% prior to the Reorganization.

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References in the Summary table headings to GLA of a property indicate the gross leasable area of the property, which is expressed for the entire property even where the relevant program owns less than a 100% interest in the property.

During 2004, 2005 and 2006, NNN Realty Advisors Group-sponsored programs acquired 122 properties, for which the property type, location and method of financing are summarized below.

Property Type	**No. of Properties**
Office	97
Apartments	22
Retail	1
Industrial	1
Land	1
Total	122
Location	
Arizona	4
Arkansas	1
California	20
Colorado	6
Florida	11
Georgia	8
Illinois	1
Indiana	1
Maryland	1
Minnesota	2
Missouri	3
Nebraska	2
Nevada	4
New Jersey	2
North Carolina	8
Ohio	3
Oregon	2
Pennsylvania	3
South Carolina	2
Tennessee	3
Texas	31
Utah	1
Virginia	2
Wisconsin	1
Total	122

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Method of Financing	No. of Properties
All debt	0
All cash	7
Combination of cash and debt	115
Total	122

Public Programs

G REIT, Inc.

G REIT, Inc., or G REIT, was formed as a Virginia corporation in December 2001, reincorporated as a Maryland corporation in September 2004 and is qualified as a REIT for federal income tax purposes. G REIT was formed to acquire interests in office, industrial and service properties anchored by government-oriented tenants such as federal, state and local government offices, government contractors and/or government service providers. Triple Net Properties has served as the advisor of G REIT since January 2002. The initial public offering of G REIT s common stock commenced on July 22, 2002 and terminated on February 9, 2004. G REIT s second public offering commenced on January 23, 2004 and terminated on April 30, 2004. As of December 31, 2006, G REIT had raised gross offering proceeds of $437,315,000 in its two public offerings from the issuance of 43,865,000 shares of its common stock to 13,867 investors. As of December 31, 2006, G REIT had purchased interests in 27 real estate properties amounting to an investment by G REIT of $878,955,000 (G REIT s aggregate share of purchase price, including G REIT s aggregate share of debt financing at acquisition). As of December 31, 2006, twelve of these properties had been sold. Of the 27 properties, nine (33.3%) were in California, seven (26.0%) were in Texas and one each (3.7%) was in Arizona, Colorado, Delaware, Florida, Illinois, Maryland, Missouri, Nebraska, Nevada, Pennsylvania and Washington. The properties, which are described below, are all commercial office buildings, except for one multi-tenant industrial complex. None of the property interests acquired by G REIT were apartment community assets, the primary focus of our company. On February 27, 2006, G REIT stockholders approved a plan of liquidation.

As of December 31, 2006, G REIT owned interests in the following properties:

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Two Corporate Plaza	100.0%	office	11/27/02	$ 13,580,000	$ 10,160,000	161,000	Clear Lake, TX
Congress Center TIC(1)	30.0%	office	01/09/03	$ 40,832,000	$ 28,763,000	519,000	Chicago, IL
Bay View Plaza(2)	97.68%	office	07/31/03	$ 11,385,000	$	61,000	Alameda, CA
North Pointe Corporate Center	100.0%	office	08/11/03	$ 24,205,000	$ 15,600,000	133,000	Sacramento, CA
824 Market Street	100.0%	office	10/10/03	$ 31,900,000	$	203,000	Wilmington, DE
Sutter Square Galleria	100.0%	office/ retail	10/28/03	$ 8,240,000	$ 4,024,000	61,000	Sacramento, CA
	100.0%	office	12/05/03	$ 113,648,000	$ 77,000,000	573,000	Long Beach, CA

One World Trade Center									
Madrona Buildings	100.0%	office	03/31/04	$	45,900,000	$	28,458,000	211,000	Torrance, CA
North Belt Corporate Center	100.0%	office	04/08/04	$	12,675,000	$		157,000	Houston, TX
Pacific Place	100.0%	office	05/26/04	$	29,900,000	$		324,000	Dallas, TX
Western Place I & II(3)	78.5%	office	07/23/04	$	26,298,000	$	18,840,000	430,000	Forth Worth, TX
One Financial Plaza(4)	77.6%	office	08/06/04	$	28,712,000	$	23,862,000	434,000	St. Louis, MO
Pax River Office Park	100.0%	office	08/06/04	$	14,000,000	$		172,000	Lexington Park, MD
Opus Plaza at Ken Caryl	100.0%	office	09/12/05	$	10,176,000	$	6,700,000	62,000	Littleton, CO
Eaton Freeway	100.0%	industrial	10/21/05	$	7,588,000	$	5,000,000	62,000	Phoenix, AZ

(1) Two affiliated public entities, NNN 2002 Value Fund, LLC and T REIT, Inc., own 12.3% and 10.3% of the property, respectively. Unaffiliated entities own 47.4% of the property.

(2) An unaffiliated entity owns 2.32% of the property.

(3) Unaffiliated entities own 21.5% of the property.

(4) Unaffiliated entities own 22.4% of the property.

As of December 31, 2006, G REIT had sold its interests in the following properties:

Property Name	Date of Purchase	Date of Sale	Ownership Interest	Gain (Loss) on Sale
525 B Street (Golden Eagle)	06/14/04	08/10/05	100.0%	$ 10,550,000
Park Sahara	03/18/03	12/20/05	4.75%	$ 132,000
600 B Street (Comerica)	06/14/04	07/18/06	100.0%	$ 24,035,000
Hawthorne Plaza	04/20/04	09/14/06	100.0%	$ 29,956,000
AmberOaks Corporate Center	01/20/04	09/29/06	100.0%	$ 10,929,000
Brunswig Square	04/05/04	10/06/06	100.0%	$ 2,025,000
Centerpoint Corporate Park	12/30/03	10/17/06	100.0%	$ 20,539,000
5508 Highway West 290	09/13/02	11/14/06	100.0%	$
Department of Children and Families Campus	04/25/03	11/15/06	100.0%	$ 1,170,000
Public Ledger Building	02/13/04	11/22/06	100.0%	$ 1,282,000
Atrium Building	01/31/03	12/15/06	100.0%	$ (1,142,000)
Gemini Plaza	05/02/03	12/29/06	100.0%	$ 2,729,000

For the years ended December 31, 2002 and 2005, G REIT had a return of capital from cash distributions of $170,000 and $13,865,000, respectively. The source of cash to fund the distributions in 2002 was proceeds from the sale of G REIT s securities. The source of cash to fund the distributions in 2005 was excess historical cash flows from operations.

T REIT, Inc.

T REIT, Inc., or T REIT, was formed as a Virginia corporation in December 1998 and is qualified as a REIT for federal income tax purposes. T REIT was formed to acquire interests in office, industrial, service and retail properties located primarily in tax free states. Triple Net Properties has served as the advisor of T REIT since February 2000. The initial public offering of T REIT s common stock commenced on February 22, 2000. As of May 31, 2002, when the offering was terminated, T REIT had issued 4,720,000 shares of common stock and raised $46,395,000 in aggregate gross proceeds. As of December 31, 2006, T REIT had 1,878 investors and had purchased interests in 20 real estate properties amounting to an investment by T REIT of $125,786,000 (T REIT s aggregate share of purchase price, including T REIT s aggregate share of debt financing at acquisition). As of December 31, 2006, eighteen of these properties had been sold. Of the 20 properties purchased by T REIT, four (20%) were in Nevada, four (20%) were in California, nine (45%) were in Texas, two (10%) were in North Dakota and one (5%) was in Illinois. The properties, which are described below, are all commercial office buildings. None of the property interests acquired by T REIT were apartment community assets, the primary focus of our company. On July 27, 2005, T REIT shareholders approved a plan of liquidation.

As of December 31, 2006, T REIT owned interests in the following properties:

	Ownership	Type of	Purchase	Share of		GLA

Property Name	Interest	Property	Date	Purchase Price	Share of Mortgage Debt at Purchase	(Sq Ft)	Location
Congress Center LLC(1)	10.3%	office	01/09/03	$ 14,019,000	$ 9,875,000	519,000	Chicago, IL
Enclave Parkway LLC(2)	3.26%	office	12/22/03	$ 1,125,000	$ 769,000	207,000	Houston, TX

(1) One affiliated public entity, NNN 2002 Value Fund, LLC, owns 12.3% of the property. One affiliated public entity, G REIT, Inc., owns 30.0% of the property. Unaffiliated entities own 47.4% of the property.

(2) Unaffiliated entities own 96.74% of the property.

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As of December 31, 2006, T REIT had sold its interests in the following properties:

Property Name	Date of Purchase	Date of Sale	Ownership Interest	Gain (Loss) on Sale
Christie Street Office Building	09/26/00	11/13/01	100.0%	$ (178,000)
Seguin Corners Shopping Center	11/22/00	08/12/02	26.0%	$ 104,000
Plaza del Rey Shopping Center	11/17/00	09/23/02	16.5%	$ 70,000
Northstar Crossing Shopping Center	10/26/00	01/11/03	100.0%	$ (191,000)
Thousand Oaks	12/06/00	08/11/03	100.0%	$ 2,100,000
Pahrump Valley Junction Shopping Center	05/11/01	09/25/03	100.0%	$ 874,000
Gateway Mall	01/29/03	03/18/04	100.0%	$ 769,000
Gateway Mall Land	02/27/04	09/09/04	100.0%	$ 854,000
Saddleback Financial Center	09/25/02	12/27/04	25.0%	$ 853,000
County Center Drive	09/28/01	04/19/05	16.0%	$ 191,000
City Center West A	03/15/02	07/28/05	89.1%	$ 5,972,000
Emerald Plaza	06/14/04	11/10/05	2.7%	$ 583,000
Pacific Corporate Park	03/25/02	12/28/05	22.8%	$ 487,000
Reno Trademark Building	09/04/01	01/23/06	40.0%	$ 1,280,000
Oakey Building	04/02/04	01/24/06	9.8%	$ 580,000
University Heights	08/22/02	01/31/06	100.0%	$ 456,000
AmberOaks Corporate Center	01/20/04	06/15/06	75.0%	$ 9,886,000
Titan Building & Plaza	04/17/02	07/21/06	48.5%	$ 2,398,000

For the years ended December 31, 2001, 2002, 2003 and 2004 and the period from January 1, 2005 through June 30, 2005, T REIT had returns of capital from cash distributions of $863,000, $573,000, $896,000, $358,000 and $1,118,000, respectively. $130,000 of the source of cash to fund distributions in 2001 was from excess historical cash flows from operations, with the remainder from proceeds from the sale of T REIT s securities. The source of cash to fund distributions in 2002 was the collection of two notes receivable, one from WREIT and one from NNN County Center Drive, LLC, affiliates of Triple Net Properties, and profit recognized on the sale of properties. The source of cash to fund distributions in 2003 was profit recognized on the sale of properties. The source of cash to fund distributions in 2004 and 2005 was the collection of notes receivables from unaffiliated parties and profit recognized on the sale of properties.

NNN 2003 Value Fund, LLC

NNN 2003 Value Fund, LLC, or 2003 Value Fund, is a Delaware limited liability company formed on June 19, 2003 to purchase, own, operate and subsequently sell all or a portion of a number of unspecified value added properties. 10,000 Units were sold to 826 investors in a private placement offering which began on July 11, 2003 and ended on October 14, 2004 and raised $50,000,000 of gross offering proceeds. Triple Net Properties has served as the manager of 2003 Value Fund since June 2003.

The Securities Exchange Act of 1934, as amended, or the Exchange Act requires that, within 120 days following the end of the fiscal year in which an entity exceeds 500 security holders and has more than $10,000,000 in assets, such entity file a registration statement pursuant to the requirements of the Exchange Act. As of December 31, 2004, 2003 Value Fund had more than 500 investors and assets of more than $10,000,000 and had the obligation to file a registration statement with the SEC no later than May 2, 2005. The required Form 10 registration statement for 2002

Value Fund was filed on May 2, 2005. Pursuant to Section 12(g)(1) of the Exchange Act, the Form 10 went effective by lapse of time on July 1, 2005.

