

# SECURITIES AND EXCHANGE COMMISSION

## FORM S-11/A

Registration statement for securities to be issued by real estate companies [amend]

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### FILER

#### **GEN-NET LEASE INCOME TRUST INC**

CIK: **1157614** | IRS No.: **38343697** | State of Incorpor.: **MI** | Fiscal Year End: **1231**  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## PRE-EFFECTIVE AMENDMENT NO. 1 TO FORM S-11

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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### **Gen-Net Lease Income Trust, Inc.**

(Exact Name of Registrant as Specified in Governing Instruments)

**24081 West River Road, First Floor**

**Grosse Ile, Michigan 48138**

**(734) 362-0175**

(Address, Including Zip Code, and Telephone Number, Including Area  
Code of Registrant's Principal Executive Offices)

**Jerry D. Bringard**

**24081 West River Road, First Floor**

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(Name, Address, Including Zip Code and Telephone Number,  
Including Area Code, of Agent For Service)

Copies to:

John D. Ellsworth, Esq.

2027 Dodge Street, Suite 100

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of earlier effective registration statement for the same offering. //

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. //

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**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price Per Unit</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
Shares of common stock	2,500,000	\$10.00	\$25,000,000	\$6,250.00

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

**SUBJECT TO COMPLETION**

**Gen-Net Lease Income Trust**

**A Real Estate Investment Trust Offering**

**2,500,000 SHARES OF COMMON STOCK  
\$10.00 PER SHARE**

**Gen-Net Lease Income Trust, Inc.** ("Gen-Net") is a Michigan corporation which intends to operate as a self-managed and self-advised real estate investment trust ("REIT"). This Prospectus describes Gen-Net's offering of its shares of common stock to persons who, as purchasers of the shares, will become voting shareholders of Gen-Net. Unless Gen-Net receives a minimum commitment from investors to purchase a minimum of 300,000 shares (or \$3,000,000) within one year after the date of this prospectus, all investor funds will be returned. Prior to reaching this minimum amount, investor funds will be held in an interest bearing escrow account with Citizens First Savings Bank, Port Huron, Michigan.

Gen-Net's shares will not be listed on any national or regional securities exchange or on the NASDAQ National Market. THE SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE DISCLOSURES IN THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**AN INVESTMENT IN GEN-NET INVOLVES SIGNIFICANT RISKS: SEE THE "RISK FACTORS" SECTION ON PAGE 6 OF THIS PROSPECTUS FOR A DETAILED DISCUSSION OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN GEN-NET.**

	<b>Price to Public</b>	<b>Selling Commissions<sup>(1)</sup></b>	<b>Proceeds to Company<sup>(2)</sup></b>
Per Share	\$10.00	\$.625	\$9.375
Total Minimum	\$3,000,000 <sup>(3)</sup>	\$187,500	\$2,812,500
Total Maximum	\$25,000,000	\$1,562,500	\$23,437,500

<sup>(1)</sup> The principal officers and Directors of Gen-Net may offer shares and will not receive a commission. Gen-Net expects to engage the services of members of the National Association of Securities Dealers, Inc. (the "Selected Dealers") to offer the shares and be paid commissions of up to 6% of the gross proceeds from the sale of shares plus up to an additional .25% for reimbursement of actual due diligence expenses.

- (2) It is estimated that legal, accounting, printing, and other reimbursable organizational expenses in connection with this offering will not be less than \$80,000 if \$3,000,000 in shares nor exceed \$500,000 if \$25,000,000 in shares are sold. See "Estimated Use of Proceeds".
- (3) If Gen-Net raises the minimum of \$3,000,000, it will invest a net of \$2,702,500 in properties. See "Investment and Policies" and "Estimated Use of Proceeds."

The offering will terminate on the earlier of either: (1) the acceptance by Gen-Net of offers for the purchase of \$25,000,000 in shares or (2) the date which is one year after the initial date of this prospectus. If the offering is terminated because the \$3,000,000 minimum has not been raised within the one year time period, all investor funds will be returned to the investors promptly with accrued interest from the date of collection.

The date of this prospectus is \_\_\_\_\_, 2002

THE INFORMATION CONTAINED IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. GEN-NET MAY NOT SELL THE SHARES UNTIL THE REGISTRATION STATEMENT IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THE SHARES AND IT IS NOT SOLICITING AN OFFER TO BUY THE SHARES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

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## SUMMARY OF THE OFFERING

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this prospectus. The information appearing in the rest of the prospectus follows in the same order as the topics appear in this "SUMMARY". See "GLOSSARY" for definitions of capitalized terms used throughout the prospectus. Certain technical terms capitalized in this prospectus that are not defined within the text are defined in the Glossary.

### *Introduction*

Gen-Net is a Michigan corporation organized on September 28, 1998. Its sole shareholder at present is Genesis Financial Group, Inc, ("Genesis"), the organizer of Gen-Net and the Sponsor of this offering.

Gen-Net is offering a total of 2,500,000 shares for sale at the price of \$10.00 per share. Unless Gen-Net receives commitments from investors to purchase a minimum of 300,000 shares (or \$3,000,000) on or before a date that is one year after the date of this prospectus, all investor funds held in escrow will be returned with interest to the investors.

Gen-Net will acquire, own and manage properties located in the continental United States which are already leased, or are acquired on the condition that they will be leased, to certain qualifying tenants pursuant to "Net Leases." Gen-Net will hold and manage the properties and intends to eventually sell them. The net proceeds from the sale of such properties may be reinvested in other properties which meet Gen-Net's investment criteria.

### *The Net Lease Real Estate Business*

Under a typical Net Lease, the tenant is responsible for all or a substantial portion of real estate taxes, insurance and ordinary maintenance but not for capital expenses. Investments in Net Leased properties may offer more predictable returns than investments in properties which are not Net Leased since rising costs of operating Net Leased properties are absorbed by the tenants rather than the owner.

Net Leased properties are often acquired through sale/leaseback transactions. Generally in a sale/leaseback transaction, the purchaser/landlord (such as Gen-Net) acquires a property from an operating company and simultaneously leases the property back to the operating company under a long-term lease. A sale/leaseback transaction is structured to provide the purchaser with a consistent stream of income that usually increases over time under to the terms of the lease.

### *Risks and Other Important Factors*

There are significant risks associated with being a shareholder in Gen-Net. The "RISK FACTORS" section of this prospectus contains a detailed discussion of the most important risks. The risk factors are organized into Risks Associated with this Offering, Other Real Estate Investment Risks, Corporate Risks, and Tax Risks. Please refer to the "RISK FACTORS" section of this prospectus for a more complete discussion of these risks, which are summarized below:

#### **Risks Associated with this Offering.**

Gen-Net may be unable to raise the maximum proceeds. As a result, fewer properties may be acquired and Gen-Net may not be able to diversify as planned and/or fully pursue its investment strategy given the fact that Gen-Net has never previously raised equity capital from public investors.

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Investing in real estate that is subject to mortgage debt, or leveraging, risks that a lender can foreclose on the property in which it holds a mortgage if Gen-Net does not repay the mortgage loan.

The offering price of \$10.00 per share was determined arbitrarily by Gen-Net. Thus, there is no assurance the shares will maintain a value after the offering that compares favorably to the offering price.

The value of a share will be reduced by offering costs and can be further reduced by poor acquisitions by Gen-Net or the issuance of more shares in subsequent offerings.

Gen-Net does not have any operating history.

Gen-Net is likely to be undercapitalized if it raises substantially less than the maximum offering proceeds, such that it will not diversify as planned and will have higher operating cost ratios.

The properties to be purchased are not known at this time. An investor will have no economic or other financial information available to assist in evaluating Gen-Net's prospective property purchases.

If Gen-Net distributes cash dividends to its shareholders, a portion is likely to be deemed a return of capital under applicable accounting rules. See INCOME TAX CONSIDERATIONS.

#### **Other Real Estate Investment Risks.**

Because Gen-Net will lease to single tenants who will be largely responsible for maintaining the property leased to them, Gen-Net may be exposed to more financial risk due to a tenant's failure to perform under its lease than if a property were leased to multiple tenants.

The future value of real estate, and, consequently, Gen-Net's profits cannot be predicted. Investors cannot be sure that they will recover their original investment.

Because Gen-Net may acquire properties built for a special purpose and intended for particular tenants, the property may be hard to dispose of when the lease terminates or in the event of a tenant default.

Gen-Net may incur extraordinary expenses to comply with the Americans With Disabilities Act.

#### **Other Corporate Risks.**

Gen-Net's Board of Directors and officers together will exercise all management rights subject only to the ability of the shareholders to elect the Directors.

Gen-Net may have insufficient working capital, which could result in Gen-Net having to borrow funds or receive additional capital through the sale of shares or subsequently authorized debt securities. There is no assurance that such additional capital can be obtained through the sale of additional shares or debt securities.

A shareholder will not likely be able to sell his or her investment because there is presently no organized market for the shares. There is also a risk that if a shareholder is able to sell his or her shares in the future, The shareholder may have to sell them for less than the offering price.

The shareholders holding a majority of the shares may exercise certain voting rights, including the election of Directors, the amendment of Gen-Net's governing documents and a change in the investment objectives even if holders of 49% of the shares object.

The Directors have limited liability under Gen-Net's Articles of Incorporation and Bylaws.

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### **Tax Risks.**

If Gen-Net fails to qualify or maintain its qualification as a REIT under the federal income tax laws, it will be taxed as a regular corporation and distributions to its shareholders will not be deductible by Gen-Net in computing its taxable income.

Gen-Net may incur tax liability and penalties for non-compliance with certain REIT provisions, including those relating to dividend payments and Prohibited Transactions (as defined in "INCOME TAX CONSIDERATIONS.>").

There may in the future be adverse changes in the tax laws affecting Gen-Net and its shareholders.

See "RISKS FACTORS" for further details.

#### *Who May Invest*

Each investor must, at a minimum, have:

gross income of \$45,000 and a \$45,000 net worth; or

a net worth of \$150,000

This type of investment requires a long-term holding period, is considered to be illiquid and cannot be readily resold. The shares are not listed on any national market exchange or on NASDAQ. There are certain modest tax benefits claimed for this investment, but it is not a tax shelter and will not benefit a shareholder's tax situation as to the shareholder's other income. See the section in the prospectus entitled "SUITABILITY" for details.

#### *Capitalization and Estimated Use of Proceeds*

The amount raised in this offering will affect Gen-Net's use of the offering proceeds. The more funds Gen-Net raises in the offering, the better able Gen-Net will be to locate and purchase suitable properties. If Gen-Net sells only the minimum number of shares, it will have cash available of approximately \$2,702,500 to use for the purchase of properties, and expects to purchase approximately 2 properties. If Gen-Net is able to sell the maximum amount of shares, it is anticipated that Gen-Net will have cash available for property purchases of \$22,687,500 after deduction of approximately \$2,062,500 for selling commissions and expenses, other organization and offering costs, and expects to purchase approximately 30 properties. See "CAPITALIZATION" and "ESTIMATED USE OF PROCEEDS" for further details.



Gen-Net's investment objectives include:

to provide regular dividends to the shareholders of no less than 90% of Gen-Net's taxable income and which may be in amounts exceeding Gen-Net's taxable income due to the non-cash character of depreciation as an expense;

to provide shareholders with long term appreciation on their investment;

to provide shareholders with an inflation hedge by entering into leases which contain clauses for scheduled rent escalations, permitting Gen-Net to increase dividends and realize capital growth;

to preserve shareholder capital.

There is no assurance these objectives can be achieved.

In attempting to achieve these objectives, Gen-Net will abide by the following requirements:

The properties acquired will be purchased for cash supplied by Gen-Net and loans encumbering the property not to exceed eighty percent (80%) of the property's total purchase price.

The properties, which will be used primarily for distribution and office purposes, will be leased to credit-worthy tenants, each of whom will have at least \$100 million of net worth or be a municipal/state/federal government agency.

Net Leases with a tenant will provide that the tenant pays all or a significant portion of the operating costs associated with a property, including utilities, real estate taxes, insurance, maintenance but not capital expenditures such as roof replacement. In some cases, the leases may include an allowance in the base rent structure to cover such operational costs with any costs in excess of the allowance to be paid for by the tenant.

The leases will be for an extended period of time, typically ten or more years, and some will include increases in the rent during the lease period based on various formulas.

There are also provisions in Gen-Net's Bylaws that impose conditions on possible joint ventures, and that prohibit numerous financial activities. See "INVESTMENT OBJECTIVES AND POLICIES" for details.

#### *Properties*

Gen-Net will attempt to acquire only certain types of properties. The properties it intends to acquire will be:

primarily distribution or office;

leased or to be leased on a long-term basis to a single tenant;

have certain required terms in the lease;

have a tenant that meets certain creditworthy criteria;

satisfy certain conditions as to their prospects for appreciation.

The properties Gen-Net intends to acquire may be located anywhere in the United States. See "PROPERTIES" for details.

Management will diversify Gen-Net's portfolio by geographical location, tenant industry segment, lease term expiration and property type with the intention of providing steady revenue growth with low volatility. Management believes that such diversification should help reduce exposure from regional recession, industry specific downturns and price fluctuations by property type. Prior to effecting any acquisitions, management will analyze:

property design, construction quality, efficiency, functionality and location with respect to the immediate market, city and region;

lease integrity with respect to term, rental rate increases, corporate guarantees and property maintenance provisions;

present and anticipated conditions in the local real estate market;

prospects for selling or releasing the property on favorable terms in the event of a vacancy.

Management also evaluates each potential tenant's financial strength and position within its respective industry and a property's strategic position and function within a tenant's operation or distribution systems.

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### *Management*

Jerry D. Bringard is the President of Gen-Net, and is responsible for its management and day-to-day business affairs. Mr. Bringard will be assisted by Bruce Baum, who will be responsible for managing financial affairs. Both Messrs. Bringard and Baum are under the direction of the Board of Directors. See MANAGEMENT for information on the Directors. The Directors have a fiduciary duty under Michigan law to the shareholders, must exercise reasonable care and act in good faith. If the officers and Directors are found to be acting in a non-negligent manner and not in violation of the corporate governing documents, Michigan law or common law, they are entitled to indemnification from Gen-Net in covering the costs of defending themselves and any claims.

Certain administrative aspects of Gen-Net's business and affairs as well as the analysis and selection of properties, negotiation of property acquisition terms, arranging debt financing terms and property management have been contracted to Genesis. Genesis, owned by D. James Barton and Gregg S. Barton his son (the "Bartons"), is the Sponsor of this offering and the initial shareholder of Genesis.

### *Competition for Time and Services*

Gen-Net will depend on the Directors, officers, and Genesis for its operation and the acquisition and management of its investments. Gen-Net's Directors and officers are all separately employed by other unrelated entities who require substantial amounts of their time. The Bartons are officers, directors and the sole owners of Genesis. The Bartons are active through Genesis in acquiring and operating Net Leased properties for Affiliates of Genesis. See "CONFLICTS OF INTEREST" for details.

Likewise, Lieben, Whitted, Houghton, Slowiaczek & Cavanagh, P.C., L.L.O., is counsel to both Gen-Net and Genesis. Other counsel will be retained by one or more parties in the event of an apparent conflict between the interests of Gen-Net and Genesis.

### *Compensation to Management and Others*

Gen-Net will pay salaries for the services of the President and the Treasurer and reimburse certain expenses. Mr. Bringard's initial annual salary for serving as the President has not yet been established but will not exceed \$25,000 the first year. Mr. Baum's initial annual salary for serving as the Treasurer has not yet been established but initially will not exceed \$25,000 annually.

The Directors shall each receive an annual fee of \$25,000 for serving as Directors which shall be in lieu of fees for attending each meeting of the Board of Directors in person or telephonically.

For its services to Gen-Net, Genesis will receive compensation based upon a percentage of property sales prices and gross rental income, and will be reimbursed for certain of its expenses. See MANAGEMENT for details.

There have been no arm's length negotiations between Gen-Net and its officers and Directors or with Genesis in setting salaries, Directors' fees or fees to Genesis.

Gen-Net will pay Selected Dealers sales commissions of up to 6% of the selling price per share which may include a fee of up to 1% for wholesaling services provided in connection with recruiting other Selected Dealers for this offering. Selected Dealers may also receive up to .25% per share selling price for reimbursement of sales promotion expenses and actual due diligence expenses. In no event will the total selling compensation of sales commission, wholesaling fee and due diligence exceed 6.25%.

### *Income Tax Considerations*

The complexity of the federal income tax laws causes potentially material tax issues associated with an investment in Gen-Net. The principal tax consequences involved with an investment Gen-Net are that if Gen-Net is treated as a REIT for income tax purposes, investors may receive dividends that are partially sheltered from federal income taxation. These reductions in the taxable income are generated as a result of deductions from various operating expenses and from depreciation, and such deductions could be challenged by the IRS. Also, there could be changes in the federal tax laws which could either increase or decrease the tax impact from income received from Gen-Net.

A discussion of the federal income tax issues which may be important to shareholders is set forth in the "INCOME TAX CONSIDERATIONS" section of this Prospectus. This section includes a discussion of the many rules Gen-Net must follow in order to continue to qualify as a REIT and timely avoid paying federal income taxes.

## **RISK FACTORS**

An investment in Gen-Net involves certain risks, some of which are peculiar to Gen-Net and others of which are inherent in all similar real estate investments. In analyzing the offering, prospective investors should consider carefully, among other factors, the effect, if any, of the following:

*Risks Associated with this Offering*

*Risks Associated with Leverage.* On an aggregate basis, Gen-Net may borrow up to 80% of the purchase price of properties. The use of borrowed funds in the purchase of properties is referred to as "leverage".