As of December 31, 2006, 2003 Value Fund had purchased interests in 16 real estate properties, amounting to an investment by 2003 Value Fund of $209,622,000 (2003 Value Fund s aggregate share of purchase price, including 2003 Value Fund s aggregate share of debt financing at acquisition). Of the 16 properties, six (39%) were in Texas, four (25%) were in California and one (6%) was in each of Nebraska, Nevada, Oregon, Utah, Colorado and Georgia. The properties, which are described below, are all commercial

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office building properties, except for one land parcel. None of the property interests acquired by 2003 Value Fund were apartment community assets, the primary focus of our company.

As of December 31, 2006, 2003 Value Fund owned interests in the following properties:

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Executive Center II & III(1)	41.1%	office	08/01/03	$ 10,111,000	$ 6,144,000	381,000	Dallas, TX
Executive Center I	100.0%	office	12/30/03	$ 8,178,000	$ 4,500,000	205,000	Dallas, TX
Enterprise Technology Center(2)	8.5%	office	05/07/04	$ 5,211,000	$ 3,103,000	370,000	Scotts Valley, CA
Interwood	100.0%	office	01/26/05	$ 8,000,000	$ 5,500,000	80,000	Houston, TX
Woodside Corporate Park	100.0%	office	09/30/05	$ 22,862,000	$ 15,915,000	195,000	Beaverton, OR
Daniels Rd land parcel	100.0%	land	10/14/05	$ 729,000	$	9.05 acres	Heber City, UT
901 Civic Center Drive(3)	96.9%	office	04/24/06	$ 14,677,000	$	99,000	Santa Ana, CA
Chase Tower(4)	14.8%	office	07/03/06	$ 10,730,000	$ 8,110,000	389,000	Austin, TX
Tiffany Square	100.0%	office	11/15/06	$ 11,052,000	$	184,000	Colorado Springs, CO

(1) Unaffiliated entities own 58.9% of the property.

(2) Unaffiliated entities own 91.5% of the property.

(3) An unaffiliated entity owns 3.1% of the property.

(4) Unaffiliated entities own 85.2% of the property.

As of December 31, 2006, 2003 Value Fund had sold its interests in the following properties:

Property Name	Date of Purchase	Date of Sale	Ownership Interest	Gain (Loss) on Sale
Satellite Place	11/29/04	02/24/05	100.0%	$ 385,000
Financial Plaza	10/29/04	04/13/05	100.0%	$ 3,015,000
801 K Street	03/31/04	08/26/05	18.3%	$ 2,079,000
Emerald Plaza	06/14/04	11/10/05	4.6%	$ 988,000

Southwood Tower	10/27/04	12/19/05	100.0%	$ 2,402,000
Oakey Building	04/02/04	01/24/06	75.4%	$ 5,543,000
3500 Maple	12/27/05	10/31/06	99.0%	$ 1,173,000

For the year ended December 31, 2006, 2003 Value Fund had returns of capital from cash distributions of $9,179,000, which includes distributions of $3,182,000 to minority interest holders. For the year ended December 31, 2005, 2003 Value Fund had returns of capital from cash distributions of $4,657,000, which includes distributions of $1,164,000 to minority interest holders. Pursuant to 2003 Value Fund s Operating Agreement, cash proceeds from capital transactions are first treated as a return of capital. $280,000 of the source of cash to fund distributions in 2005 was from excess historical cash flows from operations, with the remainder from profit recognized on the sale of properties. The source of cash to fund distributions in 2006 was the profit recognized on the sale of properties.

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NNN 2002 Value Fund, LLC

NNN 2002 Value Fund, LLC, or 2002 Value Fund, is a Virginia limited liability company formed on May 15, 2002 to purchase, own, operate and subsequently sell all or a portion of up to three properties. 5,960 units were sold to 549 investors in a private placement offering which began on May 15, 2002 and ended on July 14, 2003 and raised $29,799,000 of gross offering proceeds. Triple Net Properties has served as the manager of 2002 Value Fund since May 2002.

The Exchange Act requires that, within 120 days following the end of the fiscal year in which an entity exceeds 500 security holders and has more than $10,000,000 in assets, such entity file a registration statement pursuant to the requirements of the Exchange Act. As of December 31, 2003, 2002 Value Fund had more than 500 investors and assets of more than $10,000,000 and had the obligation to file a registration statement with the SEC no later than April 29, 2004. The required Form 10 registration statement for 2002 Value Fund was not filed until December 30, 2004. Pursuant to Section 12(g)(1) of the Exchange Act, the Form 10 went effective by lapse of time on February 28, 2005. Subsequent to that date, 2002 Value Fund has filed all reports required to be filed by Sections 13 or 15(d) of the Exchange Act; however, 2002 Value Fund s Form 10-K for the year ended December 31, 2004 was not timely filed.

As of December 31, 2006, 2002 Value Fund had purchased interests in three real estate properties amounting to an investment by 2002 Value Fund of $57,141,000 (2002 Value Fund s aggregate share of purchase price, including 2002 Value Fund s aggregate share of debt financing at acquisition). Of the three properties, one (33%) was in Nevada, one (33%) was in Florida and one (33%) was in Illinois. The properties, which are described below, are all commercial office building properties. None of the property interests acquired by 2002 Value Fund were apartment community assets, the primary focus of our company.

As of December 31, 2006, 2002 Value Fund owned an interest in the following property:

Property Name	**Ownership Interest**	**Type of Property**	**Purchase Date**	**Share of Purchase Price**	**Share of Mortgage Debt at Purchase**	**GLA (Sq Ft)**	**Location**
Congress Center-LLC(1)	12.3%	office	01/09/03	$ 16,741,000	$ 11,793,000	519,000	Chicago, IL

(1) Two affiliated public entities, G REIT, Inc. and T REIT, Inc. own 30.0% and 10.3% of the property, respectively. Unaffiliated entities own 47.4% of the property.

As of December 31, 2006, 2002 Value Fund had sold its interests in the following properties:

Property Name	**Date of Purchase**	**Date of Sale**	**Ownership Interest**	**Gain (Loss) on Sale**
Bank of America Plaza West	09/20/02	03/15/05	100.0%	$ 6,674,000
Netpark	06/03/03	09/30/05	50.0%	$ 8,215,000

For the years ended December 31, 2003 and 2004 and the period from January 1, 2005 through August 31, 2005, 2002 Value Fund had returns of capital from cash distributions of $100,000, $410,000 and $10,330,000, respectively.

Pursuant to 2002 Value Fund s Operating Agreement, cash proceeds from capital transactions are first treated as a return of capital. The source of cash to fund the distributions in 2003 was proceeds from the sale of 2002 Value Fund s securities. The source of cash to fund distributions in 2004 was prior years proceeds from the sale of 2002 Value Fund s securities and borrowings from an affiliate of Triple Net Properties. The source of cash to fund the distributions in 2005 was profit recognized on the sale of properties.

Grubb & Ellis Apartment REIT, Inc.

Grubb & Ellis Apartment REIT, Inc., or Apartment REIT, was formed as a Maryland corporation in December 2005 and intends to elect to qualify as a REIT for federal income tax purposes. Apartment REIT was formed to purchase and hold a diverse portfolio of apartment communities with strong and stable cash flow and growth potential in select U.S. metropolitan areas. Apartment REIT may also invest in real estate related securities. NNN Realty Advisors served as the sponsor of Apartment REIT from the Reorganization in the fourth quarter of 2006 to its merger with Grubb & Ellis in the fourth quarter of 2007. The initial public offering of Apartment REIT s common stock commenced on July 19, 2006. As of December 31, 2006, Apartment REIT had issued 1,658,553 shares of common stock and raised $16,568,000 in aggregate gross proceeds, excluding shares issued under the distribution reinvestment plan. As of December 31, 2006, Apartment REIT had 704 investors and had purchased interests in two

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real estate properties amounting to an investment by Apartment REIT of $64,664,000 (Apartment REIT s aggregate share of purchase price, including Apartment REIT s aggregate share of debt financing at acquisition). As of December 31, 2006, none of these properties had been sold. Of the two properties purchased by Apartment REIT, both (100%) are in Texas. The properties owned by Apartment REIT as of December 31, 2006, which are described below, are all apartment community assets. None of the property interests acquired by Apartment REIT are in office buildings, medical office buildings or healthcare-related facilities, the primary focus of our company.

As of December 31, 2006, Apartment REIT owned interests in the following properties:

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	Number of Units	Location
Walker Ranch	100.0%	apartment	10/31/06	$ 31,673,000	$ 26,860,000	325	San Antonio, TX
Hidden Lake	100.0%	apartment	12/28/06	$ 32,991,000	$ 31,718,000	380	San Antonio, TX

Grubb & Ellis Healthcare REIT, Inc.

Grubb & Ellis Healthcare REIT, Inc., or Healthcare REIT, was formed as a Maryland corporation in April 2006 and intends to elect to qualify as a REIT for federal income tax purposes. Healthcare REIT was formed to provide investors the potential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, healthcare-related facilities and quality commercial office properties that produce current income. Healthcare REIT may also invest in real estate related securities. NNN Realty Advisors served as the sponsor of Healthcare REIT from the Reorganization in the fourth quarter of 2006 to its merger with Grubb & Ellis in the fourth quarter of 2007. The initial public offering of Healthcare REIT s common stock commenced on September 20, 2006. As of December 31, 2006, Healthcare REIT had not raised the minimum offering, only receiving subscriptions of 200,899 shares of common stock, or $1,802,000, including shares sold to its executive officers and directors, its dealer manager, and its advisor and its affiliates. On January 8, 2007, Healthcare REIT raised the minimum offering and the funds held in escrow were released.

Private Programs

Beginning in April 1998 through December 31, 2006, NNN Realty Advisors Group has advised 159 private real estate investment programs and four private notes programs. Each of the private programs advised by NNN Realty Advisors Group and the properties acquired and sold through December 31, 2006 are described below. Please see Tables III, IV and V under Prior Performance Tables in this prospectus for more information regarding the operating results of the prior funds sponsored by NNN Realty Advisors Group, information regarding the results of the completed programs and information regarding the sales or disposals of properties by these programs.

As of December 31, 2006, 37 private programs, including three private notes programs, have gone full term. Further information regarding the results of the sales and operations of these programs can be found in Prior Performance Table IV.

Adverse Business Developments or Conditions

For some of those private programs detailed below and as noted in Prior Performance Table III, in some circumstances, NNN Realty Advisors Group-sponsored programs had cash flow deficiencies and/or distributions to investors which represented returns of capital because the distributions were in excess of cash generated from operations, sales and refinancings. Cash deficiencies after cash distributions shown for various programs on Prior Performance Table III occur for a variety of reasons, most of which are the result of either (a) the loss of a major tenant and/or a reduction in leasing rates and, as a result, the operating revenues of a program have decreased or (b) the program held multiple properties or buildings, some of the properties or buildings were sold and distributions were made that were attributable to the sold properties which exceeded the cash generated by the operations of the remaining properties. Operating cash flow available after distributions may be affected by timing of rent collection and the payment of expenses, causing either excess or deficit cash flows after distributions for a given period. In addition, excess operating cash flow after distributions may be retained by the program as reserves to fund anticipated and unanticipated future expenditures or to cover reductions in cash flow resulting from the anticipated or unanticipated loss of a tenant.

For example, in 2001, Market Centre, LLC lost a major tenant in its property and leasing rates were reduced. For that year, Market Centre, LLC showed a cash deficiency and a distribution that was a return of capital. In the year ended December 31, 2002, the program reduced its distributions from 8% to 0%. Thus, in

2002, it did not show a cash deficiency because there were no distributions to investors. Another example is NNN 1397 Galleria Drive LLC, which in August 2003, lost a major tenant in its property. This program reduced its distributions to investors in February 2004. For the year ended December 31, 2003, NNN 1397 Galleria Drive shows a cash deficiency and a distribution to investors as a return of capital. The source of the distributions in excess of cash flows was distributions of the prior years excess cash flow.

In other circumstances, cash deficiencies were the result of sales of properties for programs either owning multiple properties or multiple buildings constituting a single investment. For example, NNN Pacific Corporate Park 1, LLC, NNN 2000 Value Fund, LLC and Western Real Estate Investment Trust, Inc. own either multiple properties or a multi-building property. When a property or a building is sold and proceeds are distributed to investors, there may be a cash deficiency shown because proceeds are distributed in excess of cash generated by operations.

In some circumstances, such as NNN Highbrook, LLC, equity raised is ear-marked to pay for certain future expenses during the operating period of the program. This occurs in master lease apartment programs when reserves are established from investors equity to pay for designated repairs when cash from operations is insufficient to pay for them. Deficit cash flow after distributions and return of capital result as these repair reserves are utilized. In other circumstances, such as NNN 300 Four Falls, LLC, it is anticipated that all equity will not be raised by the time a property is acquired. Mezzanine financing is used to cover the equity funding shortfall at the time of closing. The estimated fees and interest on the mezzanine financing are factored into the equity raise. As expenses related to the mezzanine financing are incurred, they may exceed cash flow generated after distributions, resulting in deficit cash flow and return of capital. In both of these scenarios, deficit cash flow after distributions and return of capital result from paying anticipated expenses from equity funded reserves.

Where distributions are made that exceed the cash flow generated from operations of the programs, the distributions are made either from cash reserves held by the program to be used for distributions, proceeds from the sales or re-financings of properties, distributions of prior years excess cash flows or, loans from NNN Realty Advisors Group or its affiliates. In cases where there are no reserves, the distribution level may be reduced or stopped. In those cases, the reductions or termination in distributions have been noted below.

Telluride Barstow, LLC: The offering period began June 1, 1998 and ended December 16, 1998. The offering raised $1,619,500, or 100% of the offering amount. The LLC retained a 32.25% ownership interest in the program with a membership of eight unaffiliated members, three members who were shareholders of Triple Net Properties at the time of the investment and Triple Net Properties. The remaining 67.75% was owned by three unaffiliated TICs investing in the program. The program owned an 87% interest in the property. Mr. Thompson purchased a 13% interest in the property outside of the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Barstow Road Shopping Center	87.0%	shopping center	05/01/98	$ 4,002,000	$ 3,001,500	78,000	Barstow, CA

For the years ended December 31, 1999 and 2000, the program had deficit cash flow after distributions of $74,000 and $12,000, respectively, which were covered by excess cash flow after distributions in 1998. For the year ended December 31, 2002, the program experienced deficit cash flow after distributions of $20,000 which was covered by the previous year s excess cash flow after distributions. In 1999, Triple Net Properties loaned $8,000 to the program to fund operating shortfalls due to the timing of rent collections, which was repaid in full in 2001. In 2002, an affiliate of

Triple Net Properties loaned $102,000 to the program to fund capital improvements. In February 2003, the property was sold for a loss of $166,000. Triple Net Properties received no fees from the sale of the property and the affiliate of Triple Net Properties forgave the $102,000 loan previously made to the program.

Western Real Estate Investment Trust, Inc.: Western Real Estate Investment Trust, Inc., or WREIT, was formed in July 1998 as a private real estate investment trust and is qualified as a REIT for federal income tax purposes. In April 2000, WREIT closed its best efforts private placement of its common stock in which it raised $14,051,000 from 345 investors. A total of nine affiliated parties, including shareholders of Triple Net

Properties at the time of the investment and entities controlled by Mr. Thompson, purchased 1.65% of the total offering. WREIT was formed to acquire office and industrial properties and retail shopping centers primarily in the western United States. Triple Net Properties manages the properties owned by WREIT. The 31.5% of the Brookings Mall that is not owned by the program is held by one unaffiliated TIC outside the program.

As of December 31, 2006, WREIT owned interests in the following properties:

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Brookings Mall	68.5%	shopping center	05/01/00	$ 2,843,000	$ 659,000	143,000	Brookings, SD

As of December 31, 2006, WREIT had sold the following properties:

Property Name	Date of Purchase	Date of Sale	Ownership Interest	Gain (Loss) on Sale of Real Estate
Kress Energy Center	07/07/98	01/31/06	100%	$ (45,000)
Century Plaza East Shopping Center	11/03/98	02/13/04	100%	$ 1,025,000
Phelan Village Shopping Center	10/16/98	12/20/02	100%	$ 155,000
Bryant Ranch Shopping Center	12/24/98	09/05/02	100%	$ 1,120,000
Huron Mall Shopping Center	03/31/99	04/14/00	100%	$ 1,335,000
Crossroads Shopping Center	07/29/99	08/29/00	100%	$ 731,000

In 2000, WREIT had deficit cash flow after distributions of $344,000. The deficit cash flow was funded by prior years excess cash flow after distributions and cash proceeds from the sale of two properties. The sales generated a combined $2,066,000 gain and WREIT paid $4,740,000 in special distributions representing return of capital of $3,100,000 following the sales. In 2001, WREIT received a $480,000 loan from T REIT, an entity advised by Triple Net Properties, and a $404,000 loan from a private entity managed by Triple Net Properties. In 2002, WREIT sold two additional properties generating a combined $1,275,000 gain. Also in 2002, WREIT repaid the $480,000 loan from T REIT and $259,000 of the loan from a private entity managed by Triple Net Properties. WREIT also received a $21,000 loan from Triple Net Properties to supplement capital funds. In 2002, WREIT sold two properties and paid Realty a disposition fee of $300,000. In 2003, WREIT sold TIC interests to two entities advised by Triple Net Properties generating a $105,000 net loss for tax purposes and paid special distributions of $2,000,000 following the sale. In 2003, WREIT received a loan from Triple Net Properties in the amount of $8,000, which was used to repay a portion of a $58,000 loan from a private entity managed by Triple Net Properties. In 2004, WREIT had deficit cash flow after distributions of $97,000. The deficit cash flow was funded by prior years excess cash flow after distributions and cash proceeds from the sale of a property. In 2004, WREIT repaid in full Triple Net Properties loans of $29,000 from prior years. In 2004, WREIT sold Century Plaza East Shopping Center and paid Realty a disposition fee of $104,000. In 2006, WREIT sold Kress Energy Center. Realty received a disposition fee of $21,000.

Truckee River Office Tower, LLC: The offering period began August 21, 1998 and ended July 15, 1999. The offering raised $5,550,000, or 100% of the offering amount. The LLC retained a 48% ownership interest in the property with a membership of 59 unaffiliated members, four members who were shareholders of Triple Net Properties at the time of the investment and Triple Net Properties. The remaining 52% was owned by six unaffiliated TICs and a company controlled by one of Triple Net s shareholders investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Truckee River Office Tower	100.0%	office	12/01/98	$ 16,030,000	$ 12,000,000	139,000	Reno, NV

For the year ended December 31, 2000, the program had distributions in excess of operating cash flows of $89,000, which was covered by excess cash flows after distributions from prior years.

In April 2005 the property was sold for a loss of $1,532,000. Realty received a disposition fee of $175,000 after the sale.

Yerington Shopping Center, LLC: The offering period began December 15, 1998 and ended August 3, 1999. The offering raised $1,625,000, or 100% of the offering amount. The LLC retained a 7.75% ownership interest with five unaffiliated members. The remaining 92.25% is owned by seven unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Yerington Plaza Shopping Center	100.0%	shopping center	03/08/99	$ 4,422,000	$ 3,316,000	56,000	Yerington, NV

For the years ended December 31, 1999 and 2000, the program experienced a cash flow deficit after distributions and return of capital of $16,000 and $26,000, respectively. In 2002, a cash flow deficit after distributions of $20,000 was covered by the prior year s cash flow excess after distributions. For the years ended 2003 and 2004, the program had a cash flow deficit after distributions and return of capital of $6,000 and $11,000, respectively.

In 1999, Triple Net Properties loaned $6,000 to the program to cover distributions, which was repaid in 2000. In 2001 and 2002, an affiliate of Triple Net Properties loaned $4,000 and $5,000, respectively, to cover distributions. In 2004, these loans were repaid in full.

In January 2005, the property was sold for a gain of $462,000. Realty received a disposition fee of $82,000 and Triple Net Properties received deferred management fees of $125,000 from proceeds of the sale.

NNN Fund VIII, LLC: The offering period began February 22, 1999 and ended March 7, 2000. The offering raised $8,000,000, or 100% of the offering amount. The program acquired three properties with the LLC investing in all properties and various TIC interests investing in each of the properties. The LLC retained a 32.75% interest in Palm Court, a 32.24% interest in Belmont Plaza and a 47.25% interest in Village Fashion Center with a membership of 91 unaffiliated members, three members who were shareholders of Triple Net Properties at the time of the investment and Triple Net Properties. The remaining 67.25% interest in Palm Court was owned by 11 unaffiliated TICs, Mr. Thompson and an entity owned by Triple Net Properties investing in the program. The remaining 67.76% interest in Belmont Plaza was owned by five unaffiliated TICs investing in the program. The remaining 52.75% interest in Village Fashion Center was owned by seven unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Belmont Plaza	100.0%	shopping center	06/11/99	$ 3,550,000	$ 2,840,000	81,000	Pueblo, CO
Village Fashion Center	100.0%	shopping center	06/18/99	$ 8,800,000	$ 6,600,000	130,000	Wichita, KS
Palm Court Shopping Center	100.0%	shopping center	08/03/99	$ 8,988,000	$ 8,500,000	267,000	Fontana, CA

In March 2002, Village Fashion Center was sold resulting in a gain of $1,344,000. Realty received a disposition fee of $345,000 and Triple Net Properties received deferred management fees of $386,000 from the sale proceeds. From the sale proceeds, an affiliate of Triple Net Properties received repayment of a $400,000 loan made to the property in 2001 for capital improvements.

In May 2003, Palm Court Shopping Center was sold resulting in a gain of $1,805,000. Realty received a disposition fee of $17,000 and Triple Net Properties received deferred management and incentive fees of $794,000 from sale proceeds. Triple Net Properties received $356,000 and an affiliate of Triple Net Properties received $303,000 from sale proceeds as repayment for loans made in prior years for capital improvements and costs relating to a legal settlement in 2001 which allowed Triple Net Properties to expand non-retail leasing/ownership of its parcels from 5% to 25% of gross leaseable area within the center, subject to a redevelopment agreement with adjoining owners.

In January 2004, Belmont Plaza was sold resulting in a gain of $208,000. Realty received a disposition fee of $130,000 from sale proceeds.

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For the years ended December 31, 2000 and 2001, the program had deficit cash flow after distributions of $690,000 and $142,000, respectively. The sources of distributions in excess of cash flows were the prior year s excess cash flow after distributions and return of capital of $475,000 and $202,000, respectively. Cash flow deficits were caused primarily by the timing difference of incurred property tax expense and collection of the related reimbursement of these charges from the tenants at all three properties. In 2002, the program had deficit cash flow after distributions of $37,000 representing return of capital of $234,000. For the year ended December 31, 2003, the program had an overall positive cash flow after distributions, but return of capital relating to the Belmont property of $91,000. For the year ended December 31, 2004, the program experienced a deficit from operating cash flows due to post sale expenses with no offsetting operating income as all the properties had been sold. Excess cash flow after distributions from prior years covered the deficit.