*Greater use of leverage could result in less funds distributed to shareholders.* The effects of utilizing leverage are to increase the number of properties that may be purchased with Gen-Net's funds available for investment, to increase the potential for gain, to increase the aggregate amount of depreciation available to Gen-Net and to increase the risk of loss. Also, while higher leverage should enable Gen-Net to acquire a greater number of investments, Gen-Net would need to utilize greater funds to make payments on the borrowed funds, which could result in less funds available for distributions to the shareholders. To the extent that Gen-Net uses leverage or increased amounts of leverage in the purchase of its properties, the potential for gain and risk of loss will be increased accordingly. If Gen-Net defaults on secured indebtedness such as a mortgage, the lender may foreclose, and Gen-Net could lose its investment in the property. Furthermore, mortgage market conditions and the policies of the Federal Reserve Board may make it difficult to obtain mortgages on acceptable terms.

*Certain forms of mortgage financing may require Gen-Net to sell properties or arrange for alternative financing.* In purchasing properties subject to financing, Gen-Net may obtain financing with "due-on-sale" and/or "due-on-encumbrance" clauses which, upon future refinancing or sale of the properties, may cause the maturity date of such mortgage loans to be accelerated and such financing to become due. In such event, Gen-Net may be required to sell its properties on an all-cash basis, to acquire new financing in connection with the sale, or to provide seller financing. It is not Gen-Net's intent to provide seller financing, although it may be necessary or advisable in certain instances. It is unknown whether the holders of mortgages encumbering properties will require such acceleration or whether other mortgage financing will be available. Such factors will depend on the mortgage market and on financial and economic conditions existing at the time of the sale or refinancing.

*Gen-Net's ability to repay a balloon loan may depend on its ability to sell the property or obtain refinancing.* Gen-Net may finance acquisitions of properties with mortgages that do not provide for the repayment of the entire principal amount of the mortgage loan or a substantial portion thereof

during its term and therefore require "balloon" payments at maturity. Balloon payments are payments of a significant portion of the amount originally borrowed when the loan is due. The ability of Gen-Net to repay at maturity the outstanding principal amount of the balloon loan may be dependent on its ability to sell the property or obtain adequate refinancing, which in turn will be dependent upon economic conditions in general and the value of the property in particular at the time the loan is due. There is no assurance that Gen-Net will be able to refinance a balloon loan at maturity or that the terms of any new loan will be as favorable as the prior loan.

If Gen-Net is unable to refinance a balloon loan at maturity, it may be forced to sell the property securing repayment of the balloon loan (or another property), which sale would be affected by economic conditions in general and possibly by the availability of financing to the purchaser. There is no assurance that the proceeds of such a sale would be sufficient to fully repay the balloon loan. Any refinancing or sale may affect the rate of return to shareholders and the projected time of disposition of Gen-Net's assets. To the extent that properties are subject to balloon mortgages, Gen-Net's objective of increasing equity through the reduction of mortgage debt on properties may be more difficult to achieve. See "INVESTMENT OBJECTIVES AND POLICIES".

*Gen-Net's properties may not be geographically diversified, which could increase the risks to Gen-Net in the event of adverse economic conditions.* Although it is not limited to investing in any particular area or region, Gen-Net may invest in properties primarily located in the same state or general geographical area. If Gen-Net's concentration of investments are in a single state or general geographical area, it will substantially increase the risks to Gen-Net in the event of any adverse change in the economic conditions and real estate markets within that

state or general geographical area. Adverse trends in these economic factors could adversely affect rental income and appreciation in value of these properties, which in turn would materially affect Gen-Net's continued viability and profit potential.

*The offering price was determined arbitrarily and there is no assurance the shares will have a price determined by market factors.* The Directors have arbitrarily determined the offering price for the shares. The offering price does not bear any relationship to objective factors or groups of objective factors, such as Gen-Net's financial condition. There is no assurance that the shares will have a price determined by market factors.

*An investment in Gen-Net will be immediately diluted.* The offering price is \$10.00 per share. There will be an immediate dilution of \$1.25 in book value per share after the payment of all estimated offering expenses, assuming that the minimum number of shares is sold. If the maximum number of shares is sold, the immediate dilution in book value will be \$.82 per share. See "DILUTION." Investors will pay the same price for shares whether they acquire them before or after Gen-Net has made any investments. If investments previously acquired by Gen-Net have depreciated in value, the value of the shares purchased by the investor later in the offering will be diluted immediately upon the purchase of the shares. The Directors may authorize the issuance of shares in addition to shares issued in this offering, which would have the effect of diluting the interests of the existing shareholders.

*Gen-Net has no operating history.* Although Gen-Net was formed in 1998, it has been dormant and does not have any operating history. Several Directors of Gen-Net and the Bartons have had experience in acquiring, developing, leasing and managing properties, but have no prior experience in managing and operating a public real estate investment trust.

*Gen-Net may be undercapitalized and unable to pursue its investment strategy.* If Gen-Net raises a minimal amount of proceeds through this offering, it will be less able to achieve a planned diversification of properties, the percentage of the gross offering proceeds applied to property acquisition expenses will be higher, and Gen-Net may not be able to fully pursue its investment strategy.

*Gen-Net has not identified any properties so investors cannot investigate specific properties.* Gen-Net has not identified any specific properties in which to invest. Because properties are not identified, prospective investors are unable to investigate any specific properties. However, this prospectus will be amended or supplemented at any time a reasonable probability exists that a specific property will be acquired. See "INVESTMENT OBJECTIVES AND POLICIES".

*Gen-Net's dividends, if any, will affect shareholders' tax situations.* If Gen-Net generates cash from its operations and thereafter distributes the cash to shareholders in the form of dividends, a portion of those dividends will be deemed to be a return of capital to the extent the distribution exceeds net income as defined by generally accepted accounting principles. Moreover, a return of capital will also have the effect of reducing a shareholder's tax basis in his or her shares.

#### *Other Real Estate Investment Risks*

*Single tenant leases depend upon the continued financial condition of one tenant.* In leases with single tenants, the continued viability of the lease will depend directly on the continued financial viability of one tenant. If the tenant fails and the lease is terminated, Gen-Net would incur a reduction in cash flow from the property and the value of the property would be decreased. Also, where two or more properties have the same tenant, or related tenants, the continued viability of each property would depend directly on the financial viability of a single tenant. To help reduce these risks, Gen-Net will continue to consider the creditworthiness and financial strength of the tenants of its properties at the time they are acquired. See "INVESTMENT OBJECTIVES AND POLICIES".

*Net leases provide greater tenant discretion and are typically for longer terms.* Net Leases frequently provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to freely sublease the property, to make alterations in the leased premises, and to obtain early termination of the lease under specified circumstances. Further, Net Leases are typically for longer lease terms and thus, there is an increased risk that any rental increase clauses in future years will fail to result in fair market rental rates during those years.

In leases with single tenants, the financial failure of a tenant could result in the termination of its lease with Gen-Net which, in turn, might cause a reduction in Gen-Net's cash flow and/or decrease the value of the property. In evaluating a possible investment, the creditworthiness, or financial strength, of a tenant generally will be a more significant factor than the value of the property without a lease with the tenant and the appraised value of a property will probably reflect the value of the tenant's ongoing lease of the property. See "INVESTMENT OBJECTIVES AND POLICIES".

If a tenant defaults on its lease payments, Gen-Net would not only lose the net cash flow from the tenant but also might divert cash flow generated by other properties to meet the mortgage payments on the defaulted property in order to prevent a foreclosure. See "INVESTMENT OBJECTIVES AND POLICIES".

If a lease is terminated, there can be no assurance that Gen-Net would be able to lease the property for the rent previously received or would be able to sell the property without incurring a loss. Gen-Net could also experience delays in enforcing its rights against tenants. Furthermore, the federal income tax laws may restrict Gen-Net's ability to deal with a new tenant after termination of a lease. See "INCOME TAX CONSIDERATIONS—REQUIREMENTS FOR QUALIFICATION AND TAXATION AS A REIT". In addition, there can be no assurance that Gen-Net could recover the property promptly in any bankruptcy proceedings or that Gen-Net would receive rent in such proceedings sufficient to cover its expenses with respect to the property.

*Real estate investments are expected to limit the ability of Gen-Net to vary its portfolio promptly in response to changing economic, financial and investment conditions.* Real estate investments will be subject to risks such as adverse changes in general economic conditions or local conditions (for

example, excessive building resulting in an oversupply of existing space or a decrease in employment, reducing the demand for real estate in the area), as well as other factors affecting real estate values (i.e., rent controls, increasing labor, materials and energy costs, the attractiveness of the neighborhood, etc.) Investments will also be subject to risks such as adverse changes in interest rates, the availability of long-term mortgage funds and additional debt financing, and Gen-Net's ability to provide for adequate maintenance of its properties. To the extent that Gen-Net utilizes less amounts of debt to acquire properties, the risks relating to interest rates and long-term financing will be reduced.

Gen-Net has not yet identified any specific properties in which to invest. Because properties are not identified, prospective investors are unable to investigate the properties. Like all real estate equity investments, Gen-Net's investments will be subject to the risk of inability to attract or retain tenants and to the risk of a decline in rental income as a result of adverse changes in the economic conditions, local real estate markets and other factors. Also, certain expenditures associated with equity investments (principally mortgage payments, real estate taxes, maintenance and utility costs) are not necessarily decreased by events adversely affecting Gen-Net's income from its investments. Should such events occur, Gen-Net's investments could become a burden, and distributions to shareholders may be impaired. In the event that mortgage payments are not met with respect to a property, Gen-Net could sustain a loss as a result of a foreclosure of mortgages secured by the property.

*There is no assurance that properties will appreciate in value, that Gen-Net will be profitable or pay dividends.* While it is Gen-Net's policy to buy leased, income-producing properties at a price (inclusive of expenses) at or below the Appraised Value and below the replacement cost of similar structures, there is no assurance that any properties acquired by Gen-Net will operate at a profit, will appreciate in value or will ever be sold at a profit, or that dividends will be paid by Gen-Net. The marketability and value of any properties will be dependent upon many factors beyond Gen-Net's control. There is no assurance that there will be a ready market for the properties.

*There is no assurance that Gen-Net will receive sufficient subscriptions to be able to diversify its investments.* This offering is being made on a "best efforts" basis, and there is no assurance that Gen-Net will receive subscriptions for all of the shares being offered. Gen-Net's potential profitability and its ability to diversify its investments both geographically and by number and type of investment purchased will be in part determined by the amount of funds at its disposal by virtue of the sale of shares in this offering.

*The value of special purpose properties will be adversely affected by the tenant's failure to renew or honor its lease.* Gen-Net may acquire properties, which are specifically suited to the needs of particular tenants. The value of these properties would be adversely affected

by the failure of the specific tenant for which they are suited to renew or honor its lease. Such properties would typically require extensive renovations to adapt them for new uses by new tenants. Also, it may be difficult for Gen-Net to sell special purpose properties to persons other than the present tenant.

*Gen-Net could suffer severe losses if hazardous materials are discovered on a property.* Under federal law, a landowner has certain liabilities with respect to the presence of improperly disposed hazardous substances. This liability is present without regard to the landowner's fault or knowledge of such substances and may be imposed jointly or severally upon all succeeding landowners from the date of the improper disposal. Moreover, the requirements of state and local environmental laws governing the properties which Gen-Net acquires can be expected to differ from location to location. There can be no assurance that hazardous substances or wastes, contaminants, pollutants or sources thereof will not be discovered on properties during the time they are owned by Gen-Net or after its sale of them to third parties. In the event hazardous materials are discovered on a property, Gen-Net may be required to remove these substances or sources and clean up the property. In doing so, Gen-Net may incur liability to the full extent of its assets for the entire cost of removal and cleanup. Gen-Net could also be liable

to tenants or other users of the property, and may find it difficult or impossible to sell the property before or after removal or cleanup.

*Gen-Net may make loans to purchasers of its properties and risks that a purchaser could default on the loan.* Gen-Net may provide financing to purchasers of its properties in order to effect their sale. This financing would result in a delay of receipt of the proceeds from the sale of the property and, in essence, would result in Gen-Net's investing in a loan to the purchaser. Gen-Net may provide financing in circumstances where lenders are not willing to make loans secured by commercial real estate, or Gen-Net may find it desirable where a purchaser is willing to pay a higher price for the property than it would without the financing. As a result of making loans to purchasers, Gen-Net risks that the purchaser could default on the loan and have a negative affect on Gen-Net's profits.

*Gen-Net could suffer a loss if it cannot re-lease a property following early termination or default in a leaseback transaction.* Gen-Net, on occasion, may lease a property back to the seller for a certain period of time or until stated rental income objectives are reached. A default by the seller/lessee or other early termination of the leaseback agreement could, depending on the size of the property and Gen-Net's ability to manage and re-lease it successfully, result in a loss. In the event of a default or early termination, there is no assurance that Gen-Net would be able to find new tenants for the property without incurring a loss.

*Gen-Net could face increased costs in complying with the Americans With Disabilities Act.* Title III of the Americans with Disabilities Act of 1990 ("Title III") prohibits discrimination in the private ownership and operation of real estate. Title III addresses the design, construction and use of places of public accommodation and commercial facilities by private entities. In general, Title III provides that private entities who own, operate, or lease to a place of public accommodation cannot discriminate against persons with disabilities in the facility itself or the activities and operations conducted within the facility. Title III mandates that persons with disabilities be provided accommodations and access equal to, or similar to, to the general public. In order to ensure that its properties comply with Title III, Gen-Net may incur costs necessary to remove "architectural barriers", that is, everything that prevents a person with a disability from enjoying full and equal use of a facility. These costs may be prohibitive in certain situations and thereby prevent Gen-Net from buying a property that it might otherwise wish to purchase. In addition, the costs of compliance with the Title III may have a significant adverse impact on Gen-Net's profits.

*Certain accounting standards may make leaseback transactions less desirable for the seller of a property and thus reduce the number of properties available to Gen-Net.* Certain accounting standards require leases to be classified for financial reporting purposes as either capital leases or operating leases. Capital leases are required to appear as assets and liabilities on the lessee's balance sheet. Transactions in which Gen-Net acquires a deed to a property may or may not be recognized as a sale for financial reporting purposes due to certain provisions in the lease of the property. These accounting standards might make sale-leaseback transactions less desirable for the seller-tenant that wants to treat the sale-leaseback as an operating lease, and, therefore, might reduce the prospective number of properties available to Gen-Net.

*Energy shortages may adversely affect the operations of Gen-Net's properties.* There may be shortages or increased costs of fuel, natural gas, water, or electric power or allocations thereof by suppliers or governmental regulatory bodies in the areas where Gen-Net

purchases properties. This may adversely affect the operation of the properties. Gen-Net will endeavor, where feasible, to provide in leases for the pass-through of any such increases to tenants of the properties, but there is no guarantee that Gen-Net will be successful.

*Gen-Net may not succeed in competing with other financial institutions with similar objectives.* The results Gen-Net operations will depend upon the availability of suitable properties for investment,

which in turn depends to a large extent on the type of property involved, the condition of the money market, the nature and geographical location of the property, competition and other factors, none of which can be predicted with certainty. Gen-Net will be competing for acceptable investments with other financial institutions, including insurance companies, pension funds and other institutions, real estate investment trusts and limited partnerships which have similar investment objectives. Many of these competitors have greater resources than Gen-Net and may have greater collective experience than the Directors.

*Gen-Net may suffer losses to properties that are not covered by insurance.* Gen-Net will arrange for comprehensive insurance, including fire, liability and extended coverage on all properties. However, there are certain types of losses (generally of a catastrophic nature) which may be either uninsurable or not economically insurable. These losses generally include those resulting from war, earthquakes and floods, in addition to punitive damages. If any such disaster occurs and is not covered by insurance, Gen-Net might suffer a loss of capital invested and any profits which might be anticipated from the property.

#### *Corporate Risks*

*Shareholders are totally reliant on Gen-Net's management.* The shareholders will not have any active participation in Gen-Net's management or in the investment of the proceeds of this offering, and, therefore, must rely on the management, acquisition expertise, and decisions regarding property investments provided by the Directors and the officers. See "THE COMPANY", "MANAGEMENT", "PRIOR PERFORMANCE" AND "DESCRIPTION OF ORGANIZATIONAL DOCUMENTS AND SHARES".

*Gen-Net may have insufficient working capital and may be unable to obtain funds through other means to sustain operations.* There is no assurance Gen-Net will have sufficient working capital. A deficiency in working capital may be caused by a decrease in revenues, by an increase in expenses, or by an uninsured casualty to a property or by other unanticipated events. During times of insufficient working capital, there is no assurance Gen-Net could borrow funds or receive additional capital through the sale of its shares. Further, loan covenants and other restrictions included in any financing agreements relating to the acquisition of properties or otherwise, could restrict Gen-Net's ability to borrow or its ability to draw funds from working capital reserves.

*There is no market for Gen-Net's shares, limiting the shareholders' ability to liquidate their investment.* Although the shares are expected to be freely transferable, there is not expected to be a public market for the shares in the foreseeable future and, therefore, the shares are illiquid and considered to be long-term investments. Accordingly, a regular market for the shares will not likely develop during this offering and may not develop thereafter.

*Certain provisions in Gen-Net's organizational documents limit the shareholders' ability to take certain actions.* Under Gen-Net's organizational documents, shareholders voting specified percentages of the shares may take certain actions, including amending the Articles of Incorporation and Bylaws and causing Gen-Net's dissolution and liquidation. Certain provisions cannot be amended without a "super majority" vote of 66<sup>2</sup>/3% of the shares entitled to vote. All actions approved by the requisite number of shares would be binding on all of the shareholders, whether or not they voted their shares for such action, including votes to sell all or substantially all of Gen-Net's assets, to dissolve and liquidate, or to merge or reorganize. In certain mergers and reorganizations, dissenting shareholders may not have appraisal rights with respect to their shares under applicable Michigan state law. The Directors have the power to cause the issuance of additional shares without obtaining shareholder approval. See "SUMMARY OF ORGANIZATIONAL DOCUMENTS AND SHARES".