In 2000, Triple Net Properties loaned $239,000 to the program to cover the cost of a legal settlement relating to the Palm Court property. In 2001, Triple Net Properties loaned $114,000 for leasing and capital costs at all three properties. In 2002 and 2003, all loans from Triple Net Properties were repaid from the sale proceeds of Village Fashion Center and Palm Court. In 2001, affiliates of Triple Net Properties loaned $594,000 to the program to cover leasing and capital costs incurred at Palm Court and Village Fashion Center. In 2001, $365,000 was repaid from the sale of Village Fashion Center and additional loans of $229,000 were made for Palm Court leasing costs. In 2003, all loans from affiliates were paid in full from the sale proceeds of Palm Court.

NNN Town & Country Shopping Center, LLC: The offering period began May 10, 1999 and ended March 29, 2000. The offering raised $7,200,000, or 100% of the offering amount. The LLC, with 56 unaffiliated members, retained a 30.25% ownership interest in the property. The remaining 69.75% of the property was owned by nine unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Town & Country Village Shopping Center	100.0%	shopping center	07/01/99	$ 23,800,000	$ 21,339,000	235,000	Sacramento, CA

The program reduced distributions to investors during 2000 from 8% to 5% due to reduced available operating cash flow. The property experienced reduced operating cash flow due to the costs of a major redevelopment project which included the relocation of certain tenants within the shopping center and a higher than projected interest rate on the variable rate mortgage loan. In 2002, Triple Net Properties refinanced the property with a $34,000,000 loan at a lower, fixed interest rate with a 10-year term. From refinance proceeds, Triple Net Properties and affiliates received $637,000 in deferred fees and repayment of loans of $1,875,000. With the refinance in place and redevelopment largely complete, cash flow improved and distributions were subsequently increased to 8% retroactively and 9% soon thereafter. On June 25, 2004, the property was sold at a price of $44,410,000. From sale proceeds, Realty received a disposition fee of $444,000 and Realty and Triple Net Properties received deferred property and asset management fees of $1,175,000. The property was sold for a gain of $1,797,000.

For the year ended December 31, 2000, the program had a cash deficiency after distributions of $645,000 and return of capital of $513,000. The cash deficiency was caused primarily by debt service with increasing interest rates on a variable rate loan tied to LIBOR. For the year ended December 31, 2003, the program had a cash deficiency after distributions of $363,000, which was covered by prior years excess cash flow after distributions.

In 2000 and 2001, Triple Net Properties loaned $508,000 and $747,000, respectively, to cover tenant repositioning costs and tenant improvements related to the redevelopment of the property. In 2002, an affiliate of Triple Net Properties loaned $113,000 to cover additional tenant improvement costs. Triple Net Properties loans from prior years were repaid in full from refinance proceeds. In 2003, Triple Net Properties and an affiliate of Triple Net Properties loaned $75,000 and $12,000, respectively, for capital improvements and Triple Net Properties loaned $5,000 to the program for the LLC s tax return cost. All 2003 loans from Triple Net Properties and its affiliate were paid in full in 2004.

NNN A Credit TIC, LLC: The offering period began August 10, 1999 and ended February 12, 2001. The offering raised $2,500,000, or 100% of the offering amount. The LLC, with 15 unaffiliated members retained a 20% ownership interest in the property. The remaining 80% is owned by 12 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Pueblo Shopping Center	100.0%	shopping center	11/03/99	$ 7,075,000	$ 5,306,000	106,000	Pueblo, CO

In 2003, the program had deficit cash flow after distributions of $65,000. Prior years excess cash flow after distributions covered the deficit. In 2004, the program had deficit cash flow after distributions of $99,000 representing return of capital of $51,000. During 2004, Triple Net Properties terminated distributions to investors in order to conserve cash flow for operations and future leasing.

In 2001, Triple Net Properties loaned $13,000 and an affiliate of Triple Net Properties loaned $15,000 to cover a portion of leasing costs of $90,000. In 2002, affiliates of Triple Net Properties loaned $141,000 to cover a portion of distributions of $23,000 and capital expenditure and leasing costs of $118,000. In 2003, Triple Net Properties loaned $60,000 and an affiliate of Triple Net Properties loaned $84,000 to cover a portion of distributions of $33,000 and capital and leasing costs of $111,000. In 2003, an affiliate of Triple Net Properties forgave its unsecured loans to the program totaling $87,000 which was treated as income for tax purposes but was excluded in cash generated from operations in the Prior Performance Tables, resulting in the deficit cash flow for the year. In 2004 and 2005, affiliates of Triple Net Properties loaned $75,000 and $8,000, respectively to cover distributions and $15,000 of capital expenditures. In 2004 and 2005, Triple Net Properties and affiliates forgave unsecured loans of $48,000 and $276,000, respectively. For tax purposes, the forgiveness of indebtedness was treated as income but was excluded from cash generated from operations. In January 2005, distributions to investors were suspended. No distributions were made in 2006.

NNN Redevelopment Fund VIII, LLC: The offering began August 27, 1999 and ended June 5, 2000. The offering raised $7,378,778, or 92.2% of the offering amount from 162 unaffiliated members and six members who were shareholders of Triple Net Properties at the time of the investment. The program owns 100% of the White Lakes property and 94.5% of the Bank One Building, with 5.5% of the Bank One Building owned outside the program by Mr. Thompson as a TIC.

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Bank One Building	94.5%	office	11/22/99	$ 8,250,000	$ 7,645,000	129,000	Colorado Springs, CO
White Lakes Shopping Center	100.0%	shopping center	03/15/00	$ 14,688,000	$ 12,200,000	437,000	Topeka, KS

In 2000, a parcel at White Lakes Shopping Center was sold for $2,600,000. The sale generated net cash proceeds of $399,000 after payment of selling costs and a partial principal loan reduction. The proceeds were retained by the program to fund reserves for subsequent capital expenditures. Realty received a $25,000 disposition fee from the sale.

In 2001, the loan on the Bank One Building was refinanced. The refinance generated net proceeds to the fund of $462,000 which were distributed to investors during the year. An affiliate of Triple Net Properties loaned $162,000 to fund capital improvements for both projects. In 2002, Triple Net Properties and affiliates of Triple Net Properties loaned $23,000 and $414,000, respectively, for ongoing capital improvements and leasing costs. In 2003, Triple Net Properties loaned an additional $457,000 to the program and affiliates of Triple Net Properties loaned $103,000 to partially repay prior years loans, and Triple Net Properties forgave $399,000 of prior loans. In August 2003, Triple Net Properties reduced the distribution rate from 8% to 5%.

In 2004, two parcels of the White Lakes Shopping Center were sold for $1,250,000 and $225,000. The net proceeds after selling costs were used to reduce mortgage debt by $1,292,000. The remaining property was also refinanced with a loan amount less than the previously existing loan. In order to extend the loan on the Bank One Building, the program was required to pay additional loan fees of $300,000 and pay down the existing loan by $550,000. To fund the financing and continuing leasing requirements for both properties, Triple Net Properties loaned $507,000 to the program and an affiliate of Triple Net Properties loaned $1,649,000.

In 2005, the program repaid $315,000 of loans from Triple Net Properties relating to White Lakes Shopping Center. Triple Net Properties and affiliates forgave indebtedness relating to White Lakes Shopping Center of $111,000 and $711,000, respectively. A parcel of the White Lakes property was sold for $950,000 and the net proceeds were used to reduce principal mortgage debt. In 2005, the Bank One property was refinanced with a mortgage of $8,000,000. Triple Net Properties did not receive a financing fee and the transaction produced net proceeds of $203,000. In April 2006, distributions to investors were suspended. In 2006, Triple Net Properties advanced $335,000 to White Lakes Shopping Center to fund operations.

The program has experienced reduced operating cash flow primarily as a consequence of reduced leasing rates resulting from the depressed local commercial leasing markets and economy in the Colorado Springs and Topeka markets.

NNN Exchange Fund III, LLC: The offering began September 15, 1999 and ended May 31, 2000. The offering raised $6,300,000, or 100% of the offering amount. The LLC retained an 8.25% ownership interest with 10 unaffiliated members and the remaining 91.75% is owned by 18 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq 5Ft)	Location
County Fair Mall	100.0%	shopping center	12/15/99	$ 15,850,000	$ 12,035,000	397,000	Woodland, CA

In 2000, the program had deficit cash flow after distributions of $56,000 and return of capital of $31,000. In June 2001, distributions to investors were reduced from 8% to 5% to conserve cash flow. In 2002, the program experienced deficit cash flow after distributions of $78,000 resulting in return of capital of $59,000. In 2004, deficit cash flow after distributions of $1,000 was covered entirely by excess cash flow from the previous year.

In 2003, Triple Net Properties loaned $34,000 to cover capital improvements of $90,000. In 2004, Triple Net Properties loaned $149,000 and an affiliate of Triple Net Properties loaned $65,000 to the program to cover distributions and property management fees paid to a third party management company. In 2005, an affiliate of Triple Net Properties advanced $166,000 to cover operating expenses.

In 2004 and 2005, Triple Net Properties and affiliates forgave $83,000 and $331,000, respectively, of the program s indebtedness. In April 2004, Triple Net Properties terminated distributions to investors to conserve cash flow for operations and future capital and leasing requirements.

In 2005, the property was sold for a loss of $3,011,000. Realty did not receive a disposition fee from the sale.

NNN Tech Fund III, LLC: The offering period began February 21, 2000 and ended June 20, 2000. The offering raised $3,698,750, or 100% of the offering amount. The LLC, with 13 unaffiliated members retained a 19.25% ownership interest in the property. The remaining 80.75% was owned by 15 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Moreno Corporate Center	100.0%	retail, office and industrial	06/16/00	$ 11,600,000	$ 8,425,000	226,000	Moreno Valley, CA

At acquisition in 2000, the lender funded $329,750 less than the amount planned for in the offering memorandum. The program received a loan from Triple Net Properties for $329,750 to close the acquisition.

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In 2001, the property was refinanced with a new loan of $9,750,000 and $289,067 of the loan from Triple Net Properties was repaid. Also in 2001, the 26,449 square foot retail component of the property was sold for $1,610,000. The sale produced net cash proceeds of $1,207,000 that were used to pay down the new loan on the property.

In 2002, an affiliate of Triple Net Properties loaned $25,000, which was used to repay a part of Triple Net Properties loan.

In February 2005, the remainder of the property was sold resulting in an overall gain of $2,314,000 from the two sales. From the proceeds of the 2005 sale, Realty received a disposition fee of $429,000, Triple Net Properties received deferred management fees and incentive fees of $962,000 and $362,000 respectively, and the loans from Triple Net Properties and affiliates were repaid. No fees were paid to Triple Net Properties or Realty from the 2001 sale.

NNN Westway Shopping Center, LLC: The offering period began April 26, 2000 and ended February 7, 2001. The offering raised $3,278,250, or 99.3% of the offering amount. The LLC, with 23 unaffiliated members retained a 31.75% ownership interest in the property. The remaining 68.25% is owned by 16 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Westway Shopping Center	100.0%	shopping center	08/09/00	$ 9,550,000	$ 7,125,000	220,000	Wichita, KS

In 2001, the program had deficit cash flow after distributions of $44,000. The deficit cash flow was funded from prior years excess cash flow after distributions.

During the period from 2000 through 2004, the program received loans from Triple Net Properties and its affiliates to fund capital improvements and leasing costs. In 2001, the program received $84,000 from an affiliate of Triple Net Properties for capital improvements. In 2002, the program received a $61,000 loan from an affiliate of Triple Net Properties for capital improvements and leasing affiliated costs. In 2002, an affiliate of Triple Net Properties loaned an additional $28,000 for leasing costs. In 2003, the program received loans totaling $69,000 from affiliates of Triple Net Properties and an $8,000 loan from Triple Net Properties for tenant improvements. In 2004, the program received $271,000 in loans from Triple Net Properties and an affiliate to help fund $440,000 in capital and tenant improvements.

In 2005, an affiliate of Triple Net Properties advanced $28,000 to the program to cover distributions. In October 2005, distributions to investors were suspended to conserve cash flow. For the year ended December, 31 2005, Triple Net Properties and affiliates forgave $223,000 of the program s indebtedness. No distributions were made to investors in 2006.

Kiwi Associates, LLC: The offering began June 9, 2000 and ended February 4, 2001. The offering raised $2,681,352, or 95.8% of the offering amount. The LLC retained a 15.67% ownership with 13 unaffiliated members and the remaining 84.33% was owned by 11 unaffiliated TICs investing in the program.

	Ownership		Purchase	Purchase		GLA	

Property Name	Interest	Type of Property	Date	Price	Mortgage Debt at Purchase	(Sq Ft)	Location
Orange Street Plaza	100.0%	shopping center	07/14/00	$ 8,200,000	$ 6,500,000	74,000	Redlands, CA

For the years ended December 31, 2000 and 2001, the program had deficit cash flow after distributions and return of capital of $36,000 and $36,000, respectively. In 2001, Triple Net Properties loaned $15,000 to the program, which was repaid in 2002. In 2002, the property was refinanced resulting in net proceeds of $477,000, which was held in reserve for future leasing and capital expenditures. In February 2003, the sale of the property resulted in a gain of $1,409,000. Triple Net Properties and Realty received no fees from the sale of the property.

NNN 2000 Value Fund, LLC: The offering began July 15, 2000 and ended February 27, 2001. The offering raised $4,816,000, or 100% of the offering amount. The LLC acquired an 81% ownership of the Bowling Green Financial Park property with a membership of 123 unaffiliated members and two members who were shareholders of Triple Net Properties at the time of the investment. Two TICs, one unaffiliated and the other an entity controlled by Mr. Thompson, acquired a 19% interest in the property, investing outside of the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Bowling Green Financial Park	81.0%	7 office buildings	12/27/00	$ 12,960,000	$ 9,955,000	235,000	Sacramento, CA

In October 2002, all seven buildings in the Bowling Green Financial Park were sold resulting in a cumulative gain of $1,120,000. As a result of the sales, Realty received a disposition fee of $122,000 and Triple Net Properties received an incentive fee of $250,000 from the program.

NNN Rocky Mountain Exchange, LLC: The offering period began July 25, 2000 and ended February 15, 2001. The offering raised $2,670,000, or 100% of the offering amount. The property is 100% owned by 14 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Galena Street Building	100.0%	office	11/30/00	$ 7,225,000	$ 5,275,000	71,000	Denver, CO

In August 2002, the program reduced its distribution to investors from 8.50% to 4.25% as a result of the loss of a major tenant. In 2003, the program had deficit cash flow after distributions of $25,000. The deficit cash flow was funded by prior years excess cash flow after distributions. In 2003 and 2004, weak local market conditions and tenant downsizing resulted in reduced occupancy. In 2004, the program had deficit cash flow after distributions of $172,000 resulting in return of capital of $66,000. The deficit cash flow was funded from prior years excess cash flow after distributions and an $83,000 loan from an affiliate of Triple Net Properties. The affiliate of Triple Net Properties forgave $40,000 of this loan in 2004. In 2002, 2003 and 2004, Triple Net Properties loaned $3,000, $1,000 and $55,000, respectively, to fund capital improvements and deficit cash flow. In 2004, Triple Net Properties forgave all of these loans and terminated distributions.

In May 2005, the property was sold to Triple Net Properties for a loss of $326,000. In connection with the sale, Triple Net Properties and Realty did not receive any fees, and an affiliate of Triple Net Properties forgave $183,000 of loans made to the program.

NNN 2004 Notes Program, LLC: The offering period began August 29, 2000 and ended August 14, 2001. The offering raised $5,000,000, or 100% of the offering amount from 98 note unit holders. The program offered note units of interest through its unsecured notes offering. The program was formed for the purpose of making unsecured loans to one or more borrowers, likely to be affiliates of Triple Net Properties for the sole purpose of acquiring and holding real estate. An investor in this program was making a loan to the LLC. Triple Net Properties was the sole member and manager of the LLC and caused it to use the net proceeds from the offering to support its efforts in sponsoring real estate investments by making unsecured loans to affiliated entities. Triple Net Properties, as the sole member and manager of the LLC, guaranteed the payment of all principal and interest on the note units.

In 2003, 2004 and 2005, the LLC repaid $2,000,000, $1,500,000 and $1,500,000 of note unit principal, respectively. In 2005 all remaining accrued interest was paid to the note unit holders, and the program was completed.

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NNN Market Centre, LLC: The offering period began September 1, 2000 and ended November 17, 2000. The offering raised $1,330,000, or 100% of the offering amount. 100% of the property is owned by seven unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase*	GLA (Sq Ft)	Location
Market Centre	100.0%	office certified historic building	11/01/00	$ 3,400,000	$ 2,070,000	122,000	Wichita, KS

* Includes $1,070,000 mortgage debt and $1,000,000 in Note Units assumed at close.

In 1999, NNN Market Centre, LLC offered and sold $1,000,000 of 11% participating note units to supplement capital funds for capital improvements and to provide working capital. The note units were entitled to a 40% profit participation in profit generated from sale of the property or a prepayment fee. Investors in the program assumed these notes and $1,070,000 in mortgage debt. The program raised $1,330,000 for redevelopment of the property.

In 2000, the program had deficit cash flow after distributions of $47,000, representing return of capital of $14,000. The deficit cash flow was funded from working capital. In 2001, the property was refinanced with a $2,300,000 loan from an affiliate of Triple Net Properties and the $1,000,000 in Note Units was repaid. The program also received a $91,000 loan from Triple Net Properties to supplement capital funds and provide working capital. In 2001, the program had deficit cash flow after distributions of $175,000 representing return of capital of $98,000. The deficit cash flow was funded from working capital and the loan from Triple Net Properties. In 2002, the program received loans of $112,000 from affiliates of Triple Net Properties and a $35,000 loan from Triple Net Properties to supplement capital funds and provide additional working capital. In August 2002, distributions were reduced from 8% to 0% due to unfavorable market conditions in the Wichita, Kansas central business district. In 2002, the program had deficit cash flow after distributions of $10,000 representing return of capital of the same amount. In 2003, the program received an $8,000 loan from an affiliate of Triple Net Properties. Also in 2003, an affiliate of Triple Net Properties forgave $124,000 in accrued interest owed by the program. In 2004, the program received a $6,000 loan from Triple Net Properties. No distributions were made from August 2002 through December 2006.

In 2006, the property was refinanced with $1,000,000 in mortgage debt. There were no proceeds generated from the refinance and Triple Net Properties did not receive a financing fee. In connection with the refinance, Triple Net Properties and affiliates forgave $695,000 of secured and unsecured indebtedness. Triple Net Properties made an unsecured advance of $784,000 to the program to payoff the secured advance of $1,561,000 from an affiliate in conjunction with the re-financing.

NNN 2005 Notes Program, LLC: The offering period began September 15, 2000 and ended March 13, 2001. The offering raised $2,300,000, or 38.3% of the $6,000,000 offering amount from 46 note unit holders. The program offered note units through its secured notes offering. The program was formed for the purpose of making secured loans to one or more borrowers, likely to be affiliates of Triple Net Properties for the sole purpose of acquiring and holding real estate. An investor in this program was making a loan to the LLC. Triple Net Properties is the sole member and manager of the LLC and caused it to use its net proceeds of the offering to support its efforts in sponsoring real estate investments by making secured loans to affiliated entities. Triple Net Properties, as the sole member and manager of the LLC, guaranteed the payment of all principal and interest on the note units.

In 2006, the LLC repaid all outstanding note unit principal and accrued interest to the note unit holders, and the program was completed.

NNN Sacramento Corporate Center, LLC: The offering period began November 8, 2000 and ended May 21, 2001. The offering raised $12,000,000, or 100% of the offering amount. The LLC, with 55 unaffiliated

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members and 1 private program sponsored by Triple Net Properties retained a 17.5% ownership interest in the property. The remaining 82.5% is owned by 16 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Sacramento Corporate Center	100.0%	office	03/12/01	$ 31,000,000	$ 22,250,000	193,000	Sacramento, CA

In 2003, the property received a $202,000 loan from Triple Net Properties and a $95,000 loan from TICs for capital improvements. In 2004, TICs loaned the property an additional $69,000 for additional capital improvements and $31,000 was repaid to Triple Net Properties. In 2005, the program repaid loans of $8,000 to Triple Net Properties.

In 2006, the property was sold for a gain of $7,364,000. From the proceeds of the sale, Triple Net Properties received a disposition fee of $1,825,000, an incentive fee of $1,170,000 and deferred management fees of $253,000. All loans from Triple Net Properties and the TICs were repaid after the sale.

NNN Dry Creek Centre, LLC: The offering period began November 15, 2000 and ended January 31, 2001. The offering raised $3,500,000, or 100% of the offering amount. The LLC, with one unaffiliated member retained a 2.0% ownership interest in the property. The remaining 98.0% is owned by 15 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Dry Creek Centre	100.0%	Office	01/31/01	$ 11,100,000	$ 8,350,000	86,000	Englewood, CO

In 2001, the program had a cash flow deficiency due to the timing of property tax reimbursements. The deficiency was covered by existing reserves which were replenished in 2002 when the corresponding tax reimbursements were billed and collected. In 2004, the program had deficit cash flow after distributions of $47,000 covered by the prior years excess cash flow after distributions.

In 2005, the program had deficit cash flow after distributions of $105,000 which was covered by prior years cumulative excess cash flow after distributions. An affiliate of Triple Net Properties advanced $29,000 to pay for tenant improvements not covered by lender reserves. In April 2005, distributions were suspended due to increased vacancy and a lower rental rate on new leasing. No distributions were made to investors in 2006.

NNN 2001 Value Fund, LLC: The offering began March 12, 2001 and ended June 30, 2002. The offering raised $10,992,321, or 99.9% of the offering amount, from 261 unaffiliated members and five members who were shareholders of Triple Net Properties at the time of the investment. The program acquired 100% of two properties, 1840 Aerojet Way and Western Plaza. The program also owned a 40% undivided interest in Pacific Corporate Park. The remaining 60% was owned by a private program, NNN Pacific Corporate Park I, LLC as a TIC interest.

As of December 31, 2006, NNN 2001 Value Fund, LLC owned interests in the following property:

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Western Plaza	100.0%	shopping center	07/31/01	$ 5,000,000	$ 4,250,000	412,000	Amarillo, TX

As of December 31, 2006, NNN 2001 Value Fund, LLC had sold the following properties:

Property Name	Date of Purchase	Date of Sale	Ownership Interest	Share of Gain on Sale of Real Estate
1840 Aerojet	09/27/01	09/27/05	100%	$ 767,000
Pacific Corporate Park	03/25/02	12/28/05	40%	$ 1,135,000

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For the years ended December 31, 2001 and 2002, the program had deficit cash flow after distributions and return of capital of $18,000 and $130,000, respectively. For the year ended December 31, 2004, the program had deficit cash flow after distributions of $287,000 which was covered by excess cash flow from the previous year of $165,000 resulting in a return of capital of $122,000.

In 2003, Triple Net Properties loaned $675,000 to the program. The loan was used for a required $1,000,000 pay down of third party mortgage debt for Western Plaza. In 2004, Triple Net Properties loaned $375,000 to the program, and an affiliate of Triple Net Properties loaned $30,000 to the program and $80,000 to Pacific Corporate Park ($32,000 of which is allocable to the private program). The loans were used to fund a shortfall of refinance proceeds for Western Plaza along with capital and tenant improvements at Western Plaza.