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The Bylaws provide that with respect to shares owned by the Directors, or any Affiliates, neither the Directors or any Affiliate may vote or consent on matters submitted to the shareholders regarding the removal of any Director, or any Affiliate, or any transaction between Gen-Net and any of them. In determining the applicable percentage in interest of shares necessary to approve a matter in which a Director and any Affiliate may not vote or consent, any shares owned by any of them shall not be included.

*The Directors enjoy limited liability which may result in inadequate remedies being available to shareholders in the event of a claim.* The Directors are directors of a Michigan business corporation and as such are required to perform their duties in good faith, in a manner believed by the Directors to be in Gen-Net's best interests and with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances. A Director who performs his duties in accordance with these standards will not be liable to Gen-Net or any other person for failure to discharge his obligations as a Director. Without regard for the additional responsibilities of Independent Directors, an Independent Director will not have any greater liability than that of a Director who is not independent.

The Directors may in the future obtain insurance at Gen-Net's expense and in reasonable amounts, against losses from tort claims or other claims which may be made against a Director, officer, employee or agent of Gen-Net.

Under its Bylaws, Gen-Net will, under specified conditions, indemnify its Directors, officers, employees and other agents against all liabilities incurred in connection with their serving in such capacities. Shareholders may be entitled to more limited rights of action than they would otherwise have absent the limitations on Directors' liability set forth in the Bylaws.

*A delay between receipt of investor funds and the purchase of properties will delay Gen-Net's receipt of income from the properties.* Although Gen-Net will be constantly reviewing available properties, there will be a delay between the time investors purchase their shares and the time the net proceeds of the offering are invested in real estate interests. A delay in the investment of offering proceeds in real estate will delay Gen-Net's receipt of rents from properties and will delay the time that distributions would otherwise be made to shareholders.

*Additional financing may dilute shareholders' interests.* Gen-Net is intended to be an "open-end" REIT in that the Directors are authorized, from time to time, and without shareholder approval, to obtain capital by issuing additional shares, notes, debentures, or other obligations which may be convertible into shares or accompanied by warrants or rights to purchase shares. The issuance of additional equity interests will be made at such times and under such terms as the Directors determine to be in the best interests of Gen-Net. It is possible, however, that the issuance of additional interests may result in dilution of the current shareholders interests. Gen-Net will not, however, issue any debt shares or additional mortgage debt which would increase Gen-Net's leverage above specified limits on indebtedness, and in any event will not issue shares unless Gen-Net's historical or substantiated future cash flow, excluding extraordinary items, is sufficient to cover the interest on the debt shares.

*Gen-Net may have to limit its investments to keep from being subject to regulation under the Investment Company Act of 1940.* The Directors intend to operate Gen-Net so that it will not be subject to regulation under the Investment Company Act of 1940. Gen-Net may therefore have to forego certain investments which could produce a more favorable return. Should Gen-Net fail to qualify for an exemption from registration under the Investment Company Act of 1940, it would be subject to numerous restrictions. A failure to qualify for an exemption under the Investment Company Act of 1940 could adversely affect Gen-Net and the shareholders.

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### *Tax Risks*

*Shareholders may suffer adverse tax consequences if Gen-Net fails to qualify as a REIT.* Gen-Net intends to operate so as to qualify for taxation as a REIT. As a REIT, it will be allowed a deduction for dividends paid to its shareholders in computing its taxable income. Should

Gen-Net fail to qualify as a REIT for any tax year, its previous election to be taxed as a REIT would terminate and it would generally not be able to elect to be taxed as a REIT until the fifth year after the beginning of the first year of the disqualification. Without REIT qualification, Gen-Net would be taxed as a regular corporation, and distributions to its shareholders would not be deductible in computing its taxable income. The payment of any tax by Gen-Net resulting from its failure to qualify as a REIT would reduce the funds available for distribution to shareholders or for investment and, if shareholder distributions had been made in anticipation of Gen-Net's qualifying for taxation as a REIT, could force Gen-Net to borrow additional funds or to liquidate certain of its investments in order to pay the applicable tax. See "INCOME TAX ASPECTS".

*There could be future tax law changes that adversely affect Gen-Net.* The discussions of the federal income tax considerations of this offering are based on current law, including the Internal Revenue Code, federal tax regulations, certain administrative interpretations thereof and court decisions. Future events, such as court decisions, administrative rulings and interpretations and changes in the Internal Revenue Code or regulations, that change or modify these provisions could result in treatment under the federal income tax laws for Gen-Net and/or the shareholders that differs materially and adversely from that described in this prospectus, both for taxable years arising after and before such event. There is no assurance that future legislation, administrative interpretations or court decisions will not be retroactive in effect.

*An investment in Gen-Net may not satisfy the diversification requirements of ERISA or be authorized by the governing instrument of a particular form of IRA.* Fiduciaries of a pension, profit sharing or other employee benefit plan subject to ERISA should consider whether the investment in Gen-Net's shares satisfies the diversification requirements of ERISA, whether the investment is prudent in light of possible limitations on the marketability of the shares, whether the investment would be an improper delegation of control over or responsibility for plan assets and whether such fiduciaries have authority to acquire such shares under the appropriate governing instrument and ERISA. Also, fiduciaries of an IRA should consider that an IRA may only make investments that are authorized by the appropriate governing instrument. See "ERISA CONSIDERATIONS".

## INVESTORS' SUITABILITY

It is important that investors recognize the possible illiquidity of the shares and likelihood of a long-term holding period in order to achieve Gen-Net's investment objectives. Accordingly, the purchase of shares is not suitable for any prospective investor whose funds must remain liquid or whose investment objectives for such funds do not include a long-term holding period.

For the form of written agreement required to purchase shares, see the Order Form attached as Exhibit A to this prospectus. Gen-Net and each person selling shares on Gen-Net's behalf shall make every reasonable effort to determine that shares will only be sold to an investor who represents in writing that, at the time he executes the Order Form, he meets the applicable suitability requirements and is purchasing the shares for his or her own account or the account of a qualified retirement plan.

In order to meet the suitability requirements for this offering, each investor must, at a minimum, have (i) gross income, as defined in the Internal Revenue Code, of \$45,000 and a \$45,000 net worth (excluding home, furnishings and automobiles) or (ii) net worth of \$150,000 (excluding home, furnishings and automobiles). Gen-Net and the Selected Dealers will rely on the investor's representations in establishing the investor's suitability under the above standards unless one or more of these parties has reason to believe otherwise, in which case the Order Form may be rejected. These suitability standards are guidelines established by Gen-Net and various state securities regulators to assure that investors have the financial means to assume the risks involved for an investment.

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Executing the Order Form shall not constitute a completed transaction until five (5) days after the date the investor signs the Order Form.

If an Investor were to later decide that the shares were not suitable, Gen-Net or the Selected Dealers, or both, may nevertheless choose to rely on the investor's representation that he is a suitable purchaser, given the various considerations discussed above and in the Order Form.

Investors who wish to transfer their shares after their initial investment may be subject to the securities laws of the state in which the transfer is to take place, including the imposition of suitability standards of the type described above.

## CONFLICTS OF INTEREST

Gen-Net's operation will involve various conflicts of interest. The Independent Directors will determine how Gen-Net will participate in any transaction or situation. The Directors have a fiduciary obligation to act on behalf of the shareholders and have an obligation to determine the Gen-Net's course of action in all situations in which a conflict of interest may arise. The conflicts of interest include the following:

### *Competition for the Time and Services of Directors, Officers, Genesis and the Bartons*

Gen-Net will depend on the Directors and officers and, initially at least, Genesis for maintaining its internal operations and for the acquisition, management and disposition of the properties. The Directors and officers will devote such time to Gen-Net's affairs as they, within their sole discretion exercised in good faith, determine to be necessary for the benefit of Gen-Net and its shareholders. See "MANAGEMENT". The Independent Directors may serve in similar capacities on the Boards of Directors of other investment programs.

Genesis engages in a separate business of acquiring, managing and selling Net Leased property for Affiliates of Genesis other than Gen-Net. The Affiliates of Genesis are those 18 entities described in the Prior Performance section of this prospectus. All of those Affiliates have investment objectives similar to those of Gen-Net and seek to invest in similar properties. The arrangements between Genesis and Gen-Net do not require that 1) Gen-Net's needs and business activities take precedence over those of Genesis' other clients and Affiliates or 2) Genesis provide Gen-Net with a right of first refusal with respect to prospective properties that are found by Genesis and may be suitable for a number of its clients or Affiliates.

Likewise, the Bartons, who control Genesis, hold no positions or offices with Gen-Net and are under no obligation to favor Gen-Net over any other Genesis Affiliate.

### *Holdings of Certain Persons*

Genesis, the Sponsor of this offering, previously acquired 10,000 shares of Gen-Net which are not included in this offering for an aggregate purchase price of \$100,000. Genesis is not restricted from acquiring additional shares pursuant to the purchase terms of this offering. Gen-Net's Directors, officers and employees are also not restricted from acquiring shares and may acquire an unlimited number of shares in the future. Shares owned by these persons can be expected to be voted in the respective best interests of these persons in matters requiring the approval of the holders of a majority of shares and in any other matter submitted to a vote of the shareholders.

The Bylaws provide that with respect to shares owned by Directors, or any Affiliate, neither the Directors nor any Affiliate may vote or consent on matters submitted to the shareholders regarding the removal of Directors, or any Affiliate on any transaction between Gen-Net and any of them. In determining the requisite percentage in interest of shares necessary to approve a matter in which the

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Directors and any Affiliate may not vote or consent, any shares owned by any of them shall not be included.

Genesis will hold 3.333% of the outstanding common stock of Gen-Net, assuming that the minimum amount of shares is sold in the offering, and that Genesis does not purchase any additional shares. Genesis will hold .4% of the outstanding common stock of Gen-Net, assuming that the maximum amount of shares is sold in the offering, and that Genesis does not purchase any additional shares. Genesis will not have the ability to control, by virtue of its voting power, the election of directors following the offering.

### *Common Counsel*

Lieben, Whitted, Houghton, Slowiaczek & Cavanagh, P.C., L.L.O., counsel for Gen-Net in connection with this offering, also serves as counsel to Genesis. In the event any legal controversy arises in which Gen-Net's interests appear to be in conflict with those of Genesis or its Affiliates, other counsel will be retained for one or more parties.

## THE COMPANY

Gen-Net was organized on September 28, 1998 as a Michigan business corporation and has a perpetual existence. The incorporator of Gen-Net, David Bernard, is deceased.

Prior to the commencement of this offering, Gen-Net filed Restated Articles of Incorporation with the State of Michigan on August 30, 2001. Since its formation in 1998 and through the commencement date of this offering, Gen-Net did not engage in any operating activities. Its corporate existence has been maintained in good standing by Genesis, its sole shareholder. However, the Bartons, who control Genesis, have not in the past, do not now, and do not in the future intend to, hold positions as officers with Gen-Net. Gen-Net's principal office is 24081 West River Road, First Floor, Grosse Ile, Michigan 48138. Its telephone number is (800) 546-2630.

As of the date of this prospectus, Gen-Net does not own any properties nor has any property been selected for purchase by Gen-Net. Management expects that all of the properties to be acquired by Gen-Net will be leased to single tenants.

This prospectus will be supplemented whenever a reasonable probability arises that Gen-Net will invest in a particular property.

## CAPITALIZATION

Gen-Net was formed with \$100,000 in cash contributed by Genesis in exchange for 10,000 shares based on an assumed price per share of \$10.00. Gen-Net's capitalization at December 31, 2001 and after the issuance and sale of the minimum 300,000 shares or the maximum 2,500,000 shares will be as follows:

	December 31, 2001	Minimum	Maximum
Initial Capital	\$ 100,000	\$ 100,000	\$ 100,000
Retained Earnings	1,340	1,340	1,340
Investor's Capital, net of costs <sup>(1)</sup>		\$ 2,732,500	\$ 22,937,500
Total Equity	101,340	\$ 2,733,840	\$ 22,938,840

<sup>(1)</sup> See footnotes <sup>(1)</sup>, <sup>(2)</sup> and <sup>(3)</sup> under "ESTIMATED USE OF PROCEEDS."

## SELECTED FINANCIAL DATA

The following selected financial data for and as of the three years ended December 31, 2001, are derived from the Company's audited consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company's consolidated financial statements were examined by Zwick & Steinberger, P.L.L.C., whose report with respect to the three years ended December 31, 2001 and as of December 31, 2000 and 2001 appears in this Prospectus. The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's financial statements and notes thereto and other financial information appearing elsewhere in this Prospectus.

	Year ended December 31,		
	1999	2000	2001
<b>Statement of Income Data</b>			

Interest Income	-	-	\$ 1,340
Net income	-	-	\$ 1,340
Net income per share	-	-	0.13
Weighted average number of shares outstanding	10,000	10,000	10,000

	December 31,		
	1999	2000	2001
<b>Balance Sheet Data:</b>			
Working capital	-	-	(78,805)
Total assets	-	-	181,101
Shareholders' equity	-	-	101,340

### ESTIMATED USE OF PROCEEDS

The following table sets forth information concerning the estimated use of proceeds from the sale of shares, assuming that the minimum of 300,000 shares are sold and that the maximum of 2,500,000 shares are sold. Certain of the figures set forth on the following table cannot be precisely calculated at the present time and could vary materially from the amounts shown.

After the deduction from the offering proceeds of all fees and expenses associated with Gen-Net's organization and the offering and the acquisition of the properties and for a working capital reserve, a

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minimum of \$2,702,500 (90%) of the remaining offering proceeds will be invested into the properties themselves.

	Minimum Shares <sup>(1)</sup>		Maximum Shares <sup>(1)</sup>	
	Dollars	Percent	Dollars	Percent
GROSS OFFERING PROCEEDS	\$ 3,000,000	100%	\$ 25,000,000	100%
Less Organizational and Offering Expenses <sup>(2) (3)</sup>	\$ 267,500	9%	\$ 2,062,500	8%
Amount Available for Investment	\$ 2,732,500	91%	\$ 22,937,500	92%
Working Capital Reserve	\$ 30,000	1%	\$ 250,000	1%
CASH AVAILABLE FOR PURCHASE OF PROPERTIES <sup>(4)</sup>	\$ 2,702,500	90%	\$ 22,687,500	90%

(1) Selected Dealers may be paid selling commissions and expense allowances aggregating up to 6.25%. This includes a sales commission of up to 6%, and up to .25% as an expense reimbursement allowance for bona fide, accountable due diligence expenses.

(2) The sum of all organization and offering expenses, including selling commissions incurred by Gen-Net, will not exceed 8.9% of the gross offering proceeds.

(3) Includes up to 2% or an estimated maximum of \$500,000, whichever is less, to cover payments for the federal and state securities registration fees, fees of counsel, accountant's fees, printing expenses, and other out-of-pocket expenses paid by Gen-Net, at cost, in

organizing and arranging for the sale of shares.

- (4) In each property purchase transaction there will be Acquisition Expenses and Fees that are not reimbursed to Gen-Net. Such expenses and fees do not include expenses associated with property acquisitions that are part of the purchase price of the properties and are included in the basis of the properties.

## DILUTION

The purchasers of the shares of common stock offered hereby will experience immediate dilution in the net book value of their shares of common stock. At December 31, 2001, the net book value of the Company was \$10.13 per share. The purchasers will pay the same price per share (\$10.00) as the existing shareholders paid for theirs. However, the Company estimates that the net proceeds after all expenses in the event the maximum number of shares is sold will be \$22,937,500 and the net proceeds in the event the minimum number of shares is sold will be \$2,732,500. Therefore, the book value at the time of completion of the offering in the event the maximum number of shares is sold will be \$9.18, which represents a reduction of \$0.82 from the original purchase price. In the event the minimum number of shares is sold, the book value will be \$8.75, which represents a reduction of \$1.25 from the original purchase price.

## GEN-NET'S OBJECTIVES AND POLICIES

### *Operational Objectives*

Gen-Net's primary operational objectives are to increase funds from operations and cash available for distribution to shareholders. Management will focus on the following activities to achieve these objectives:

Acquiring properties that meet Gen-Net's acquisition criteria. See "GEN-NET'S OBJECTIVES AND POLICIES—Acquisition of Properties" and "PROPERTY UNDERWRITING."

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Effectively managing properties through lease extensions, revenue enhancing property expansions, opportunistic property sales and redeployment of assets, when advisable; and

Financing properties at lower cost of capital, and increasing the Gen-Net's access to capital to finance property acquisitions and expansions.

Gen-Net intends to acquire primarily existing or newly-developed distribution and office properties within the United States and to lease the properties to operating tenants pursuant to long-term Net Leases of typically seven or more years. Gen-Net expects that most properties will be leased by single entities rather than multiple tenants and will be acquired in sale-leaseback transactions. Gen-Net may acquire properties anywhere in the United States.

If only a minimal amount of shares are sold, Gen-Net anticipates that it will acquire at least 2 properties. If the maximum number of offered shares are sold, Gen-Net anticipates that it will acquire up to 20 properties. Except as set forth in this prospectus, Gen-Net does not have a policy, and there is no limitation, as to the amount or percentage of its assets that may be invested in any one property.

Gen-Net intends to purchase or develop only properties that are either currently leased or are committed to be leased on completion of the development activities. No leases will be entered into with a sole proprietor or franchisee who will operate a business on the property. Each non-governmental tenant of a property will be required to have a net worth of not less than \$100 million, based on the tenant's most recent audited financial statement or other similar evidence establishing net worth.

Gen-Net's procedures with respect to environmental due diligence are to require, prior to the purchase of a property, that all conditions imposed by a lender loaning funds toward the acquisition of the property, if applicable, have been satisfied and that all conditions imposed by the title insurer which exclude coverage due to environmental conditions are either removed, waived or found acceptable by a majority of the Directors. If neither the lender nor the title insurer raise issues regarding environmental due diligence, Gen-Net may nevertheless require certain protective representations from the seller, including an acceptable environmental study of the property.