In 2005, the program s 40% interest in Pacific Corporate Park was sold for a gain of $1,135,000. From the proceeds of the sale, Realty received a disposition fee of $130,000 and Triple Net Properties received property management fees of $3,000 from the program. In 2005, the program sold 1840 Aerojet for a gain of $489,000. Realty did not receive a disposition fee from the sale and Triple Net Properties received deferred management fees and lease commissions totaling $43,000. Proceeds from the sale were used to pay down $1,000,0000 of the mortgage on Western Plaza and to repay Triple Net Properties and affiliates $872,000 of loans made to the program. In 2006, Triple Net Properties advanced $150,000 to the program that was in turn invested in Western Plaza.

NNN Camelot Plaza Shopping Center, LLC: The offering period began March 30, 2001 and ended December 3, 2001. The offering raised $2,400,000, or 100% of the offering amount. The property is 100% owned by 13 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Camelot Plaza Shopping Center	100.0%	shopping center	08/01/01	$ 6,350,000	$ 4,128,000	91,000	San Antonio, TX

At acquisition, a major tenant left the property but agreed to pay rent through the end of its lease term. As a result, the lender required new loan terms including a lower funding than anticipated and accelerated principal repayment. The vacant space combined with weak local market conditions and the accelerated principal repayment has had a continuing adverse impact on the property s cash flow. Loans from Triple Net Properties and affiliates have funded the initial loan proceeds shortfall and accelerated principal repayment during Triple Net Properties leasing and refinancing initiatives. At closing, Triple Net Properties and an affiliate of Triple Net Properties made $36,000 and $278,000 loans to the program, respectively. In 2002, an affiliate of Triple Net Properties loaned $126,000 to the program. In 2003, an affiliate of Triple Net Properties forgave $100,000 of its loan. In 2004, an affiliate of Triple Net Properties loaned $155,000 to the program.

In 2001, the program had deficit cash flow after distributions of $82,000 representing return of capital of $65,000. The deficit cash flow and return of capital was funded from reserves and a loan from Triple Net Properties. In 2002, the program had deficit cash flow after distributions of $57,000 resulting return of capital of the same amount. The deficit cash flow and return of capital was funded by a loan from an affiliate of Triple Net Properties. In 2003, the program had deficit cash flow after distributions and return of capital of $71,000. In 2004, the program s distribution rate was reduced from 8% to 4.25%.

In April 2005, the property was refinanced with two loans totaling $3,375,000 generating net proceeds of $35,000. Triple Net Properties did not receive a financing fee from the transaction. In July 2005, distributions to investors were suspended in order to conserve cash flow. During 2005, an affiliate of Triple Net Properties advanced $93,000 to the program. As of December 31, 2005, Triple Net Properties and affiliates forgave indebtedness of the program totaling $276,000.

In 2006, an affiliate of Triple Net Properties was repaid $40,000 and no distributions were made to investors.

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NNN Washington Square Center, LLC: The offering period began May 1, 2001 and ended November 21, 2001. The offering raised $3,000,000, or 100% of the offering amount. 100% of the property is owned by 18 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Washington Square Center	100.0%	shopping center	10/16/01	$ 7,263,000	$ 4,890,000	72,000	Stephenville, TX

In 2002, the program had deficit cash flow after distributions of $50,000 representing return of capital of $22,000. The deficit cash flow was funded from prior years excess cash flow after distributions, reserves and a $10,000 loan from an affiliate of Triple Net Properties.

During the period from 2002 to 2004, the program received loans from Triple Net Properties and affiliates to fund return of capital as well as lender reserves and leasing costs. In 2002, the program received $10,000 to pay a portion of the return of capital distribution of $22,000. In 2003, the program received a loan of $98,000 from Triple Net Properties for leasing reserves and costs and repaid $10,000 to an affiliate of Triple Net Properties. In 2004 and 2005, the program received advances of $40,000 and $2,000, respectively from an affiliate of Triple Net Properties to fund tenant leasing costs and leasing reserves. In April 2006, the distribution rate was decreased from 8.0% to 5.0%.

NNN Reno Trademark, LLC: The offering period began May 30, 2001 and ended September 26, 2001. The offering raised $3,850,000, or 100% of the offering amount. The program owned 60% of the property, with nine unaffiliated TICs investing in the program. T REIT owned the remaining 40% of the property, which was purchased directly from the seller outside of the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Reno Trademark Building	60.0%	office/industrial	09/04/01	$ 4,378,000	$ 1,620,000	75,000	Reno, NV

In 2002, the property received a $49,000 loan from an affiliate of Triple Net Properties to provide the program with sufficient funds to meet the reserves required by the lender to refinance the property. Upon refinancing, the original $1,620,000 loan was replaced with a $4,600,000 loan. After refinancing of the property, there was a special distribution of $1,092,000 to TICs investing in the program. In 2003, the property repaid the $49,000 loan from an affiliate of Triple Net Properties and received a loan of $19,000 from Triple Net Properties to assist with year-end reimbursement timing differences. In 2004, the property repaid the $19,000 loan from Triple Net Properties.

In 2006, the property was sold for a gain of $2,568,000. The program s pro rata share of the gain was $1,541,000. From the sale proceeds, Triple Net Properties received deferred management fees of $101,000.

NNN One Gateway Plaza, LLC: The offering period began June 8, 2001 and ended September 25, 2001. The offering raised $4,197,500, or 99.9% of the offering amount. The LLC, with two unaffiliated members retained a 1.25% ownership interest in the property. The remaining 98.75% is owned by 10 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
One Gateway Plaza	100.0%	office	07/30/01	$ 12,550,000	$ 9,375,000	113,000	Colorado Springs, CO

In 2006, the program had a deficit cash flow after distributions of $266,000 which was covered by the prior years excess cash flow after distributions.

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NNN LV 1900 Aerojet Way, LLC: The offering period began July 26, 2001 and ended August 31, 2001. The offering raised $2,000,000, or 100% of the offering amount. 100% of the property is owned by 10 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
1900 Aerojet Way	100.0%	office/industrial	08/31/01	$ 5,067,000	$ 3,625,000	107,000	Las Vegas, NV

In 2001, the program received a $32,000 loan from Triple Net Properties to cover unanticipated lender holdbacks of $200,000 at acquisition. In 2002, the program received an $18,000 loan from an affiliate of Triple Net Properties to supplement capital funds due to the timing of certain repairs. In 2003, the program received a $31,000 loan from Triple Net Properties for the same purpose. In 2003, the program had deficit cash flow after distributions of $1,000. The deficit cash flow was funded from prior years excess cash flow after distributions. In 2004, the program received a $7,000 loan from Triple Net Properties and a $5,000 loan from an affiliate of Triple Net Properties.

In 2005, the property was sold for a gain of $380,000. Prior advances from Triple Net Properties were repaid from proceeds of the sale. Additionally, Triple Net Properties received deferred management fees of $45,000. No disposition fee was paid to Realty. All loans were repaid from proceeds of the sale.

NNN Timberhills Shopping Center, LLC: The offering period began July 31, 2001 and ended November 27, 2001. The offering raised $3,695,375, or 99.9% of the offering amount. The LLC, with one unaffiliated member retained a 1% ownership interest in the property. The remaining 99% is owned by 13 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Timberhills Shopping Center	100.0%	shopping center	11/27/01	$ 9,180,000	$ 6,390,000	102,000	Sonora, CA

In 2002, an affiliate of Triple Net Properties loaned $66,000 to the program for acquisition related costs.

In 2005, the property was sold for a gain of $1,567,000. The loan totaling $66,000 from an affiliate of Triple Net Properties was repaid from proceeds of the sale. Triple Net Properties received $65,000 for deferred management fees and leasing commissions and Realty received a disposition fee of $354,000 from the proceeds of the sale.

NNN Addison Com Center, LLC: The offering period began August 16, 2001 and ended April 2, 2002. The offering raised $3,650,000, or 100% of the offering amount. The LLC, with six unaffiliated members retained a 5.125% ownership interest in the property. The remaining 94.875% is owned by 10 unaffiliated TICs investing in the program.

	Ownership	Purchase	Purchase	Mortgage Debt	GLA

Property Name	Interest	Type of Property	Date	Price	at Purchase	(Sq Ft)	Location
Addison Com Center	100.0%	office	10/31/01	$ 10,500,000	$ 7,750,000	96,000	Addison, TX

In March 2003, the program reduced its distributions to investors from 8% to 0% as a result of the loss of a major tenant. In 2003, the program received a $40,000 loan from Triple Net Properties. In 2004, the program had deficit cash flow of $217,000. The deficit cash flow was funded from prior years excess cash flow after distributions and a $37,000 loan from an affiliate of Triple Net Properties in 2004. There were no distributions made in 2004, 2005, and 2006.

In 2005, Triple Net Properties and an affiliate loaned $64,000 and $102,000, respectively. The loans were used to cover a 2005 operating cash flow deficit of $33,000 and to fund lender leasing reserves. For the year ended December, 31 2005, Triple Net Properties and affiliates forgave loans to the program in the amount of $104,000 and $139,000, respectively.

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In 2006, Triple Net Properties loaned $548,000 and TIC investors funded a $200,000 cash call to cover a 2006 operating cash flow deficit of $223,000 and fund leasing costs of $681,000.

NNN County Center Drive, LLC: The offering period began September 18, 2001 and ended February 6, 2002. The offering raised $3,125,000, or 100% of the offering amount. The LLC, with Triple Net Properties as a single member retained a 1% ownership interest in the property. The remaining 99% is owned by 17 unaffiliated TICs, T REIT, an entity controlled by Mr. Thompson and a shareholder of Triple Net Properties investing as TICs in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
County Center Building	100.0%	distribution/ warehouse/office	09/28/01	$ 5,395,000	$ 3,210,000	78,000	Temecula, CA

In 2003, the program had deficit cash flow after distributions of $45,000. The deficit cash flow was funded from prior years excess cash flow.

In 2003, an affiliate of Triple Net Properties loaned $14,000 and Triple Net Properties loaned $59,000 to the program primarily to fund lender required reserves. In 2004, Triple Net Properties loaned an additional $52,000 for the same purpose.

In 2005, the property was sold for a gain of $1,109,000. From the sale proceeds, loans from Triple Net Properties and affiliates totaling $125,000 were repaid, Triple Net Properties received deferred management fees of $122,000 and Realty received a disposition fee of $158,000.

NNN City Center West B LLC: The offering period began October 31, 2001 and ended June 15, 2002. The offering raised $8,200,000, or 100% of the offering amount. The LLC, with two unaffiliated members retained a 0.915% ownership interest in the property. The remaining 99.085% is owned by 16 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
City Center West B	100.0%	office	01/23/02	$ 20,800,000	$ 14,650,000	104,000	Las Vegas, NV

The property was subject to a master lease guaranteed by an affiliate of Triple Net Properties.

In 2006, the property was sold for a gain of $10,268,000. From the sale proceeds, Triple Properties and Realty received deferred management related fees and leasing commissions totaling $472,000 and Realty received a disposition fee of $1,458,000.

NNN Arapahoe Service Center II, LLC: The offering period began February 11, 2002 and ended June 20, 2002. The offering raised $4,000,000, or 100% of the offering amount. The LLC, with two unaffiliated members retained a 5% ownership interest in the property. The remaining 95% is owned by 19 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Araphoe Service Center II	100.0%	office/flex complex	04/19/02	$ 8,038,000	$ 5,000,000	79,000	Englewood, CO

In 2004, the program had deficit cash flow after distributions of $33,000. The deficit cash flow resulted from a special distribution of $100,000 in addition to the program s regular distribution which was funded from prior years excess cash flow after distributions.

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NNN City Center West A , LLC: The offering period began February 12, 2002 and ended March 15, 2002. The offering raised $1,237,803, or 35.4% of the offering amount. 10.875% of the property is owned by three unaffiliated TICs investing in the program and 89.125% of the property is owned by T REIT, which purchased its interest as a TIC in the property outside of the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
City Center West A	10.9%	office	03/15/02	$ 2,362,000	$ 1,417,000	106,000	Las Vegas, NV

In 2003, the program had deficit cash flow after distributions of $4,000 representing return of capital of $2,000. In 2004, the program had deficit cash flow after distributions of $15,000 resulting in return of capital of the same amount.

In 2005, the property was sold for a gain. The program s share of the gain was $612,000. The program paid Realty a disposition fee of $102,000 and Triple Net Properties lease commissions of $12,000.

NNN Titan Building & Plaza, LLC: The offering began February 18, 2002 and ended May 28, 2002. The offering raised $2,219,808, or 88.8% of the original offering amount from five unaffiliated TICs. The program acquired a 51.5% interest in the property. The remaining 48.5% was purchased outside of the program by T REIT as a TIC.

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Titan Building and Titan Plaza	51.5%	office	04/17/02	$ 4,721,000	$ 3,090,000	131,000	San Antonio, TX

In June 2005, the property was refinanced with a $6,900,000 loan which produced net proceeds of $74,000. Triple Net Properties did not receive a financing fee.

In 2006, the property was sold for a gain. The program s share of the gain was $1,487,000. From its share of the sale proceeds, the program paid Realty a disposition fee of $271,000 and Triple Net Properties an incentive fee of $400,000.

NNN Pacific Corporate Park 1, LLC: The offering began March 11, 2002 and ended June 25, 2002. The offering raised $5,800,000, or 100% of the offering amount. The LLC retained an undivided 60% ownership interest in the property from 45 unaffiliated members and T REIT. The remaining 40% is owned by a private program, NNN 2001 Value Fund, LLC. Each program invested as an independent TIC outside of the other program.

Share of	Share of

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Pacific Corporate Park	60.0%	6-building office park	03/25/02	$ 14,237,000	$ 9,300,000	167,000	Lake Forest, CA

In 2004, the program had deficit cash flow after distributions of $55,000 which was funded by prior years excess cash flow after distributions. In 2004, an affiliate of Triple Net Properties loaned $80,000 ($48,000 of which is allocable to the program s 60% ownership interest in the property) to cover incurred tenant improvements.

In 2005, the last three buildings were sold resulting in an aggregate gain to the program from all sales of $1,700,000. Realty received a disposition fee from the program of $59,000 and Triple Net Properties received deferred management fees and leasing commissions from the program of $41,000 as a result of all sales. The loan from an affiliate of Triple Net Properties was repaid from the sale proceeds.

NNN North Reno Plaza, LLC: The offering period began March 31, 2002 and ended June 19, 2002. The offering raised $2,750,000, or 100% of the offering amount. The LLC, with three unaffiliated members

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retained a 1.75% ownership interest in the property. The remaining 98.25% is owned by 14 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
North Reno Plaza Shopping Center	100.0%	shopping center	06/19/02	$ 7,200,000	$ 5,400,000	130,000	Reno, NV

In 2003, the program received a loan of $44,000 from Triple Net Properties to supplement a short-term cash balance deficit. The loan was repaid in 2004.

In 2005, the property was sold for a gain of $2,713,000. From the proceeds of the sale, Realty received a disposition fee of $324,000 and Triple Net Properties received property management fees of $8,000.

NNN Brookhollow Park, LLC: The offering period began April 12, 2002 and ended July 3, 2002. The offering raised $6,550,000, or 100% of the offering amount. The LLC, with nine unaffiliated members and two affiliated members, consisting of separate investments by an entity controlled by Mr. Thompson, retained a 7.25% ownership interest in the property. The remaining 92.75% is owned by 19 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Brookhollow Park	100.0%	office	07/03/02	$ 15,360,000	$ 10,250,000	102,000	San Antonio, TX

In 2005, the program had a deficit cash flow after distributions of $445,000 due primarily to payment of two years of property taxes in the current year resulting in an overstatement of expense of $411,000. Prior years excess cash flow after distributions covered the 2005 deficit.

NNN 1397 Galleria Drive, LLC: The offering period began May 24, 2002 and ended October 23, 2002. The offering raised $1,950,000, or 100% of the offering amount. The LLC, with one unaffiliated member retained a 2% ownership interest in the property. The remaining 98% is owned by 14 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Galleria Office Building	100.0%	office	09/11/02	$ 3,420,000	$ 1,962,000	14,000	Henderson, NV

In August 2003, a major tenant vacated the property. As a result, in February 2004, the program terminated distributions to investors. In 2003, the program had deficit cash flow after distributions of $97,000 representing return of capital of $69,000. The deficit cash flow was funded from prior years excess cash flow after distributions, reserves and a $5,000 loan from an affiliate of Triple Net Properties. In 2004, the program had deficit cash flow after distributions of $18,000 representing return of capital of $13,000. In 2004, the $5,000 loan from an affiliate of Triple Net Properties was repaid. In 2005, no distributions were made to investors and the property had a deficit cash flow of $38,000. In 2006, no distributions were made to investors and the property had a positive cash flow of $51,000 which were used to cover $62,000 of leasing costs incurred during the year.

NNN Bryant Ranch, LLC: The offering period began June 10, 2002 and ended November 12, 2002. The offering raised $5,000,000, or 100% of the offering amount. The LLC, with eight unaffiliated members retained a 2.875% ownership interest in the property. The remaining 97.125% was owned by 20 unaffiliated investors and one entity controlled by Mr. Thompson investing as TICs in the program. The property was acquired from WREIT, an entity managed by Triple Net Properties.

Property Name	**Ownership Interest**	**Type of Property**	**Purchase Date**	**Purchase Price**	**Mortgage Debt at Purchase**	**GLA (Sq Ft)**	**Location**
Bryant Ranch Shopping Center	100.0%	shopping center	09/05/02	$ 10,080,000	$ 6,222,000	94,000	Yorba Linda, CA

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For the year ended December 31, 2003, the program had deficit cash flow after distributions of $58,000 which was funded by the previous year s excess cash flow after distributions. On November 2, 2004, the property was sold at a price of $13,000,000. From sale proceeds, Realty received a disposition fee of $260,000. The gain was $1,424,000.

NNN 4241 Bowling Green, LLC: The offering period began June 14, 2002 and ended December 27, 2002. The offering raised $2,850,000, or 100% of the offering amount. The LLC, with one unaffiliated member retained a 2.63% ownership interest in the property. The remaining 97.37% is owned by 17 unaffiliated TICs investing in the program. The property was acquired from a private program managed by Triple Net Properties.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
4241 Bowling Drive	100.0%	office	09/25/02	$ 5,200,000	$ 3,092,000	68,000	Sacramento, CA

In 2002, Triple Net Properties loaned $9,000 to the program to cover costs to close the acquisition as all of the offering proceeds had not been raised as of the acquisition date of the property. The loan was repaid in 2003 upon the completion of the offering. In 2004, the program had deficit cash flow after distributions of $127,000 representing return of capital of $84,000. In 2005, the program had deficit cash flow after distributions of $1,000 representing return of capital of $1,000. In February 2006, distributions were suspended to reserve cash flow after debt service for anticipated re-tenanting costs.

NNN Wolf Pen Plaza, LLC: The offering period began July 1, 2002 and ended October 23, 2002. The offering raised $5,500,000, or 100% of the offering amount. The LLC, with one unaffiliated member retained a 1% ownership interest in the property. The remaining 99% was owned by 14 unaffiliated TICs investing in the program.

roperty Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
/olf Pen Plaza	100.0%	shopping center	09/24/02	$ 16,220,000	$ 12,265,000	170,000	College Station, TX

In 2005, deficit cash flow after distributions of $400,000 was due primarily to payment of two years property taxes for 2004 and 2005 causing a one time increase in expenses of $406,000. The deficit resulted in a return of capital of $13,000.

NNN Alamosa Plaza, LLC: The offering period began July 18, 2002 and ended October 25, 2002. The offering raised $6,650,000, or 100% of the offering amount. The LLC, with one unaffiliated member retained a 1% ownership interest in the property. The remaining 99% was owned by 14 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location

Alamosa Plaza Shopping Center	100.0%	shopping center	10/08/02	$ 18,500,000	$ 13,500,000	78,000	Las Vegas, NV

In 2004, the program had deficit cash flow after distributions of $141,000. Prior years excess cash flow after distributions covered, in part, the 2004 deficit resulting in return of capital of $92,000.

In 2005, the property was sold for a gain of $2,960,000. Proceeds from the sale were used to pay Realty a disposition fee of $454,000 and Triple Net Properties deferred management fees totaling $63,000.

NNN 2006 Notes Program, LLC: The offering period began August 1, 2002 and ended May 23, 2003. The offering raised $1,044,881, or 10.4% of the $10,000,000 offering amount from 22 note unit holders. The program offered note units through its unsecured note offering. The program was formed for the purpose of making unsecured loans to one or more borrowers, likely to be affiliates of Triple Net Properties for the sole purpose of acquiring and holding real estate. An investor in this program was making a loan to the LLC. Triple Net Properties is the sole member and manager of the LLC and caused it to use its net proceeds from the offering to support its efforts in sponsoring real estate investments by making unsecured loans to affiliated entities. Triple Net Properties, as the sole member and manager of the LLC, guaranteed the payment of all principal and interest on the note units.

In 2005, the LLC repaid all outstanding note unit principal and accrued interest to the note unit holders, and the program was completed.

NNN Saddleback Financial, LLC: The offering period began August 30, 2002 and ended October 29, 2002. The offering raised $3,865,800, or 100% of the offering amount. 75% of the property was owned by investors investing in the program and 25% of the property was owned by T REIT, which purchased its portion of the property outside of the program. The LLC, with one unaffiliated member retained a 1.67% ownership interest in the program. The remaining 98.33% was owned by seven unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Saddleback Financial Center	75.0%	Office	09/25/02	$ 8,304,000	$ 5,738,000	72,000	Laguna Hills, CA

In 2003, the program had deficit cash flow after distributions of $127,000 resulting in return of capital of $46,000. The deficit cash flow was funded in part from prior years excess cash flow after distributions. In December 2004, the property was sold at a price of $15,450,000. Realty was paid a disposition fee of $460,000 from the program s portion of the sale. The program realized a gain of $1,938,000.

NNN Kahana Gateway Center, LLC: The offering period began August 9, 2002 and ended March 6, 2003. The offering raised $8,140,000, or 100% of the offering amount. The LLC, with nine unaffiliated members and one shareholder of Triple Net Properties retained a 5% ownership interest in the property. The remaining 95% was owned by 15 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Kahana Gateway Shopping Center and Professional Bldg	100.0%	retail/office	12/20/02	$ 19,400,000	$ 13,041,000	80,000	Maui, HI

In 2005, the property was sold for a gain of $4,033,000. Realty received a disposition fee of $765,000 from the sale proceeds.

NNN Springtown Mall, DST: The offering period began October 10, 2002 and ended March 21, 2003. The offering raised $2,550,000, or 100% of the offering amount. The LLC, with three unaffiliated members owns a 3.375%

beneficial interest in the trust that owns the property. Eleven unaffiliated investors own the remaining 96.625% of the beneficial interest in the trust that owns the property.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Springtown Mall Shopping Center	100.0%	Shopping center	12/09/02	$ 6,490,000	$ 4,700,000	96,000	San Marcos, TX

In 2002, affiliates of Triple Net Properties loaned $107,000 to the program to cover costs to close the acquisition as all of the offering proceeds had not been raised as of the acquisition date of the property. Upon completion of the offering in 2003, $65,000 of these loans were repaid. Also, in 2002, the program had deficit cash flow of $4,000 with no return of capital as no distributions were made in that year.

In 2005, the property was sold for a gain of $757,000. From the proceeds of the sale, Realty received a disposition fee of $210,000 and affiliates of Triple Net Properties received repayment of $42,000 for loans.