### *Investment Objectives*

Gen-Net's principal investment objectives are:

*To provide regular dividends to shareholders.* To the extent possible, Gen-Net seeks to avoid the fluctuations in dividends that might result if dividends were based on actual cash received during the dividend period. To implement this policy Gen-Net may use cash received during prior periods, or cash received subsequent to the dividend period and prior to the payment date for such dividend, in order to pay annualized dividends consistent with the dividend level established from time to time by the Directors. Gen-Net's ability to maintain this policy is dependent upon its cash flow and applicable REIT rules. There can be no assurance that there will be cash flow available to pay dividends or that dividend amounts will not fluctuate. Quarterly dividends will be calculated with daily record and dividend declaration dates. However, the Directors could, at any time, elect to reduce administrative costs. As a matter of policy, Gen-Net, subject to applicable REIT rules, will seek to reinvest proceeds from the sale, financing, refinancing or other disposition of its properties through the purchase of additional properties.

*To provide shareholders with long-term appreciation on their investment.* Management believes that Gen-Net can realize its objective of long-term appreciation of its properties in light of the lowering of commercial real estate prices in recent years. There is, of course, no assurance Gen-Net will, in fact, realize appreciation in its portfolio of properties. Moreover, an individual investing directly in real estate would not have to pay the offering expenses expected to be paid by Gen-Net (up to 9% of the gross offering proceeds) and therefore Gen-Net would need to

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realize greater appreciation of the value of its properties in order for such an investor to realize the same return he might realize if he were able to invest directly in the real estate.

*To provide investors with an inflation hedge.* During times of inflation, it is management's experience that rental real estate experiences price increases commensurate with increases in inflation. However, inflation has become a less significant factor in recent years as rates of inflation have been low. Also, real property which is subject to long-term leases requiring fixed rents over future years may not experience an increase in price commensurate with inflation or commensurate with similar properties which are not subject to such leases.

*To preserve capital.* Gen-Net will attempt to preserve capital by endeavoring to continue to invest in a diversified portfolio of quality real estate under long-term leases to creditworthy tenants. The amount of money raised in this offering will affect the number of properties Gen-Net will be able to purchase. The more properties Gen-Net acquires, the more diversified it will be and the less it will be affected by any single property that does not perform as expected.

There can be no assurance that any or all of the foregoing objectives will be achieved as each, to some extent, is dependent upon factors and conditions which are beyond Gen-Net's control. Management will endeavor to purchase properties under terms which will provide it with positive cash return and management will endeavor to acquire quality properties in areas of projected growth. However, Gen-Net's realization of cash flow and appreciation of value from its properties will depend on a number of factors, including short-term and long-term economic trends, federal income tax law, governmental regulations, local real estate and financial market conditions and property operating expenses.

Moreover, the preservation of shareholders' capital will largely depend upon management's ability to invest in a diversified portfolio of real estate, which will in turn depend upon the amount of proceeds realized from the offering.

### *Investment Policies*

Gen-Net's investments must be made in accordance with the applicable REIT provisions in order for it to qualify as a REIT. With certain exceptions, equity interests in entities which do not qualify as REITs, but which own, develop or improve real property (as contrasted with direct equity interests in real property itself) are not includable in permitted classes of assets in applying the 75% test described in "INCOME TAX CONSIDERATIONS," and dividends from such investments are not includable in the 75% gross income test described in "INCOME TAX CONSIDERATIONS".

Gen-Net's specific investment policies are:

- (1) The acquisition of income-producing improved real estate properties using borrowed capital only where prudent as determined by the Directors and in any event where borrowed funds will not constitute more than eighty percent (80%) of the purchase price of the property;
- (2) To utilize shareholder equity to purchase primarily income-producing distribution and office properties at prices (including pro rata acquisition and organizational costs) that are at or below Appraised Values; and
- (3) To purchase properties subject to long-term, Net Leases with tenants who are not sole proprietors or franchisees and who have a stated net worth of at least \$100,000 million as expressed in their most recently issued audited financial statement or other reliable evidence establishing net worth on the date Gen-Net contracts to acquire the property, or are governmental entities.

There can be no assurance that such objectives can be attained. It is not Gen-Net's objective to shelter taxable income of investors that is derived from other sources.

### *Acquisition of Properties*

Gen-Net will use the net offering proceeds (after payment of selling commissions and offering costs), which will be approximately \$2,702,500 if only the minimum number of shares are sold and approximately \$22,687,500 if the maximum number of shares are sold, for the purchase of qualifying real estate. Management will seek to diversify the portfolio by geographical location, tenant industry segment, lease term expiration and property type with the intention of providing steady, dependable cash flow. Management believes that such diversification should help insulate Gen-Net from regional recession, industry specific downturns and price fluctuations by property type.

Properties could be located throughout the United States. Prior to effecting any acquisitions, management analyzes the (i) property's design, construction quality, efficiency, functionality and location with respect to the immediate submarket, city and region; (ii) lease integrity with respect to term, rental rate increases, corporate guarantees and property maintenance provisions; (iii) present and anticipated conditions in the local real estate market; and (iv) prospects for selling or releasing the property on favorable terms in the event of a vacancy. Management has retained Genesis, and may retain other third party acquisition specialists, to assist in this process.

The ability to diversify will be limited by the number of properties that can be acquired with the available proceeds. Because investments will be made in Net Leased properties, Gen-Net does not presently anticipate establishing a large reserve for working capital.



Gen-Net will purchase properties using not more than eighty percent (80%) borrowed capital. It will not subsequently mortgage properties unless it is determined by the Directors to be in Gen-Net's best interests, in order to obtain funds necessary to maintain Gen-Net's financial viability or any of its properties and, in any event, such borrowings will not exceed eighty percent (80%) of the purchase price of the property. The amount that may be borrowed will be determined by a number of factors, including the use of the proceeds, the lenders' restrictions, the likelihood that the loan can be readily serviced from rents at the property where the proceeds are applied and similar factors.

Gen-Net presently does not own any properties and has not yet identified a property it intends to purchase. Although there can be no assurance as to when the proceeds from this offering will be fully invested, the Directors do not anticipate that there will be an inordinate amount of time required to complete the evaluation of properties prior to their acquisition. Genesis initially will be responsible for making property acquisition investigations and preparing acquisition reports for use by Gen-Net's management See "MANAGEMENT" AND "PRIOR PERFORMANCE" for a discussion of its qualifications and experience in this regard. The purchase price of each property will be supported by an Independent Appraisal of the fair market value of the property. Copies of such appraisals will be retained at Gen-Net's offices for at least five years and will be available for inspection and duplication by any shareholder at the shareholder's expense.

Any transaction with a Director, officer or Affiliate that involves the acquisition of a property from such person must be approved by a majority of the Independent Directors as being fair, competitive and commercially reasonable and no less favorable to Gen-Net than transactions involving similar properties.

Prior to the acquisition of any property, Gen-Net will be provided with evidence satisfactory to the Directors that it will acquire marketable title to the property, subject only to such liens and encumbrances as are acceptable to the Directors. Such evidence may include a policy of title insurance, an opinion of counsel or such other evidence as is customary in the locality in which the property is situated.

### *Dividends*

Gen-Net intends to distribute as dividends earnings from operations to the shareholders within 30 days after the close of each quarter. During the offering and acquisition phase of Gen-Net's operations, the Directors intend to distribute interest income earned on proceeds that are temporarily invested. The ultimate amount of such dividends will depend upon Gen-Net's profitable operation and cash flow needs. In order to preserve Gen-Net's qualification as a REIT, Gen-Net is required to distribute at least 90% of its distributable REIT taxable income. Because of the possible receipt of such income without corresponding distributable cash it is possible that Gen-Net may make such required dividends from borrowed funds or working capital reserves. There can be no assurance that funds for required dividends will be available from any such sources. See "INCOME TAX CONSIDERATIONS-DISTRIBUTION REQUIREMENTS".

### *Sale of Properties*

Gen-Net expects to sell some or all of its properties over time. The determination of whether a particular property should be sold or otherwise disposed of will be made after consideration of performance of the property, existing market conditions and also the economic benefits of continued ownership. In deciding whether to sell properties, the Directors will consider factors such as potential capital appreciation, cash flow and federal income tax consequences. Affiliates of one or more Directors may be selected to perform various substantial real estate brokerage functions in connection with the sale of properties. Gen-Net will not sell any property to the Directors or their Affiliates.

Net proceeds from the sale of any property may, at the election of the Directors based upon their then current evaluation of real estate market conditions, either be distributed to the shareholders or be reinvested in other properties. A reinvestment in other properties would be feasible only if it can be accomplished on a tax-deferred basis so that Gen-Net will not suffer any significant adverse tax consequences. Any properties in which net proceeds from a sale are reinvested will be subject to the same acquisition guidelines as properties initially acquired by Gen-Net. See "PROPERTIES".

In connection with the sale of a property owned by Gen-Net, purchase money obligations secured by mortgages may be taken as partial payment. The terms of payment to Gen-Net will be affected mainly by prevailing economic conditions. To the extent Gen-Net receives notes

and property other than cash on sales, such proceeds will not be included in net proceeds of sale until and to the extent the notes or other property are actually collected, sold, refinanced or otherwise liquidated. Gen-Net may receive payments (cash and other property) in the year of sale in an amount less than the full sales price and subsequent payments may be spread over several years. Therefore, dividends to shareholders of the proceeds of a sale may be delayed until the notes or other property are collected at maturity, sold, refinanced or otherwise converted to cash. The entire balance of the principal may be a balloon payment due at maturity. For federal income tax purposes, unless Gen-Net elects otherwise it will report the gain on such sale ratably as principal payments are received under the installment method of accounting.

#### *Borrowing Policies–Restriction on Leverage*

In the exercise of their fiduciary duties, the Directors may elect to borrow funds in order to take advantage of particular acquisition opportunities, cover the cost of improving a property, cover costs not met by insurance or cover operating costs. In any event, the Directors will not encumber any property in excess of eighty percent (80%) of its purchase price. Furthermore, the Directors will not borrow funds in order to use the proceeds from the borrowing to pay dividends to shareholders. See "INVESTMENT OBJECTIVES AND POLICIES–ACQUISITION OF PROPERTIES" for a more detailed discussion.

Gen-Net may not borrow from a Director, officer or any Affiliate thereof, unless a majority of Directors, including a majority of Independent Directors, not otherwise interested in such transaction approve the transaction as being fair, competitive, and commercially reasonable and no less favorable to Gen-Net than loans between unaffiliated parties under the same circumstances.

Gen-Net will not issue any senior shares nor will it invest net proceeds of this offering in junior mortgages, junior deeds of trust or similar obligations.

#### *Reserves for Operating Expenses*

Gen-Net expects that approximately one percent (1%) of the gross proceeds of this offering will be reserved initially to meet operating costs and expenses of the properties, capital expenditures and initial cash distributions. To the extent that such reserve and any income are insufficient to defray costs and other obligations and liabilities, it will be necessary to attempt to finance or refinance properties or, in the event financing or refinancing is not available on acceptable terms, to liquidate the investment in certain properties on possibly unfavorable terms. During the holding period of a property, Gen-Net may increase reserves from rental income to meet anticipated costs and expenses and other economic contingencies. If, in any fiscal quarter, the Directors determine that reserves are in excess of the amount necessary for operations, such excess may be included in and distributed as dividends. The Directors will use their best efforts to restore the reserves if they fall below 1% of adjusted capital contributions by replenishing such reserves out of rental income before any further distributions of dividends.

Gen-Net's total operating expenses, including, but not limited to, certain administration items such as personnel salaries shall (in the absence of a satisfactory showing to the contrary) be deemed to be excessive if they exceed in any fiscal year the greater of:

- (a) 1.66% of its average invested assets or 15.76% of its net income for such year if the minimum amount of shares are sold; and
- (b) .0035% of its average invested assets or 3.5% of its net income for such year if the maximum number of shares are sold.

The Independent Directors shall have the fiduciary responsibility of limiting such expenses to amounts that do not exceed such limitations unless such Independent Directors shall have made a finding that, based on such unusual and non-recurring factors which they deem sufficient, a higher level of expenses is justified for such year. Any such finding and the reasons in support thereof shall be reflected in the minutes of the meeting of the Directors.

Each property will initially be managed on Gen-Net's behalf by Genesis. This arrangement with Genesis will include providing services in connection with negotiating leases, providing monthly statements as to the income and expense applicable to each property, receiving and depositing monthly lease payments, periodic verification of tenant payment of real estate taxes and insurance coverage, and periodic inspection of properties and tenants' maintenance records where applicable. The tenants will be responsible at their expense for day-to-day oversight and maintenance of the properties.

Genesis is also empowered to enforce, on behalf of Gen-Net, the tenants' responsibilities under the leases. It will be authorized to hire attorneys, accountants, administrative personnel and other professionals or contractors as they deem necessary or appropriate to effect its duties under the contract. It also has authority to hire such persons as may be necessary to fulfill Gen-Net's responsibility as owner and lessor of the property, including contractors, subcontractors, materialmen, laborers, surveyors, architects and engineers.

Genesis has entered into a written services contract with Gen-Net to provide these services. It is further described in "MANAGEMENT."

*Changes in Investment Objectives and Policies*

Shareholders have voting rights with respect to the establishment, implementation or alteration of Gen-Net's investment objectives and policies. The Directors will not make any material changes in the investment objectives and policies described above without first obtaining the written consent or approval of shareholders owning in the aggregate more than 50% of the then outstanding shares, excluding shares held by officers, Directors and Affiliates.

The Bylaws provide that in the event the Directors call a special meeting of the shareholders, the meeting shall be called for a time and place reasonably believed convenient to a majority of the shareholders.

*Certain Financial Activities Not Permitted*

It is Gen-Net's policy not to engage in the following financial or investment activities, except to the extent indicated:

- a) invest in unimproved real property or mortgage loans on unimproved real property;
- b) invest in commodities or commodities futures contracts;
- c) make loans to other persons, including, but not limited to, an officer, Director, employee, or Affiliate thereof except as permitted in Section 3.13(c) of the Bylaws to wholly owned subsidiaries of Gen-Net and, except construction loans for the construction of improvements on properties acquired by Gen-Net that are already leased to qualifying tenants and as to purchase money mortgages that may be extended by Gen-Net to buyers of its properties in connection with their sale;
- d) issue redeemable equity or senior securities;
- e) issue debt securities unless the historical debt service coverage (in the most recently completed fiscal year) as adjusted for known changes is sufficient to properly service that higher level of debt.

- f) issue options or warrants to purchase shares to the Directors or Affiliates except on the same terms as such options or warrants are sold to the general public. Gen-Net may issue options or warrants to persons not so connected with Gen-Net but not at exercise prices less than the fair market value of such securities on the date of grant and for consideration (which may include services) that in the judgement of the Independent Directors, has a market value less than the value of such option on the date of grant. Options or warrants issuable to the Directors or any Affiliate shall not exceed an amount equal to ten percent (10%) of the outstanding shares of Gen-Net on the date of grant of any options or warrants.
- g) issue shares on a deferred payment basis or other similar arrangement.
- h) invest in any mortgage loans that are subordinate to any liens or other indebtedness on a property.
- i) invest in the equity securities of any non-governmental issue.
- j) sell any of its properties to any Director or Affiliates.
- k) engage in any short sales of securities or trading, as distinguished from investment activities.
- l) engage in underwriting or the agency distribution of securities issued by others.

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- m) acquire securities in any company holding an investment or engaging in activities in which Gen-Net is prohibited to invest or engage.
  - n) invest in the securities of other issuers for the purpose of exercising control.
  - o) invest in the securities of or interests in persons or other entities engaged in real estate activities.
  - p) engage in the purchase and sale of investments, other than the properties which satisfy Gen-Net's investment objectives or for the purpose of investing on a short-term basis reserves and funds available for the purchase of properties;
  - q) acquire shares through repurchase unless a majority of Directors, including a majority of Independent Directors, not otherwise interested in such transaction approve the transaction as being fair, competitive, and commercially reasonable.

The foregoing policies shall not be changed except in the case of a proposal to do so being made by a shareholder or the Directors and the votes of a majority of the shareholders (not including shares held by officers, Directors, or an Affiliate) voting at any regular or special shareholders' meeting.

#### **PROPERTY UNDERWRITING**

As of the date of this prospectus, Gen-Net has not acquired any properties nor has it identified any properties that it intends to acquire. The Directors are evaluating various properties for acquisition and will engage in discussions with sellers from time to time regarding the purchase of properties. Depending on the proceeds obtained from this offering, the Directors intend to diversify the type and location of commercial properties acquired. Gen-Net is not limited as to the amount or percentage of its assets that may be invested in any specific property. Although Gen-Net presently intends to purchase from two to twenty properties with the net proceeds of this offering, the Directors may purchase only a single property if, in their judgment, such purchase would be in Gen-Net's best interest.

In determining whether a property is a suitable acquisition for Gen-Net, the Directors will consider the following factors, among others:

- a) the safety of the investment;
- b) the location, condition, use and design of the property and its suitability for a long-term Net Lease;
- c) the terms of the proposed lease (including, specifically, provisions relating to rent increases or percentage rent and provisions relating to passing on operating expenses to tenants);
- d) the creditworthiness of the lessee (which must be a publicly traded company or a municipal/state/federal government agency and have a net worth of at least \$100 million based on the lessee's most recent audited financial statement or other similar evidence establishing net worth) and the cash flow expected to be generated by the property;
- e) the prospects for long-term appreciation of the property;
- f) the prospects for long-range liquidity of the investment in the property; and
- g) the stability and potential growth of the community.