NNN Congress Center, LLC: The offering began October 15, 2002 and ended July 14, 2003. The offering raised $36,073,120, or 100% of the offering amount. The LLC retained a 28.9% interest in the property and 44.8% interest in the program with 81 unaffiliated members, T REIT and 2002 Value Fund. The remaining 55.2% of the program (35.6% interest in the property) was owned by 15 unaffiliated TICs investing in the program. The program owns 64.5% of the property. The remaining 35.5%, which was purchased outside the program, was owned by one unaffiliated TIC (5.5% ownership in the property) and G REIT as a TIC (30% ownership of the property).

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Congress Center	64.5%	Office	01/09/03	$ 87,790,000	$ 61,839,000	525,000	Chicago, IL

In 2006, the property had deficit cash flow after distributions of $263,000 which was covered by prior years excess cash flow after distributions.

NNN Park Sahara, DST: The offering period began October 25, 2002 and ended March 17, 2003. The offering raised $4,953,000, or 100% of the offering amount. 95.25% of the property was owned by investors investing in the program and 4.75% of the property was purchased outside the program by G REIT as a TIC interest. The LLC, with one unaffiliated member owns a 1.71% beneficial interest in the trust that owns the property. Eleven unaffiliated investors own the remaining 98.29% of the beneficial interest in the trust that owns 95.25% of the property.

Property Name	Ownership Interest	Type of Property	Purchase Date	Share of Purchase Price	Share of Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Park Sahara Office Park	95.25%	5-building office park	03/18/03	$ 11,621,000	$ 8,001,000	124,000	Las Vegas, NV

In 2002, Triple Net Properties loaned $225,000 to the program to cover costs to close the acquisition as all of the offering equity had not been raised as of the acquisition of the property. Upon completion of the offering in 2003, the loan was repaid. In 2004, Triple Net Properties loaned $44,000 to fund operations. In 2004, the program had deficit cash flow after distributions of $228,000 and return of capital of $174,000.

In 2005, the property was sold for a gain of $1,725,000. From the sale proceeds, the $44,000 loan from Triple Net Properties was repaid, a disposition fee of $320,000 was paid to Realty, and Triple Net Properties received deferred lease commissions and management fees totaling $385,000.

NNN Parkwood Complex, LLC: The offering period began October 28, 2002 and ended April 23, 2003. The offering raised $7,472,000, or 100% of the offering amount. The LLC, with 12 unaffiliated members and one shareholder of Triple Net Properties retained a 13.5% ownership interest in the property. The remaining 86.5% was owned by 10 TICs, nine unaffiliated and an entity controlled by Mr. Thompson investing in the program.

Ownership	Purchase	Purchase	GLA

Property Name	Interest	Type of Property	Date	Price	Mortgage Debt at Purchase	(Sq Ft)	Location
Parkwood I & II	100.0%	Office	12/31/02	$ 20,436,000	$ 13,922,000	196,000	Woodlands, TX

In 2002, an affiliate of Triple Net Properties and Triple Net Properties loaned $257,000 and $87,000, respectively, to cover costs to close the acquisition as all of the offering equity had not been raised as of the acquisition of the property. Upon completion of the offering in 2003, these loans were repaid. In 2003, an affiliate of Triple Net Properties loaned $1,500,000 to take out short-term seller financing until a new mortgage could be put in place. This loan was repaid in 2003.

In 2005, one of the two buildings was sold for $12,700,000 resulting in a gain of $600,000. At the same time, the remaining building was refinanced with an $8,400,000 mortgage. From the sale, Realty received a disposition fee of $127,000 and Triple Net Properties received management fees totaling $47,000. The refinance resulted in net proceeds of $367,000 and Triple Net Properties received a financing fee of $42,000.

In 2006, the second building was sold for $13,600,000 resulting in a gain of $1,671,000. From the sale, Realty received a disposition fee of $500,000.

NNN Beltline-Royal Ridge, LLC: The offering began November 8, 2002 and ended November 4, 2003. The offering raised $4,900,000, or 100% of the offering amount. The LLC retained a 10.5% ownership interest with 12 unaffiliated members. The remaining 89.5% was owned by 17 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Beltline 114 and Royal Ridge Tech	100.0%	2 office buildings	04/01/03	$ 9,550,000	$ 6,150,000	84,000	Irving, TX

In 2005, the deficit cash flow after distributions of $120,000 was due to payment of property taxes for two years, 2004 and 2005 causing a one time increase of expenses of $230,000. Prior years excess cash flow after distributions covered the deficit in 2005 and a $41,000 deficit in 2006. In February 2006 distributions to investors were suspended due to the vacation of a major tenant from one of the buildings.

NNN Parkway Towers, DST: The offering period began November 18, 2002 and ended August 13, 2003. The offering raised $7,342,575, or 99.9% of the offering amount. The LLC, with two unaffiliated members owns a 1.75% beneficial interest in the trust that owns the property. Twenty-four unaffiliated investors own the remaining 98.25% of the beneficial interest in the trust that owns the property.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Parkway Towers Office Park	100.0%	office	05/09/03	$ 12,450,000	$ 6,000,000	190,000	Nashville, TN

Upon the acquisition in 2003, the lender funded $1,200,000 less than the amount planned for in the offering memorandum, pending lease-up of vacant space. In 2003, the program received a $100,000 loan from an affiliate of Triple Net Properties and a $113,000 loan from Triple Net Properties to supplement capital funds for tenant improvements and lender-required capital improvements, which was repaid upon the full funding of the loan by the lender. The lender subsequently funded an additional $2,000,000, but required that the majority of this amount be reserved for capital improvements. In 2004, the $100,000 loan from an affiliate of Triple Net Properties was repaid and Triple Net Properties loaned $21,000 to supplement capital needs at the property.

In 2005, an affiliate of Triple Net Properties loaned $51,000 to the program. $21,000 of the loan was used to repay a loan from Triple Net Properties and the remaining balance was used to repay a loan from the program s LLC.

NNN Buschwood, LLC: The offering period began December 20, 2002 and ended March 25, 2003. The offering raised $3,200,000, or 100% of the offering amount. The LLC, with one unaffiliated member retained a 1% ownership interest in the property. The remaining 99% was owned by 12 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Buschwood III Office Park	100.0%	office	03/25/03	$ 6,983,000	$ 4,600,000	77,000	Tampa, FL

In 2004, the program had deficit cash flow after distributions of $30,000 covered by prior years excess cash flow after distributions. In February 2006 the distributions to investors were suspended to conserve cash flow in order to re-tenant vacated space.

NNN 1851 E. First Street, LLC: The offering period began February 14, 2003 and ended July 29, 2003. The offering raised $20,500,000, or 100% of the offering amount. The LLC, with 54 unaffiliated members retained an 11.5% ownership interest in the property. The remaining 88.5% was owned by 17 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Xerox Centre	100.0%	office	06/16/03	$ 60,500,000	$ 45,375,000	318,000	Santa Ana, CA

In January 2005, the property was refinanced with a $49,000,000 loan resulting in net proceeds to the property of $1,918,000. From the refinance proceeds, a special distribution of $750,000 was made to investors. Triple Net Properties received a financing fee of $223,000.

In 2006, the property was sold resulting in a gain of $9,179,000. From the proceeds of the sale, Realty received a disposition fee of $2,635,000 and Triple Net Properties received management related fees totaling $22,000.

NNN Netpark, LLC: The offering period began March 18, 2003 and ended September 18, 2003. The offering raised $23,700,000, or 100% of the offering amount. The LLC, with 33 unaffiliated members retained a 4.75% ownership interest in the property. The remaining 95.25% was owned by 22 unaffiliated TICs, 2002 Value Fund and an entity controlled by Mr. Thompson investing as TICs in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Netpark Tampa Bay	100.0%	office	06/11/03	$ 47,000,000	$ 31,500,000	911,000	Tampa, FL

In 2005, NNN 2002 Value Fund, LLC sold its 50% TIC interest in the property to an affiliated program, NNN Netpark II, LLC for $33,500,000. In connection with the sale, a $500,000 disposition fee was paid to Realty. New financing of $43,000,000 was put on the property at the time of the sale. Under the new ownership structure, net proceeds relating to the remaining TIC and LLC ownership was held as property reserves and the owners in the NNN Netpark II, LLC program funded their share of property reserves from equity. From the refinance, Triple Net Properties received a financing fee of $224,000 and $17,000 for management fees, and Realty received $58,000 for leasing commissions.

NNN 602 Sawyer, LLC: The offering period began March 28, 2003 and ended September 3, 2003. The offering raised $4,700,000, or 100% of the offering amount. The LLC, with seven unaffiliated members retained a 10% ownership interest in the property. The remaining 90% is owned by 19 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location

602 Sawyer	100.0%	office	06/05/03	$ 9,270,000	$ 5,850,000	86,000	Houston, TX

In 2004, the program had deficit cash flow after distributions of $89,000. The prior year s excess cash flow after distributions covered the deficit in 2004. In December 2004, an affiliate of Triple Net Properties loaned $20,000 to the program for operations. In March 2005, the distribution rate was reduced from 8% to 5% to conserve cash flow for new leasing. In August 2005, distributions were suspended. An affiliate of Triple Net Properties loaned $66,000 to the program for tenant improvement costs not covered by lender reserves. In 2006, $56,000 of the loan from an affiliate of Triple Net Properties was repaid and no distributions were made to investors.

NNN Jefferson Square, LLC: The offering period began May 1, 2003 and ended August 26, 2003. The offering raised $9,200,000, or 100% of the offering amount. The LLC, with 22 unaffiliated members retained a 10% ownership interest in the property. The remaining 90% was owned by 15 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt At Purchase	GLA (Sq Ft)	Location
Jefferson Square	100.0%	office/retail	07/28/03	$ 20,125,000	$ 13,070,000	146,000	Seattle, WA

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In 2005, the property was sold for a gain of $4,232,000. From the proceeds, Realty received a disposition fee of $1,080,000 and Triple Net Properties was paid deferred lease commissions and property management fees totaling $91,000.

NNN Arapahoe Business Park, LLC: The offering period began June 13, 2003 and ended September 3, 2003. The offering raised $3,800,000, or 100% of the offering amount. The LLC, with five unaffiliated members retained a 5% ownership interest in the property. The remaining 95% was owned by 14 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
Arapahoe Business Park I & II	100.0%	office	08/11/03	$ 7,988,000	$ 5,200,000	133,000	Centennial, CO

In 2003, Triple Net Properties loaned $15,000 to the program relating to costs associated with the acquisition of the property. The loan was repaid in 2004. In 2006 the program had deficit cash flow after distributions of $134,000 which was covered by prior years excess cash flow after distributions.

NNN 901 Corporate Center, LLC: The offering period began June 13, 2003 and ended October 3, 2003. The offering raised $6,292,125, or 99.9% of the offering amount. The LLC, with 12 unaffiliated members retained a 5.125% ownership interest in the property. The remaining 94.875% was owned by 14 unaffiliated TICs investing in the program.

Property Name	Ownership Interest	Type of Property	Purchase Date	Purchase Price	Mortgage Debt at Purchase	GLA (Sq Ft)	Location
901 Corporate Center	100.0%	office	08/15/03	$ 16,150,000	$ 11,310,000	101,000	Monterey Park, CA

In 2004, the program had deficit cash flow after distributions of $211,000 representing return of capital of $68,000. The deficit cash flow was funded in part from the prior year s excess cash flow after distributions. In 2006, the property was sold resulting in a gain of $2,836,000. From the proceeds of the sale, Realty received a disposition fee of $732,000 and Triple Net Properties received deferred management related fees totaling $206,000.

NNN Jamboree Promenade, LLC: The offering period began June 20, 2003 and ended December 10, 2003. The offering raised $6,800,000, or 100% of the offering amount. The LLC, with 14 unaffiliated members retained a 7.625% ownership interest in the property. The remaining 92.375% is owned by 16 unaffiliated TICs investing in the program.