**Underwriting Lessees.** Gen-Net will undertake a thorough analysis in selecting lessees. This analysis includes a review of publicly available information concerning the lessee, a credit analysis of financial statements and operating history, evaluation of unit level performance

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including closure and business failure statistics, analysis of market penetration and name recognition.

**Underwriting Lessee Credit.** The lessees will be all companies with a minimum net worth of \$100 million companies or government agencies. Gen-Net subjects each proposed lessee to a thorough underwriting process designed to identify the most creditworthy lessees and minimize the risk from defaults and business failures. Gen-Net will target only lessees with the competitive position and financial strength to meet their obligations throughout the lease term. The Directors will evaluate the party's creditworthiness in terms of its most recent financial statements, its general credit history, any trends exhibited by its credit rating, appropriate references, if available, the type of business in which it engages, the size and scope of its business, the length of its operating history, the background and experience of its management and similar types of factors. In keeping with their philosophy as to the safety of the investment, the Directors are willing to receive a somewhat lower rent in exchange

for having a higher credit standard in the tenant.

**Underwriting Site Selection.** Prior to acquiring a property, Gen-Net will engage in an extensive site review. Gen-Net will typically undertake a long-term viability and market value analysis, including an inspection of the property and surrounding area by an acquisition specialist, and assessment of a market area demographics, consumers demand, traffic patterns, surrounding land use, accessibility, visibility, competition and parking.

**Maintenance of Relationships with Lessees.** Once a business concept has been approved, Gen-Net will seek to develop a strong ongoing working relationship with its lessees.

**Active Management of Lessee Credit.** In addition to monitoring lessee compliance with lease obligations, Gen-Net will regularly review the financial condition of its lessees and business, economic and market trends to identify and anticipate problems with lessee performance, which could adversely affect the lessee's ability to meet lease obligations.

Another set of important factors in assessing properties for acquisition and the terms of prospective leases are the property's prospects for long-term appreciation and the prospects for long-range liquidity of the investment. If the Directors are successful in their efforts relating to safety of the investment and creditworthiness of the lessee, then to a degree the properties' prospects for long-term appreciation and liquidity will be enhanced. Other considerations of the Directors affecting appreciation of the properties and liquidity of the investment include: inclusion of lease clauses providing for increased rents based on a tenant's increased revenues, lease clauses providing for periodic inflation adjustments to the base rent, minimizing deferred maintenance by prompt attention to repair and replacement needs at the properties and by including common area maintenance clauses in the leases, and locating properties in areas where the financial institutions are less inclined to make speculative real estate loans (to potential competitors) than was the case in the past. These considerations, as well as others that may be appreciated by the Directors once they study the facts and circumstances surrounding a particular acquisition prospect, will principally affect the appreciation and liquidity aspects referred to above.

Prospective investors should recognize that the Directors may in good faith select properties that do not satisfy one or more of these standards. There is no assurance that even if a property satisfies, by the Directors' standards, every one of the above factors, that such a property will perform profitably.

Any transaction with a Director, officer or Affiliate that involves the acquisition of a property from such person must be approved by a majority of the Independent Directors as being fair, competitive and commercially reasonable and no less favorable to Gen-Net than transactions involving similar properties with similar circumstances. NO OTHER RESTRICTIONS APPLY WITH RESPECT TO

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GEN-NET'S ACQUISITION OF PROPERTIES FROM A DIRECTOR, OFFICER OR AFFILIATE. Gen-Net shall not sell or lease property to an employee, officer, Director or Affiliate.

At such time as the Directors believe a reasonable probability exists that a property will be acquired, this prospectus will be supplemented to disclose the pending acquisition. Based upon the experience and acquisition methods of the Directors, this will normally occur on the signing of a legally binding purchase agreement, but may occur before or after such signing, depending on the particular circumstances surrounding each potential acquisition. A supplement to this prospectus will describe in detail the proposed terms of purchase, the property to be acquired, the financial results of the prior operation, if any, of the property and other information considered appropriate for an understanding of the transaction. Upon termination of this offering, no further supplements to this prospectus will be distributed, but shareholders will receive reports containing substantially equivalent information about acquisitions.

THE INITIAL DISCLOSURE OF ANY PROPOSED ACQUISITION CANNOT BE RELIED UPON AS AN ASSURANCE THAT GEN-NET WILL ULTIMATELY CONSUMMATE THE PROPOSED ACQUISITION OR THAT THE INFORMATION PROVIDED CONCERNING THE PROPOSED ACQUISITION WILL NOT CHANGE BETWEEN THE DATE OF THE SUPPLEMENT TO THIS PROSPECTUS AND THE ACTUAL PURCHASE.

## MANAGEMENT

### *Fiduciary Responsibility of the Directors*

The Directors are accountable to Gen-Net as fiduciaries and consequently must exercise good faith in handling its affairs. As a fiduciary, a corporate director can be held to a higher standard with respect to his activities affecting corporate matters than the standard of reasonable care. The higher standard would apply primarily to a Director's handling of Gen-Net's funds.

The Bylaws provide that the Directors will not be liable to Gen-Net or the shareholders for acts or omissions in the exercise of their judgment relative to Gen-Net if their actions were not the result of negligence or intentional misconduct. Furthermore, Gen-Net will indemnify the Directors for any claim or liability arising out of their activities on behalf of Gen-Net unless such claim or liability was the result of negligence or intentional misconduct. Therefore, the shareholders have a more limited right of action than would otherwise be the case absent such provisions in the Bylaws. The foregoing limitations on liability do not, however, affect the availability of non-monetary relief nor do they apply to violations of federal securities laws.

In the opinion of the SEC, indemnification for liabilities arising under the Securities Act of 1933 is against public policy and therefore unenforceable. In the event that a claim for indemnification for liabilities arising under the Securities Act of 1933 (other than the payment by Gen-Net of expenses incurred or paid by the Directors in the successful defense of any such action, suit or proceeding) is asserted by the Directors in connection with the shares Gen-Net will submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy and will be governed by the final adjudication of such issue.

### *The Directors' Duties Generally*

In general, decisions made by the Directors respecting Gen-Net's operations must be made by a majority of those Directors not otherwise interested in the transaction. A majority of the Directors must consist of Independent Directors. An Independent Director may not, directly or indirectly (including through a member of his or her immediate family), own any interest in, be employed by, have general present business or a professional relationship with or serve as an officer or director of an

Affiliate. An Independent Director may not perform material services for Gen-Net, except as a Director.

Gen-Net presently has three (3) Directors, two (2) of whom are Independent Directors. The Bylaws provide for a minimum of three and a maximum of seven Directors, with the actual number being set from time to time by the Directors.

Although Gen-Net believes it unlikely, it is possible that the Independent Directors (if there is an even number) would deadlock on a particular matter because one or more Directors cannot vote due to an interest they have in a particular proposed transaction involving Gen-Net. The Bylaws provide that in that event, Gen-Net is prohibited from entering into or continuing in a transaction that benefits or would benefit the interested Director(s).

A Director holds office until the next annual meeting of shareholders or until his successor is duly elected and qualified. Directors may be re-elected by shareholders. A Director may resign at any time and may be removed with or without cause by the shareholders upon the affirmative vote of at least a majority of all the outstanding votes entitled to be cast at a meeting called for the purpose of such proposed removal. The notice of any such meeting must indicate that the purpose, or one of the purposes of such a meeting is to determine if a Director

is to be removed. A vacancy created by a change in the authorized number of Directors or the death, resignation, removal, adjudicated incompetence, or other incapacity of a Director may be filled by the remaining affiliated Directors, in the case of an affiliated Director, or in the case of an Independent Director, by the remaining Independent Directors. If there are no remaining affiliated or Independent Directors to fill an affiliated or Independent Director vacancy, as the case may be, then the remaining Directors as a group may fill the vacancy. Should there be no independent or affiliated Directors in office, successor Directors must be elected by the shareholders.

The Directors are not required to devote all of their time to Gen-Net's affairs. The Directors will meet as necessary. Each Director's principal occupation and principal source of income is unrelated to the Company.

The Directors are empowered to fix the compensation of the officers and may pay themselves such compensation for special services as they deem reasonable. Gen-Net will pay each Director and the Treasurer an annual fee of \$25,000.00. Gen-Net will reimburse each Independent Director for his out-of-pocket costs in attending Director meetings.

The Bylaws provide that the Directors and officers may engage in separate business activities like those conducted by Gen-Net and that they are not required to present to Gen-Net any investment opportunities which become available to them, regardless of whether the opportunities are within Gen-Net's investment objectives. See "RISK FACTORS" and "CONFLICTS OF INTEREST."

In exercising their discretion in managing Gen-Net's affairs, the Directors must follow Gen-Net's investment objectives and the borrowing policies set forth in this prospectus. The Directors may establish, from time to time, further written policies on investments and borrowings and will monitor Gen-Net's administrative procedures, investment operations and performance to assure that these policies are effected and are in the best interest of the shareholders. Until modified by the Directors, Gen-Net will continue to follow the policies on investments and borrowing set forth in this prospectus. The investment objectives may not be changed by the Directors without the approval of a majority vote of the shareholders.

The Directors shall also review the fees and expenses of Gen-Net no less often than annually and with sufficient frequency to determine that the expenses incurred are in the best interest of the shareholders. Any transactions between Gen-Net and any Affiliate must be approved by a majority of the Directors not otherwise interested in the transaction (including a majority of the Independent Directors). The Directors are also responsible for reviewing the performance of the officers and

determining that the compensation paid to the officers is reasonable in relation to the nature and quality of services performed by them and under the provisions of their employment contract(s). In reviewing these matters, the Directors consider factors such as the size of the fees paid to the officers in relation to the size, composition and performance of Gen-Net's investments, the success of the officers in generating appropriate investment opportunities, rates charged other REITs and other investors by advisors performing similar services, additional revenues realized by the officers and any Affiliate through their relationship with Gen-Net, whether paid by Gen-Net or others with whom Gen-Net does business, the quality and extent of service and advice furnished by the officers, the performance of the investment portfolio, and the quality of the investment portfolio relative to the investments generated by the officers for their own accounts.

The Directors may establish an Audit Committee consisting of the two Independent Directors. The Audit Committee will make recommendations concerning the engagement of the independent public accountants, review the results of the audit engagement with the independent public accountants, evaluates the quality of audit services, negotiates auditing fees and consults with the independent public accountants regarding the adequacy of Gen-Net's internal accounting controls.

The Directors may establish an Executive Committee consisting of two Directors, including one Independent Director. The Executive Committee would likely exercise all powers of the Directors except for those which require actions by all of the Directors or the Independent Directors under the Articles of Incorporation or Bylaws or under applicable law.

The Bylaws do not specify qualifications for officers with whom Gen-Net may contract for services. Determination of whether an individual is qualified is the responsibility of the Directors, who, in general, must exercise prudent business judgment in the selection of an



officer and in supervising relationships with the officers. In selecting an officer, the Directors will consider a number of factors, including his or her experience and management abilities, his performance history in investing or advising in the investment in real estate acquisition, operation and disposition, and the identity and location of other employers.

*Gen-Net's Directors and Executive Officers*

The Directors and executive officers of Gen-Net are:

<u>NAME</u>	<u>AGE</u>	<u>POSITION WITH THE COMPANY</u>
Jerry D. Bringard	65	Chair of the Board of Directors (2001–Present); President; Secretary
Thomas D. Peschio	61	Director (2001–Present)
Richard H. Schwachter	57	Director (2001–Present)
Bruce Baum	61	Treasurer (2001–Present)

Jerry D. Bringard

*Chair of the Board of Directors; President; Secretary*

Mr. Bringard retired in June, 1998 as Vice President-General Counsel of Ford Motor Credit Company, Dearborn, Michigan and as a member of its Executive Committee, having been employed by Ford Credit for 38 years. He is presently Chairman of the Board of Directors of William Tyndale College. He serves as Chairman of the Law Committee of the American Financial Services Association; is Chairman-Emeritus of the Conference on Consumer Finance Law; and as an adviser to, and past President of, the Hillsdale College Parents' Executive Board. Mr. Bringard holds a BA degree from Denison University, an MBA degree from the University of Detroit and a JD degree (with distinction) from Wayne State University.

Thomas D. Peschio

*Independent Director*

From 1997 to the present Mr. Peschio has been a stockholder, a member of the Board of Directors and Executive Vice President of the Lund Company in Omaha, Nebraska, the largest wholly independent firm in Nebraska offering complete commercial real estate services. From 1993 to 1997, Mr. Peschio served as a corporate officer focusing on investment real estate for what is now known as Grubb & Ellis, Pacific Realty Group. From 1978 to 1997, he owned and operated his own full service investment real estate firm, Peschio & Company. Mr. Peschio has focused his professional efforts on direct investment in real estate, debt and equity financing and securitization, corporate real estate development and property management. Mr. Peschio received a BS degree from St. Louis University and a MBA from Washington University in St. Louis. Mr. Peschio holds professional designations from the American Society of Real Estate Counselor, Consultant in Real Estate (CRE), from the Real Estate Investment Association, Specialist, Real Estate Investment (SRI); and, from the former Real Estate Securities and Syndication Institute, Specialist in Real Estate Securities (SRS).

Richard H. Schwachter

*Independent Director*

Mr. Schwachter has been engaged in the private practice of law since 1969. He has been a sole practitioner since 1982. From 1969 to 1982 he was with the firm of Goulder & Schwachter. His practice has focused on real estate law and private placement of securities transactions. He has held the Series 7 and 63 securities registered representatives' licenses securities registered representatives' since 1993. From 1996 to 2000 he was an officer and director of Indianapolis Securities, Inc., a broker-dealer and is currently an officer and director of Diagnostic Centers, Inc., which offers diagnostic services to the medical community in three states. Mr. Schwachter received his BS degree (cum laude) from the University of Wisconsin, in 1966 and his JD degree from Case Western Reserve Law School in 1969. He is a member of the Bar of the State of Ohio.

Since July 1999, Bruce Baum has been employed as the President of Capital Matrix, LLC, which serves as a financial and construction consultant to investment groups regarding the purchase and redevelopment of income producing commercial real estate. From 1985 to 1999, Mr. Baum was employed by Bruce M. Baum & Associates. Throughout his career, Mr. Baum has been active in mortgage banking and mortgage brokerage and has originated and placed in excess of three billion dollars (\$3,000,000,000) of financing on all types of income producing real estate properties. He has personally developed and constructed high-rise luxury apartments in New York City and North Carolina; strip shopping centers in New York, New Jersey, Connecticut and North Carolina; a high-rise office building in Boston; a high-rise senior citizen dwelling facility in Maine and a high-rise condominium in New York City. He has functioned as a partner in numerous properties including a high-rise office building in Louisiana, a high-rise apartment complex in Maryland and Florida, a high-rise hotel in Florida and a shopping center in Michigan. He serves as visiting lecturer at New York University's School of Continuing Education in the area of mortgage financing. He obtained his BS from Brooklyn College and has engaged in graduate study in engineering at Columbia University.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary \$	Bonus \$	Other Annual Compensation \$	Awards		Payouts	
					Restricted Stock Award(s) \$	Securities Underlying Options' SARs \$	LTIP Payouts (\$)	All Other Compensation (\$)
Jerry D. Bringard, President and Secretary	2001	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bruce Baum, Treasurer	2001	0.00	0.00	0.00	0.00	0.00	0.00	0.00

*Daily Management Responsibility*

Managing Gen-Net's day-to-day activities, including the performance of Genesis and others contracted to provide services, are the primary responsibility of Mr. Bringard, the President. He will be assisted in managing Gen-Net's financial affairs by Mr. Baum, the Treasurer. Together, they are responsible for overseeing and monitoring Genesis with respect to the selection of property acquisition prospects, the analysis in relation to Gen-Net and Directors' objectives, and requirements and the negotiation of their acquisition and disposition. The Directors must authorize and approve investments and typically the Directors' decision will be based largely on the information provided by Genesis and the recommendation of Messrs. Bringard and Baum.

*Services of Genesis*

The services to be performed by Genesis under its written contract with Gen-Net fall into the following categories: property acquisition services, property management services, administrative services and property disposition services. In assisting Gen-Net with property acquisitions, Genesis will, among other things, help locate prospective properties for purchase which meet Gen-Net's acquisition criteria as described in this prospectus, assist in negotiations with the seller of the property, engage legal counsel, oversee preparation of transaction documents, and monitor the closing of the purchase to ensure compliance with the agreed upon terms. Property management services to be provided by Genesis include negotiating leads, providing monthly property reports, collecting rents, verifying tenant lease compliance and provide property inspections. Administrative support services for Gen-Net include transfer agent support, computer, secretarial and similar office functions and activities. Finally, to facilitate disposition of Gen-Net's properties, Genesis will assist in locating purchasers, help negotiate sale terms, engage legal counsel, oversee preparation of sale documents and monitor the close of the sale to ensure compliance with the agreed upon terms.

Genesis' principal executive officers are D. James Barton, President and Gregg S. Barton, Vice President and Chief Acquisitions Officer. D. James Barton's principal occupation since 1968 has been as an attorney in private law practice. Gregg S. Barton's principal occupation is with Genesis. The Bartons have been employed by Genesis since 1994.

Genesis' contract with Gen-Net is for a term of twelve (12) months. It will be renewed automatically for additional twelve (12) month periods unless terminated by either party upon sixty (60) days notice to the other party.

The following table details the type, and to the extent practicable, estimates of the amounts of all material compensation that Genesis will or may receive under its agreement with Gen-Net. As

described in the table below, Genesis' compensation is limited to certain percentages but not to any particular dollar amount.

**OFFERING STAGE**

Type of Compensation	Method of Compensation	Estimated Amount
Selling Commissions (Shares)	Genesis will receive no compensation based on shares sold in this offering. Shares will be offered through Selected Dealers who will be paid commission. SEE PLAN OF DISTRIBUTION. Additionally, the principle officers of Gen-Net may offer shares for no compensation.	None
Other organizational and offering expenses	Genesis may advance and be reimbursed by Gen-Net for organizational and offering expenses incurred in connection with this offering, including legal and accounting fees, filing fees, printing costs and selling expenses.	Actual amounts will be based on actual funds advanced. Gen-Net estimates that not less than \$80,000 will be reimbursed if the minimum number of shares is sold and not less than \$500,000 if the maximum number of shares is sold.

**ACQUISITION STAGE**

Type of Compensation	Method of Compensation	Estimated Amount
Acquisition Fees	Genesis (or other third party acting on behalf of Gen-Net) may receive a fee of up to 3% of the property purchase price.	Actual amount will depend on the purchase price of the property acquired and cannot be determined at this time.
Acquisition Expenses	Genesis (or other third party acting on behalf of Gen-Net) will be reimbursed for Acquisition Expenses, as incurred.	Actual amount will depend on the amount of expenses associated with the property transaction and cannot be determined at this time.

**OPERATIONAL STAGE**

Type of Compensation	Method of Compensation	Estimated Amount
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Property Management Fees	Genesis (or other third party acting on behalf of Gen-Net) will receive a management fee equal to 3% of the gross rental revenues of the property.	Actual amount will depend upon the gross income of the property and cannot be determined at this time.
Administration Fees	Genesis will receive a fee equal to 3% of the gross rental income from the properties as compensation for administrative support provided to Gen-Net.	Actual amount will depend upon the gross rental income of the properties and cannot be determined at this time.
Administrative Expenses	Genesis will be reimbursed for its out-of-pocket expenses incurred in providing administrative support to Gen-Net.	Actual amount will depend on results of operations and cannot be determined at this time.

### LIQUIDATION STAGE

Type of Compensation	Method of Compensation	Estimated Amount
Disposition Fees	Genesis (or other third party acting on behalf of Gen-Net) will receive a disposition fee of up to 5% of the property sale price.	Actual amounts will depend on the property sale price and cannot be determined at this time.

### PRIOR PERFORMANCE OF GEN-NET AND GENESIS

Though formed in 1998, Gen-Net has been a dormant entity and has no historical experience. The remainder of this section summarizes the historical experience of real estate programs previously sponsored by Genesis and its Affiliates. INVESTORS IN GEN-NET SHOULD NOT ASSUME THAT THEY WILL EXPERIENCE RETURNS, IF ANY, COMPARABLE TO THOSE EXPERIENCED BY INVESTING IN THOSE PRIOR PROGRAMS.

Genesis and its Affiliates have sponsored a total of 18 real estate programs dating to 1994, all of which were non-public. As of December 31, 2001, a total of approximately \$23 million has been raised from over 685 investors through all-programs. The properties acquired in the prior programs are located throughout the United States.

Nearly \$20 million has been expended through December 31, 2001 on the purchase of a total of 35 properties which include 34 office properties and 1 corporate distribution center. There is a total of \$1 million in open deposits on properties. All of the properties were existing structures when acquired. None of the properties have been sold. Table III of Appendix B of this prospectus contains more information on the operating results of the prior programs.

The following table sets forth summary information as of December 31, 2001, regarding property acquisitions from 1999 to present. The general investment objectives of each program are acquiring Net Leased properties with the potential for long-term appreciation and providing periodic cash distributions to investors, which are similar to those of Gen-Net. Whether the objectives of acquiring property that will conserve the investors' capital and provide an inflation hedge have been met can only be determined after the programs' properties have been sold, which has not yet occurred.

Name of Program	No. of Properties Purchased	Type of Property	Location	Method of Financing
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Fixed Income Series 1	0	N/A	N/A	N/A
Fixed Income Series 2	2	Office	IL, MA	Cash/Mortgage
Fixed Income Series 3	6	Office	CA, OH, TX	Cash/Mortgage
Fixed Income Series 4	6	Office	TX	Cash/Mortgage
Fixed Income Series 5	2	Office	TX	Cash/Mortgage
Corporate/Government Series 1	4	Office	TX	Cash/Mortgage
Corporate/Government Series 2	2	Office	TX, VA	Cash/Mortgage
Federal Government & US Post Office Series 1	2	Office	IL, TX	Cash/Mortgage
Fixed Income Series 9	2	Office	HI, TX	Cash/Mortgage
Fixed Income Series 10	2	Office	MO, NJ	Cash/Mortgage
Fixed Income Series 11	1	Office	AZ	Cash/Mortgage
Fixed Income Series 12	2	Office	TX, NM	Cash/Mortgage
Fixed Income Series 14	2	Office	IL, TX	Cash/Mortgage
Fixed Income Series 15	1	Office	WI	Cash/Mortgage
Fixed Income Series 16	1	Office	PA	Cash/Mortgage
Genesis 10% Bonds	0	N/A	N/A	N/A
Genesis Series Bonds	0	N/A	N/A	N/A

Investors are encouraged to examine the prior performance tables attached as Exhibit B to this prospectus for more detailed information concerning Genesis' prior experience. Additionally, Table VI contains a more detailed description of property acquisitions made by the prior programs and is contained in Part II of the registration statement filed with the SEC. A copy of Table VI is available from Gen-Net without fee, upon request.

## ERISA CONSIDERATIONS

The following is a summary of certain non-tax considerations associated with an investment in Gen-Net by a qualified employee benefit plan, KEOGH Plan, or IRA ("Benefit Plans" or "Plan"). This summary is based on the provisions of ERISA and the Internal Revenue Code, as amended, ("Code"), through the date of this prospectus and relevant regulations and opinions issued by the IRS and the United States Department of Labor. It is possible that future legislative or administrative changes or court decisions may significantly modify the statements set forth herein. It is also possible that said changes may apply to transactions entered into prior to the date of their enactment.

In general, employee benefit plans subject to ERISA must have all of their assets held in trust and that a trustee or duly authorized investment manager have exclusive authority and discretion to manage and control their assets. In addition, the Code provides similar rules for employee benefit plans which are not subject to ERISA, including individual retirement accounts and KEOGH Plans that cover only self-employed persons. This requirement is satisfied with respect to the investment if the indicia of ownership of the Shares are held in trust on behalf of the plan. Counsel is of the opinion that Gen-Net's method of identifying owners of the Shares will satisfy the ERISA "holding in trust" requirement.

*Fiduciaries.* In general, a person will be a Benefit Plan fiduciary under ERISA if among other things, that person has discretionary authority or control with respect to plan assets or provides investment advice for a fee with respect to such assets. Accordingly, whether or not a person is a Benefit plan fiduciary will depend on the facts and circumstances underlying that person's relationship

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with the Plan and each person should consult his own advisor or that of the Benefit Plan regarding questions of fiduciary status.

Benefit Plan fiduciaries are required under ERISA to determine whether an investment in the shares will satisfy the prudent man adequate consideration and other fiduciary standards set forth in ERISA. A fiduciary's decision to cause a plan to invest in the shares should

include, among other things, an analysis of whether (i) the investment is in accordance with the governing instruments of the plan and its needs and objectives; (ii) the investment satisfies the diversification requirement of ERISA Section 404(a) (1) (C); (iii) the purchase is prudent considering the nature of the investment, Gen-Net's compensation structure, the lack of a ready market for the shares and the other risks discussed in this prospectus; and (iv) the investment is made solely in the interest of the plan participants. The Department of Labor has ruled that for diversification purposes, plan fiduciaries are entitled to look to the underlying assets of Gen-Net. The other ERISA requirements must be satisfied on an individual facts and circumstances basis.

*Prohibited Transactions.* A fiduciary of a Benefit Plan is prohibited from engaging in self-dealing, acting for a person who has an interest adverse to that of the plan (other than in the case of IRAs and some KEOGH Plans), or receiving any consideration for its own account from a party dealing with the plan in a transaction regarding the plan's assets. Benefit Plan fiduciaries may incur substantial taxes and penalties in the event they enter into transactions involving Benefit Plan assets which constitute a prohibited transaction under ERISA. A prohibited transaction under ERISA should not be confused with a Prohibited Transaction under the REIT provisions discussed under the "INCOME TAX ASPECTS" section of this prospectus.

In general, a prohibited transaction for ERISA purposes is a transaction involving the assets of the Benefit Plan and any "party in interest" or "disqualified person" with respect to that Benefit Plan. ERISA prohibits these transactions regardless of how beneficial they may be to the Benefit Plan. Prohibited transactions include the sale, exchange, or leasing of property and the lending of money or the extension of credit between a Benefit Plan and a party in interest or disqualified person.

A prohibited transaction could occur if Gen-Net, any Selected Dealer, or their respective Affiliates, is a fiduciary (within the meaning of ERISA) with respect to the purchase of shares by a Benefit Plan. This will be true even if Gen-Net assets underlying the shares do not constitute plan assets as discussed below. Thus, unless an administrative or statutory exemption applies, shares should not be purchased by any Benefit Plan for which either Gen-Net, a Selected Dealer, or their respective Affiliates, is a fiduciary with respect to such share purchase.

In the case of a prohibited transaction, the Code imposes an excise tax equal to 5% of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not corrected. These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, the fiduciaries of Benefit Plan shareholders subject to ERISA who permitted a prohibited transaction to occur or otherwise breach their fiduciary responsibilities would be required to restore to the plan any profits realized by them as a result of the transaction or breach, and to make good to the plan any losses it incurred as a result of the transaction or breach. Where an IRA invests in Gen-Net, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiary, would cause the IRA to lose its tax-exempt status under the Code.

*Annual Valuation.* ERISA requires that assets of a plan be valued to reflect market value as of the close of each plan year. ERISA requires a fiduciary of a Benefit Plan to determine annually the fair market value of each asset of the plan as of the end of the plan's fiscal year and to file an annual report reflecting that value. Where no fair market value of a particular asset is available, the fiduciary is required to make a good faith determination of the asset's "fair market value" assuming an orderly liquidation at the time the determination is made. A trustee or custodian of an IRA must, in addition, provide the IRA participants with a statement of the value of the IRA each year. There presently exists

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no regular secondary market for the shares and it is not anticipated that one will develop in the immediate future. The Directors will report a fair market value for the shares to plan fiduciaries on an annual basis. SEE "REPORTS TO SHAREHOLDERS" for more details.

*Unrelated Business Income.* A Benefit Plan investing in shares will not be subject to tax on distributions from Gen-Net so long as Gen-Net qualifies as a REIT. The IRS has ruled that dividends and other distributions from a REIT are not taxable to Section 501(a) organizations as "Unrelated Business Taxable Income". This result stands even if the REIT utilizes debt financing to purchase its real property assets. A private foundation, however, may be subject to the excise taxes imposed by Sections 4940 and 4943 of the Code (relating to investment income and excess business holdings). Additionally, the laws and regulations applicable to Section 501(a) organizations set forth other

requirements respecting investments by such organizations. These additional requirements may not be addressed in this prospectus and prospective shareholders which are Section 501(a) organizations must consult their own tax advisors in this regard.

*Plan Assets.* In the event a Benefit Plan purchases shares and Gen-Net's assets represented by those shares, rather than the shares themselves, were considered the plan's assets under ERISA, the prudent man standards and other provisions of Title I of ERISA applicable to investments made by Gen-Net and certain transactions into which Gen-Net might seek to enter could constitute an improper delegation of a fiduciary responsibility to Gen-Net and expose the fiduciary of the plan to co-fiduciary liability under ERISA for any breach by Gen-Net of its ERISA fiduciary duties. In such event, investment by an IRA in the shares might result in an impermissible commingling of plan assets with other property.

Accordingly, fiduciaries who hold or acquire shares on behalf of plans or IRAs subject to ERISA, must evaluate the risk that unintended ERISA or Code prohibited transaction questions and fiduciary duty delegation questions may arise if the underlying assets of the plan are treated under ERISA as "plan assets" of such Plans or IRAs.

The term "plan assets" is not defined under ERISA. The Department of Labor issued final regulations regarding the meaning of "plan assets". Under these regulations, the assets of entities in which Benefit Plans invest would constitute plan assets unless the entity satisfies at least one of the stated exceptions.

One of the stated exceptions provides that the underlying assets of entities such as Gen-Net will not be treated as the assets of a Benefit Plan if the interest the Benefit Plan acquires is a "publicly-offered security". A publicly-offered security must be (i) freely transferable, (ii) part of a class of shares that is owned by 100 or more persons who are independent of the issuer and one another, and (iii) sold as part of a public offering registered under the Securities Act of 1933 and be part of a class of shares registered under the Securities Act of 1934 within a specified time period.

## INCOME TAX CONSIDERATIONS

### *General*

The following discussion, which has been prepared by the law firm of Lieben, Whitted, Houghton, Slowiaczek & Cavanagh, P.C., L.L.O., counsel to Gen-Net, summarizes the material provisions of the federal income tax treatment applicable to Gen-Net and to the shareholders in connection with their ownership of shares of Gen-Net. The discussion relates only to the federal income tax treatment of Gen-Net and its shareholders and is generally directed to the federal income tax treatment of an individual who is a United States resident and subject to regular federal income tax. It will not otherwise discuss the possible application of the federal income tax law to individual shareholders. **SINCE THE DISCUSSION MAY NOT ADDRESS IN DEPTH ALL OF THE MATERIAL INCOME TAX CONSIDERATIONS FOR EACH SHAREHOLDER'S PERSONAL TAX SITUATION, IT**

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**DOES NOT DISCUSS STATE AND LOCAL INCOME TAX CONSIDERATIONS AND IS NOT TO BE INTERPRETED AS TAX ADVICE TO PROSPECTIVE SHAREHOLDERS, PROSPECTIVE SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THEIR PERSONAL TAX SITUATION.**

Gen-Net intends to conduct its operations in a manner that will permit it to qualify and elect to be treated as a REIT for federal income tax purposes for no later than its first taxable year in which it receives the proceeds from this offering and for each taxable year thereafter. Gen-Net has not requested a ruling from the IRS as to its qualification as a REIT. Gen-Net, however, has obtained an opinion from its counsel that, for federal income tax purposes, based on current law or interpretations thereof, (i) Gen-Net will qualify as a REIT provided it is operated in the manner described in this prospectus and in accordance with the representations set forth in this prospectus and satisfies the share ownership tests described below, and (ii) based on IRS Revenue Ruling 66-109, 1966-1 C.B. 151, distributions will not constitute unrelated business taxable income ("UBTI") to a Shareholder that is a tax-exempt entity (such as a pension plan, IRA or charitable organization) that is

required to account for UBTI even if Gen-Net owns debt financed property as that term is defined In the Code, provided that (i) such shareholder does not incur any "acquisition indebtedness" with respect to its shares and (ii) Gen-Net is not a pension-held REIT as defined by the Code. See "INCOME TAX CONSIDERATIONS–TAXATION OF TAX-EXEMPT ENTITIES".

Counsel has rendered no opinion on the other issues discussed under "Income Tax Considerations" because of the prospective or hypothetical nature of the facts and circumstances associated with such an opinion as, for example, the tax treatment of distributions to specific shareholders or the tax treatment of certain real estate transactions. counsel's opinion represents only its best legal judgment and has no binding effect on the IRS or the courts. There is, therefore, no assurance that the conclusions expressed below would be sustained by a court if contested, or that future legislative or administrative changes or court decisions may not significantly modify the statements and opinions expressed herein. Any such future changes could be retroactive with respect to any transactions effected prior to the time they are made.

In preparing and filing its income tax returns, Gen-Net will make decisions on several tax matters, including the expending or capitalizing of particular expenditures, the allocation of property acquisition costs between land, improvements and personal property and similar items. In making these determinations, Gen-Net will seek advice of its independent accountants, however, in general, such decisions will not be reviewed by counsel. There is no assurance that some of these determinations will not be challenged by the IRS.

The Code provides tax treatment for organizations that principally invest in real estate or real estates assets (including mortgages secured by real property) which meet certain conditions imposed by Code Sections 856-860 and elect to be taxed as a REIT. In general, a REIT will not be taxed at the corporate level on its net income which is currently distributed to its shareholders. Thus, taxation as a REIT will substantially eliminate the "double taxation" (tax at both the corporate and shareholder levels) typically associated with corporations. If Gen-Net fails to continue to qualify as a REIT in any year, it would likely be taxed as a domestic corporation and would not receive a deduction for dividends paid to the shareholders. In such event, the shareholders would be taxed in the same manner as shareholders of ordinary domestic corporations and Gen-Net may be subject to significant tax liabilities, which would reduce the amount of cash available for dividends to the shareholders.

#### *Requirements for Qualification and Taxation as a REIT*

In the opinion of Lieben, Whitted, Houghton, Slowiaczek & Cavanagh, P.C., L.L.O., counsel to Gen-Net, assuming that Gen-Net operates in accordance with the method of operation described in this prospectus, including the representations of the Directors that they intend to continue to comply with

the requirements of Code Sections 856-860, as amended, Gen-Net will qualify for taxation as a REIT. However, counsel can give no opinion that Gen-Net will actually satisfy the REIT requirements in the future since that will depend substantially on future events. Further, Gen-Net has not, and does not intend to, request a ruling from the IRS as to its tax status.

To qualify as a REIT, Gen-Net must, among others, meet each of the requirements discussed below.

*Ownership of Shares.* Gen-Net's shares must be held by a minimum of 100 persons for at least 335 days in each of its 12-month taxable years. At all times during the last half of each of its taxable years, no more than 50% in value of the shares may be owned, directly or indirectly, actually or constructively, by five or fewer individuals. To aid in meeting these requirements, Gen-Net is given the power in its Bylaws to prohibit a transfer of shares which would produce a violation of these requirements. In determining share ownership, the attribution rules provided in the Code will, in general, apply. In applying the attribution rules to determine indirect ownership of shares, attribution to an individual of Shares owned by or for the individual's partner is ignored.

*Nature of Assets: Diversification.* Gen-Net must meet two tests designed to insure that its investments are primarily in real estate assets (including mortgages secured by real estate), cash, or government shares and that its other assets are diversified. In general, at the end of each fiscal quarter, at least 75% of the value of Gen-Net's total assets must be real estate assets, cash and cash items (including receivables), and



government shares. Gen-Net generally may not own shares of any one non-governmental issuer which, in the aggregate, exceed more than 5% of the value of Gen-Net's total assets. Also, Gen-Net may not own more than 10% of the outstanding voting shares of any one issuer. For the purposes of so evaluating Gen-Net's assets, any investments in a partnership or joint venture will be deemed to be a proportionate investment in the assets of such partnership or joint venture. Stock or debt instruments purchased with the new equity capital are treated as real estate assets for the purposes of the 75% assets test. See the discussion under "*New Equity Capital*" below.

*Sources Of Income.* To qualify as a REIT, Gen-Net must meet the three separate income tests described below. These tests are designed to ensure that Gen-Net's income is derived principally from passive real estate investments. In evaluating Gen-Net's income, if Gen-Net invests in a partnership or joint venture, it will be treated as receiving its proportionate share of the income earned by such partnership or joint venture and, in Gen-Net's hands, any such income will retain the character that it would have in the hands of the partnership or joint venture.

*The 75% Source of Income Test.* Under this requirement, at least 75% of Gen-Net's income must be derived from the following sources:

Interest on monetary obligations secured by real property, including any income derived from a shared appreciation provision which is treated as gain recognized on the sale of the secured property. A "shared appreciation provision" is any interest that is in connection with an obligation that is held by the REIT and secured by an interest in real property, which provision entitles the REIT to receive a specified portion of any gain realized on the sale or exchange of such property (or any gain that would be realized if the property were sold on a specified date). For the purpose of meeting the income requirements, the REIT will be treated as holding the secured property for the period during which it held the shared appreciation provision (or, if shorter, the period during which secured property was held by the person holding such property). Gen-Net does not intend to make substantial investments in such mortgages.

Rents from real property, except for (a) rent based on the income or profits derived from the property, (b) rent paid by a person or corporation in which Gen-Net owns a 10% or greater interest, and (c) amounts received with respect to real or personal property if Gen-Net furnishes services to tenants, or manages or operates the property, other than through an "independent

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contractor" from whom Gen-Net does not derive any income. Gen-Net anticipates that most of its income will derive from such rents.

Gain from the sale or other disposition of real property (including interests in mortgages) which is not property described in Code Section 1221(1). Section 1221(1) property ("dealer property") is stock in trade, inventory, and property held primarily for sale to customers in the ordinary course of a trade or business. In general, income from the sale of dealer property does not qualify under this source of income test because it is active income. Gen-Net does not expect to have significant amounts of such gain.

Dividends or other distributions on shares in other REITs (except a Qualified REIT Subsidiary), as well as gain from the sale of such shares. Gen-Net does not expect to invest in any other REIT.

Abatements and refunds of real property taxes.

Commitment fees received in consideration for the REIT's agreement to make secured loans or purchase or lease real property.

For the purposes of the above, an "independent contractor" is any person who does not own, directly or indirectly, 35% of the REIT's shares, and, in general, which is not 35% or more owned, directly or indirectly, by any person or persons owning 35% or more the REIT's

shares. Attribution rules apply for such determination so that the shares of two or more persons may be aggregated in making the determination. The independent contractor must be adequately compensated for any services performed for the REIT. Compensation determined by reference to an unadjusted percentage of gross rents will generally be considered to be adequate where the percentage is reasonable, taking into account the going rate of compensation for managing similar property in the same locality, the services rendered and other relevant factors. An independent contractor may not be an employee of the REIT (i.e., the manner in which the contractor carries out its duties as independent contractor must not be subject to the control of the REIT).

To the extent that services (other than those customarily furnished or rendered in connection with the rental of real property) are rendered to the tenants of the property they must, in general, be provided by an independent contractor and the cost of the services must be borne by the independent contractor or a separate charge on the tenants must be made for such services. The amount of the separate charge must be received and retained by the independent contractor and the independent contractor must be adequately compensated for its services. However, REITs may perform for themselves those services that would not result in the receipt of UBTI if performed by certain tax exempted entities, without using an independent contractor. Gen-Net does not presently contemplate that it will perform for itself such services.

*The 95% Source of Income Test.* Under this requirement, Gen-Net must derive at least 95% of its gross income from the sources listed under the 75% source of income test and from dividends, interest or gains from the sale or disposition of shares, which is not dealer property.

For the purposes of determining whether Gen-Net complies with the 75% and 95% source of income tests detailed above, "gross income" does not include gross income from Prohibited Transactions. See GLOSSARY discussion of prohibited transactions below.

The Code provides certain relief from this requirement when a REIT has certain types of income that are not accompanied by the receipt of cash. However, the REIT must pay tax on the amounts not distributed (Code Sections 857(a) and (e)).

Should Gen-Net fail to satisfy either of the 75% or the 95% source of income tests for any taxable year, it will be subject to a 100% excise tax on the greater of the amount by which it fails either test. However, Gen-Net may still be deemed to have satisfied the tests if (i) its failure to comply was due to

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reasonable cause and not to willful neglect, (ii) it reports the name and amount of each item of its income included in the tests on a schedule attached to its tax return; and (iii) any incorrect information is not due to fraud with intent to evade tax. The Regulations indicate such failure will be due to reasonable cause and not a willful neglect if Gen-Net exercises ordinary business care and prudence in attempting to satisfy the tests.

*The 30% Source of Income Test.* Under this requirement, Gen-Net must derive less than 30% of its gross income from the sale or other disposition of (i) real property held less than four years, other than foreclosure property or property involuntarily or compulsorily converted within the meaning of Code Section 1033, (ii) shares held less than one year, and (iii) property sold in a Prohibited Transaction.

*Prohibited Transactions.* A "Prohibited Transaction" is one involving a sale of dealer property, other than foreclosure property and certain property not held by Gen-Net for at least four years. The Code provides a safe harbor whereby the sale of a property is not a Prohibited Transaction if: (i) Gen-Net held the property for not less than four years; (ii) Gen-Net made no more than seven property sales (other than foreclosure property) during such taxable year, or the adjusted basis of all such sales is not more than 10% of the adjusted basis of all of Gen-Net's assets as of the beginning of such year; (iii) the aggregate expenditures made by Gen-Net (or any partner or joint venturer) during the four-year period preceding the date of the sale which are includable in the basis of the property do not exceed 20% of the net selling price of such property; and (iv) in the case of land or improvements not acquired through foreclosure or lease termination, Gen-Net held the property for at least four years for the production of rental income. Losses from Prohibited Transactions may not be taken into account in determining the amount of net income from Prohibited Transactions. However, any net loss from Prohibited Transactions may be taken into account in computing REIT taxable income.

In the event the IRS was successful in characterizing Gen-Net as a dealer in connection with any sale of a property, Gen-Net could be subject to the 100% excise tax. In addition, capital gain treatment and any otherwise applicable capital gain tax rate with respect to the sale of the property could be available. Under such circumstances, Gen-Net could be unable to satisfy the 75% and 95% source of income tests. Likewise, there is no assurance that improvements made by Gen-Net to any property will not exceed 20% of the net selling price of such properties or that Gen-Net will not make more than seven sales of properties in any one year.

Gen-Net does not intend to hold any property primarily for sale to customers in the ordinary course of its trade or business and thereby have dealer property. However, the determination of whether Gen-Net are dealer property depends on the facts and circumstances relating to the particular property at the time of sale. Also, Gen-Net purposes for holding property may change during the course of its investments. Accordingly, there can be no assurance that Gen-Net will avoid dealer status with respect to its properties.

*New Equity Capital.* A REIT receiving new equity capital and investing it in stock or bonds may treat interest, dividends or gains from the sale of such investments as income for the purpose of the 75% source of income test. "New equity capital" is any amount received by a REIT in exchange for its stock (other than pursuant to a dividend reinvestment plan) or in a public offering of debt obligations of the REIT with maturities of at least five years. However, this provision is applicable only to income received for the one-year period beginning on the date that the REIT received such capital. In addition, during that period, stock or bonds bought with "new equity capital" will be treated as real estate assets for the purposes of the 75% test explained previously.

*Additional Requirements.* In addition to the foregoing, Gen-Net must:

- 1) Except for the application of Code Section 856-860 related to REITs, be taxable as a "domestic corporation"; use June 30 as its annual accounting period for federal income tax purposes; and
- 2) Conduct its affairs, with certain limitations, and manage and dispose of its properties under the continuing exclusive authority and management of its Directors.

#### *Distribution Requirements*

*Distributions During the Taxable Year.* In addition to satisfying the requirements discussed above, in order to qualify for taxation as a REIT Gen-Net must distribute to the shareholders in each taxable year an amount at least equal to the sum of:

90% of its REIT Taxable Income before the deduction for dividends paid and excluding any net capital gain; and

90% of the net income from foreclosure property minus the tax imposed on that income; minus

Excess non-cash income.

In some situations, Gen-Net may produce taxable income in excess of the cash available for distribution. As a result, from time to time Gen-Net might have to attempt to borrow, use cash reserves or sell properties to meet the 90% distribution test.

*Distributions After the Taxable Year.* Under certain circumstances, Gen-Net can rectify its failure to meet the 90% distribution test by paying dividends after the close of the taxable year.

*Dividends Paid In the Following Year.* For purposes of the 90% distribution test, Gen-Net is permitted to treat as distributed in a particular taxable year, certain dividends that it pays to the shareholders in the following taxable year. To qualify for this treatment, the

dividends must be declared before the date on which Gen-Net's tax return filings are due (including extension periods), and the dividend must be paid within twelve months of the end of the taxable year and no later than the next regular dividend payment after the declaration.

*Deficiency Dividends.* Although Gen-Net may meet the 90% distribution test based upon the figures reflected in its tax returns, the IRS might successfully dispute those figures. If an adjustment is made that causes the dividends paid by Gen-Net to be insufficient to have met the 90% distribution test, it may pay a deficiency dividend, that will be permitted as a deduction in the taxable year to which the adjustment is made, so that Gen-Net will retroactively be deemed in compliance with the 90% distribution test. To qualify as a deficiency dividend, Gen-Net must make this dividend within a specified period. No deficiency dividend deduction is allowed if the deficiency is due and there exists fraud with intent to evade tax or willful failure to file a timely tax return.

#### *Termination or Revocation of REIT Status*

Gen-Net's election to be treated as a REIT will be terminated automatically if it fails to meet one of the various requirements described above. Gen-Net may voluntarily revoke its election within the first 90 days of any taxable year after the first taxable year for which such election is effective in the manner prescribed in the Regulations. If a termination or revocation occurs, Gen-Net will not be eligible to elect REIT status for any taxable year prior to the fifth taxable year that begins after the taxable year for which the termination or revocation is first effective. However, this five year ineligibility rule will not apply in the case of terminations (as opposed to revocations) if: (i) Gen-Net does not willfully fail to timely file an income tax return for the taxable year of the termination, (ii) any

incorrect information in such return is not due to fraud with intent to evade tax, and (iii) Gen-Net's failure to qualify as a REIT is due to reasonable cause and not due to willful neglect.

#### *Taxation of the Company*

*If Qualified REIT.* The following discussion generally describes the various tax rules applicable to Gen-Net for years in which it qualifies as a REIT:

*Loss Carry Forward.* Gen-Net generally cannot carry its net operating or net capital losses back to prior years, but it may carry forward net operating loss for 15 years and net capital loss for 5 years.

*Income Taxable If Not Distributed.* Gen-Net is taxed on its REIT Taxable Income which is not timely distributed to the shareholders and on its undistributed capital gain as if it were an ordinary domestic corporation. This income is essentially Gen-Net's undistributed net income and, in certain circumstances, dividends paid after the end of each taxable year may also be deducted in determining the income subject to tax. However, to discourage a REIT from delaying distributions until the year after the income earned, the Code imposes a non-deductible excise tax on undistributed income of 4% of the amount by which the required distribution exceeds the amount distributed in the taxable year. The required distribution is the sum of 85% of the REIT's ordinary income, plus 95% of its capital gain net income, plus the excess, if any, of the "grossed up required distribution" for the preceding calendar year over the distributed amount for such year. The "grossed up required distribution" for the preceding calendar year is the sum of the REIT's Taxable Income for that year (without regard to deductions for REIT distributions) and amounts from earlier years that are not treated as having been distributed.

If Gen-Net has undistributed net capital gain for a taxable year, it must pay tax on such amounts. Currently, corporate long-term capital gains are taxed as ordinary income, but will be subject to a maximum rate of 35%. The alternative tax rate for corporate net capital gains does not apply.

*Income Taxable Whether or Not Distributed.* The following forms of income are subject to taxation at the company level, whether or not they are distributed to the shareholders:

*Violation of the 75% or 90% Source of Income Tests.* If Gen-Net fails to meet either the 75% or 90% source of income tests described above, but still qualifies for taxation as a REIT under the reasonable cause exception to those tests, a 100% tax is imposed on an amount equal to the result obtained by multiplying (i) the greater of (A) the amount by which it failed to meet the 75% test or (B) the amount by which it failed to meet the 90% test, by (ii) a fraction, the numerator of which is Gen-Net's taxable income (with certain adjustments) and the denominator of which is its gross income (with certain adjustments).

*Net Income From Foreclosure Property.* Gen-Net's net income from foreclosure property would be taxed at the highest corporate rate, which is presently 35%.

*Income From Prohibited Transactions.* Gen-Net's net income from Prohibited Transactions will be taxed at a rate of 100% whether or not such income is distributed to the shareholders.

*Minimum Tax on Items of Tax Preference.* Gen-Net may be subject to the corporate alternative minimum tax ("AMT"), which is similar to the individual AMT. The corporate AMT rate is 25% with a \$40,000 exemption amount (phased out at the rate of \$.25 on each dollar for AMT income in excess of \$150,000). For the corporate AMT, items of tax preference include accelerated depreciation (to the extent different from alternative depreciation, using 150% declining balance method for personal property) for all property (other than transitional property) placed in service after 1986. After 1989, pretax book income is replaced for this purpose by earnings and profits, with certain adjustments. As a result of the Revenue Reconciliation Act of 1993, for properties placed in service after 1993, the separate depreciation

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calculation for figuring the adjustment to adjusted corporate earnings is eliminated. Rules similar to those under the individual AMT apply to incentive credits, the foreign tax credit, net operating losses and the credit for minimum tax liability attributable to timing preferences. As a transition rule, investment tax credits generally are permitted to offset 25% of AMT liability.

*In Kind Distributions.* The Bylaws do not permit Gen-Net to make any in-kind distributions to the shareholders.

*Qualified REIT Subsidiaries.* A REIT owning a Qualified REIT Subsidiary, may treat all of the assets, liabilities and items of income, deduction, and credit of the subsidiary as though they were those of the REIT.

*If Not Qualified REIT.* For any taxable year in which Gen-Net fails to qualify as a REIT, it will be taxed at the maximum corporate rate (currently 35%) on its taxable income, whether or not the income is distributed to the shareholders.

#### *Tax Deferred Exchanges*

Section 1031 of the Code, and the Regulations thereunder, provide that no gain or loss will be recognized when property held for productive use in a trade or business, or for investment, is exchanged solely for property of "like kind" that is also to be held either for productive use in a trade or business or for investment. If cash is received or if "unlike" property is received or given in the exchange, at least a part of the gain or loss may be recognized. If cash is paid in connection with the exchange gain or loss is not recognized. Non-recognition of gain or loss in a tax-free exchange results merely in postponing recognition because the basis of the property which is acquired is, in general, the same as the basis of the property (including money) transferred. A loss resulting from a like-kind exchange will likewise be deferred. For the purposes of Section 1031, "like-kind property" means, in general, that the properties exchanged must be of the same character or nature, but not necessarily of the same grade or quality.

Generally, if property received in a like-kind exchange between related persons is disposed of before a date that is two years after the date of the last transfer in exchange, any gain or loss that was not recognized on the original exchange must be recognized as of the date that the property is disposed of. Other than with respect to a transfer pursuant to a written binding contract in effect on that date, and at all times thereafter before the transfer, the non-recognition rule does not apply if one of the exchange properties consists of real property located outside of the United States.

The non-recognition of gain or loss rules applicable to like-kind exchanges will not apply to deferred like-kind exchanges unless the exchange is completed within 180 days of the date the taxpayer transfers the property and the property to be received in exchange is identified by the taxpayer within 45 days of such transfer. The date of transfer is the date on which the taxpayer transferred the property relinquished in the exchange (but not later than the due date, including extensions, for the taxpayer's return for the tax year in which the transfer of the relinquished property occurred).

#### *Taxation of Domestic Shareholders*

For any taxable year in which Gen-Net fails to qualify as a REIT, distributions to the shareholders would be taxed as ordinary dividends to the extent of Gen-Net's current and accumulated earnings and profits. Such dividends would be eligible for the dividend exclusion for individuals or the 80% dividends received deduction for corporations.

*Taxation of Distributions.* For any taxable year in which Gen-Net qualifies as a REIT, the amounts it distributes to the shareholders will be taxed as follows:

*Distributions from Accumulated Earnings and Profits.* Distributions from Gen-Net will be taxable to shareholders who are not tax-exempt entities as ordinary income to the extent of

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the earnings and profits of Gen-Net. Any dividend declared by Gen-Net in October, November, or December of any year payable to shareholders of record on a specified date in such a month, shall be deemed to have been received by each shareholder on December 31 of such year and to have been paid by Gen-Net on December 31 of such year, provided such dividend actually is paid by January 31, of the following year. Consequently, any such dividend will be taxable to a shareholder in such shareholder's taxable year including December 31. (It is possible that any portion of a dividend made to a shareholder after December 31 not from current or accumulated earnings and profits would be treated as a distribution by Gen-Net in the year it is actually made. Accordingly, if Gen-Net has sufficient earnings and profits in the year in which such dividend actually is paid, no portion of such dividend would be a return of capital distribution). Dividends paid to such shareholders will not constitute passive activity income (such income, therefor, will not be subject to reduction by losses from passive activities of a shareholder who is subject to the passive activity loss rules). Such distributions, however, will be considered investment income, which may be offset by investment deductions.

*Capital Gain Distributions.* Dividends that are designated as capital gain dividends by Gen-Net will be taxed as long-term capital gain taxable to shareholders to the extent that they do not exceed Gen-Net's actual net capital gain for the taxable year. A Shareholder that is a corporation may be required to treat up to 20% of any such capital gains dividend as ordinary income. Such distributions, whether characterized as ordinary income or as capital gains, are not eligible for the 70% dividends received deduction for corporations. Shareholders are not permitted to deduct any net losses of Gen-Net. For tax years beginning after 1992, the maximum federal income tax rate applicable to net capital gains (the excess of net long-term capital gains over net short-term capital losses) recognized by an individual is 28% as compared to a maximum rate of 39.6% for ordinary income.

*Return of Capital.* To the extent any distributions made by Gen-Net to the shareholders exceed the current and accumulated earnings and profits of Gen-Net, such distributions will constitute a non-taxable return of capital to the shareholder to the extent of the shareholder's adjusted tax basis in his shares. A shareholder's adjusted tax basis in his

shares will be reduced (but not below zero) by the amount of such excess. The proportion of the distributions that exceed such adjusted tax basis will be taxable to the shareholder as gain from the sale or exchange of his shares.

*Notification.* Gen-Net is not required to notify the shareholders of the portions of the distributions made during each taxable year that constitute long-term capital gain. Gen-Net will promptly, as required, notify shareholders of the amount of any items of tax preference and the portion of distributions made during each taxable year that constitute return of invested capital.

*Back-up Withholding.* Gen-Net will be required to withhold tax from dividends paid to a shareholder under certain circumstances as specified in the "back-up" withholding provisions. These provisions only apply to a Shareholder who (i) fails to furnish his taxpayer identification number ("TIN") to Gen-Net as required; (ii) who has, according to the IRS, furnished an incorrect TIN; (iii) who has, according to the IRS, under-reported interest, dividends or patronage dividend income in the past; or (iv) who has failed to satisfy the payee's certification requirements of Code Section 3406. With respect to such a shareholder, Gen-Net will impose back-up withholding on dividends paid by the fund at the required rate of 28%. Foreign investors are subject to different withholding rules.

*Alternative Minimum Tax.* Individual and other non-corporate shareholders may, as a result of their investment in Gen-Net, be subject to the Alternative Minimum Tax ("AMT"), but only to the extent it exceeds their regular tax liability. Effective in 1993, a two-tiered, graduated rate schedule for

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AMT is applicable. The lower tier consists of a 26% rate, applicable to the first \$175,000 of a taxpayer's alternative minimum taxable income ("AMTI") in excess of the exemption amount. The upper tier consists of a 28% rate, applicable to AMTI that is greater than \$175,000 above the exemption amount. For married individuals filing separately, the 28% rate applies to AMTI that is greater than \$87,500 above the exemption amount. The exemption amounts are \$45,000 for married individuals filing joint returns, \$33,750 for unmarried individuals, and \$22,500 for married individuals filing separately, estates and trusts.

AMTI is calculated by adding the taxpayer's items of tax preference to his adjusted gross income (computed without regard to any deduction for net operating loss carryovers) and subtracting certain itemized deductions (to the extent they do not create a net operating loss, which can be carried to another year for purposes of the regular tax), the taxpayer's AMT on net operating loss carryovers and the applicable exemption amount. Under the Code, REITs are subject to AMT to the extent items of tax preference and other items are treated differently for regular tax and AMT purposes. Code section 59(d) authorizes the IRS to issue regulations concerning the apportionment of differently treated items between a REIT and its shareholders. These regulations, when issued, could result in Shareholders being allocated such differently treated item for inclusion in their own tax returns.

*Statement of Share Ownership.* Each year Gen-Net must demand from the record holders of designated percentages of its shares written statements disclosing the actual owners of the shares. Gen-Net must also maintain permanent records showing the information it has received from the shareholders on this subject, and a list of those persons failing or refusing to comply with its request for that information.

*Taxation of Tax-Exempt Entities.* In general, a shareholder that is a tax-exempt entity not subject to tax on its investment income will not be subject to tax on distributions from Gen-Net. In Revenue Ruling 66-106, 1966-1 C.B. 151, the IRS ruled that amounts distributed as dividends by a REIT do not constitute UBTI when received by a qualified Plan. Based on that ruling, counsel has opined that regardless of whether Gen-Net incurs indebtedness in connection with the acquisition of properties, distributions paid to a shareholder that is a tax-exempt entity will not be treated as UBTI, provided that (i) the tax-exempt entity has not financed the acquisition of its shares with "acquisition indebtedness" within the meaning of the Code and the shares otherwise are not used in an unrelated trade or business of the tax-exempt entity and (ii) the Company is not a pension-held REIT. This opinion applies to a shareholder that is an organization that qualifies under Code Section 401(a), an IRA or any other tax-exempt organization that would compute UBTI, if any, in accordance with Code Section 512(a)(1). However, pursuant to changes that were part of the 1993 Tax Act, if the Company is a pension-held REIT and a tax-exempt shareholder owns more than 10 percent of Gen-Net, such shareholder will be required to recognize as UBTI that percentage of the dividends that it receives

from Gen-Net as is equal to the percentage of Gen-Net's gross income that would be UBTI to Gen-Net if it were a tax-exempt entity required to recognize UBTI. A REIT is a pension-held REIT if at least one qualified trust holds more than 25 percent of the value of the REIT's shares or one or more qualified trusts, each of whom own more than 10 percent of the REIT's shares, hold more than 50 percent of the value of the REIT's shares.

For social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans exempt from federal income taxation under Code Sections 501 (c)(7), (c)(9), (c)(17) and (c)(20), respectively, income from an investment in Gen-Net will constitute UBTI unless the organization is able to deduct amounts set aside or placed in reserve for certain purposes so as to offset the UBTI generated by its investment. Such prospective shareholders should consult their own tax advisors concerning these "set aside" and reserve requirements.

### *Taxation of Foreign Shareholders*

Non-resident alien individuals, foreign corporations, foreign partnerships and other foreign shareholders are subject to United States federal income tax under rules which are complex and the application of which will vary depending on their particular circumstances. Accordingly, no attempt is made to summarize these rules and prospective foreign shareholders should consult their own tax advisors concerning those provisions of the Code which deal with the taxation of foreign taxpayers.

### *United States Report Requirements*

Subject to regulations, the IRS may impose annual reporting requirements of certain United States and foreign persons directly holding United States Real Property Interests ("USRPIs"). The required reports are in addition to any necessary income tax returns. Furthermore, because shares in a domestically controlled REIT do not constitute USRPIs, such reporting requirements will not apply to a foreign shareholder in Gen-Net (assuming that Gen-Net will be domestically controlled) if such shareholder does not otherwise own USRPIs. However, Gen-Net is required to file an information return with the IRS setting forth the name, address and taxpayer identification number of the payee of dividends, whether the payee is a nominee or is the actual beneficial owner of the shares.

### *State and Local Taxes*

Treatment of Gen-Net and the shareholders under state and local tax laws may differ substantially from the federal income tax treatment described above. CONSEQUENTLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OWN TAX ADVISOR WITH REGARD TO THE STATE AND LOCAL TAX CONSEQUENCES OF AN INVESTMENT IN GEN-NET.

## **DESCRIPTION OF ORGANIZATIONAL DOCUMENTS AND SHARES**

The following description of Gen-Net's organizational documents and shares does not purport to be complete but contains a summary of portions of the Restated Articles of Incorporation and Bylaws, and is qualified in its entirety by reference to those documents.

### *Description of Shares*

Gen-Net is authorized to issue up to 2,500,000 shares pursuant to this offering. The shares have a \$10.00 par value. There are currently 10,000 shares issued and outstanding all owned by Genesis.

Each share is entitled to participate equally in dividends when and if declared by the Directors and in the distribution of assets upon liquidation. Each share is entitled to one vote and will be fully paid and non-assessable by Gen-Net when the share is issued and paid for. The shares are not subject to redemption by Gen-Net, except in limited circumstances in order to preserve Gen-Net's REIT status. The shares have no preemptive rights which are intended to ensure that a shareholder maintains the same ownership interest (on a percentage basis) before and



after the issuance of additional shares. The shares do not have cumulative voting under Michigan law for the election of Directors. Gen-Net currently does not intend to issue any shares other than the shares offered in this offering, although it may do so from time to time in either public or private distributions.

Gen-Net has the authority, at the discretion of the Directors, to authorize the listing, issuance and sale of shares on a national security exchange or on NASDAQ. Gen-Net has the authority to issue shares of any class or shares convertible into shares of any class or classes, to classify or to reclassify any unissued stock by setting or changing the preferences conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of the redemption of such stock, all as determined by the Directors, except Gen-Net is not authorized to issue preferred shares and may do so only upon amendment of its Articles of Incorporation.

Gen-Net will issue share certificates unless it receives a request in writing not to do so. Shareholders who elect not to receive share certificates will own such shares in "uncertificated" or "book entry" form and will be treated in a like manner as those who do receive a certificate. Owning shares in uncertificated or book entry form will (a) eliminate the physical handling and safekeeping responsibilities inherent in owning transferable certificates, and (b) eliminate the need to return a duly executed share certificate to the transfer agent to effect the transfer. Transfers can be effected simply by mailing a duly executed stock power to the transfer agent.

#### *Transfer Agent*

Gen-Net shall serve as Transfer Agent.

#### *Meetings and Special Voting Requirements*

The next annual meeting of shareholders will be held on the first Monday of June, 2002 at 10:00 a.m., and each year thereafter, no fewer than 30 days after delivery of the annual report. Special meetings of shareholders may be called only upon the request of a majority of the Directors, a majority of the Independent Directors, the President, or upon the written request of shareholders entitled to cast at least 10% of all of the votes entitled to be cast at such meeting. In general, the presence in person or by proxy of a majority of the outstanding shares shall constitute a quorum at any shareholders' meeting. The organizational documents may generally be amended by a majority vote of the shareholders. However, an amendment of any provision requiring a greater than majority vote must be approved by such greater vote and a vote of the shareholders holding at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding shares of any class of shares is required to approve any amendment which would change any rights of that class by reducing the amount payable thereon upon liquidation, or by diminishing or eliminating any voting rights of that class. For the purposes of the foregoing, the authorization by the Directors and/or shareholders of a new class or series of preferred stock would not constitute such an amendment.

Other matters on which the shareholders are entitled to vote include: (i) the election and removal of Directors; (ii) increase or decrease in the number of authorized Directors; (iii) approval or renewal of advisory contracts; (iv) a voluntary change in Gen-Net's status as a REIT; and/or (v) the dissolution of Gen-Net.

With respect to shares owned by Directors, or any Affiliates, neither the Directors or any Affiliates may vote or comment on matters submitted to the shareholders regarding the removal of any Director, or any Affiliate, or any transaction between Gen-Net and any of them. In determining the applicable percentage in interest of shares necessary to approve a matter in which a Director and any Affiliate may not vote or consult, any shares owned by any of them shall not be included.

A majority of the Directors (including a majority of the Independent Directors) may, in their discretion from time to time, amend certain portions of the Bylaws. However certain Bylaw provisions, including those relating to investment policies and objectives, and investment restrictions, may not be amended without a majority vote of the shareholders.

Any action pertaining to a transaction involving Gen-Net in which any Director or officer or any Affiliate has an interest shall specifically be approved with respect to any isolated transactions or generally be approved with respect to any series of similar transactions,

by a majority of the Directors, including a majority of the Independent Directors who are not parties to and have no financial interest in the transaction and who are not Affiliates of any interested party, even if such Directors constitute less than a quorum. Any deadlock in voting by the Independent Directors shall result in disapproval of the inside transaction with respect to which the voting was conducted.

### *Limitations on Holdings and Transfer*

For Gen-Net to qualify as a "REIT" under the Code, not more than 50% of its outstanding shares may be owned by five or fewer individuals during the last half of each year and outstanding shares must be owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year except with respect to the first taxable year for which an election to be treated as a REIT is made. The Bylaws restrict the accumulation or transfer of shares, if any accumulation or transfer could result in any person beneficially owning in accordance with the Code, in excess of 9.8% of the then outstanding shares, determinable on an audited basis and on a fully-diluted basis, or could result in Gen-Net having fewer than 100 shareholders. Such restrictions authorize the Board of Directors to refuse to give effect to such transfer and include suspension of voting and distribution rights as to shares accumulated in excess of the 9.8% ownership limit. Although the intent of these restrictions is to preclude transfers which would violate the ownership limit or reduce the number of shareholders below 100, there can be no assurance that such restrictions will achieve their intent.

A transferee who acquires shares in a restricted transfer is required to indemnify, defend, and hold Gen-Net and all other shareholders harmless from and against all damages, losses, costs and expenses, including, without limitation, reasonable attorneys' fees incurred or suffered by Gen-Net or such shareholders by virtue of Gen-Net's loss of its qualification as a REIT if such loss is a result of the transferee's acquisition. See "INCOME TAX CONSIDERATIONS".

## **REPORTS TO SHAREHOLDERS**

Gen-Net will provide periodic reports to the shareholders regarding its operations over the course of the year. Financial information contained in all reports to shareholders will be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles. Tax information will be mailed to shareholders within 30 days following the close of each fiscal year. Gen-Net's annual report, which will include financial statements audited and reported upon by independent public accountants, will be furnished within 120 days following the close of each fiscal year. The annual financial statements will contain or be accompanied by a complete statement of any transactions with any Affiliates, and of compensation and fees paid or payable by Gen-Net to the management and its Affiliates. The information required by Form 10-Q will be made available to shareholders within 45 days of the close of the first 3 fiscal quarters of each year.

Shareholders have the right under applicable federal and Michigan law to obtain certain information about Gen-Net and, at their expense, may obtain a list of names and addresses of the shareholders. Shareholders have the right to inspect and duplicate the Appraisal records. In the event that the SEC promulgates rules and/or in the event that applicable state or North American Securities Administrators Association ("NASAA") Guidelines are amended so that, taking such changes into account, Gen-Net's reporting requirements are reduced, Gen-Net may cease preparing and filing certain of the reports if the Directors determine such action to be in the best interests of Gen-Net and, if such cessation is in compliance with the rules and regulations of the SEC, and applicable state and NASAA Guidelines, one or more of which may then be amended.

Gen-Net will provide the shareholders that are qualified retirement plans with an annual statement of value in order to permit them to comply with ERISA annual reporting requirements. The statement will report the value of shares based upon the amount Shareholders would receive if properties were sold at their Appraised Values as of the close of Gen-Net's fiscal year and if such proceeds, together with the other funds, were distributed in liquidation. For the first three annual reports following the termination of this offering, all properties will be deemed to be valued at cost and the value of each share will be deemed to be \$10.00. Thereafter, Gen-Net will obtain an Appraisal update based on capitalization of income for each property unless Gen-Net previously obtained an Appraisal for such

property dated within nine months prior to the end of the relevant fiscal year. After the first three annual reports, the Directors may elect to deliver such reports to all shareholders.

### PLAN OF DISTRIBUTION

Gen-Net is offering a total of 2,500,000 shares of its common stock and has registered such shares with the SEC. The offering price of \$10.00 per share was determined arbitrarily by Gen-Net. It does not bear any relationship to objective factors such as Gen-Net's financial condition.

Each investor purchasing shares will be required to complete and execute an Order Form (also referred to sometimes as a "Subscription Agreement") which includes certain representations (Exhibit B). At the time the prospective investor submits his Subscription Agreement, he must tender a check in the amount of \$10.00 for each share being purchased. Checks should be made payable to "Gen-Net Lease Income Trust, Inc." Shares will only be sold to an investor who represents in writing that, at the time he executes the Subscription Agreement, he meets the applicable suitability requirements. See "SUITABILITY." Investor funds will be held in an interest bearing escrow account with Citizens First Savings Bank, Port Huron, Michigan, until the minimum of 300,000 shares (or \$3,000,000) have been sold.

Gen-Net has complete discretion to reject any Subscription Agreement executed by any investor within thirty days of its submission. It is anticipated that subscriptions would be rejected for an investor's failure to meet the suitability requirements, an over-subscription of the offering, or for other reasons determined to be in the best interest of Gen-Net. If any investor's subscription is rejected, the investor's funds submitted with the subscription will be promptly returned to the investor. Gen-Net may not complete a sale to an investor until at least 5 business days after the date the investor receives a final prospectus. Gen-Net or its designee shall send each investor a confirmation of his purchase.

The shares are being offered by the Selected Dealers, who are members of the NASD and who enter into Selected Dealer Agreements. All Selected Dealers in the offering will offer and sell shares in Gen-Net on the same terms and conditions. The Selected Dealers may receive commissions of up to 6% of the gross proceeds from the sale of the shares and may receive up to an additional .25% of the gross proceeds to cover actual due diligence expenses relating to the offering. Registered persons acting as wholesalers in recruiting Selected Dealers to sell this offering may receive a fee of up to 1% of the aggregate sales price of shares sold by those Selected Dealers whom they recruited. However, in no event will the total selling compensation of commission, wholesaling fee and due diligence exceed 6.25%.

The following table sets forth the type, and to the extent practicable, estimates of the amounts of all material compensation that Selected Dealers may receive in connection with this offering.

<u>Person Receiving Compensation</u>	<u>Form and Method of Compensation</u>	<u>Estimated Amount</u>
Selling Commissions to Selected Dealers	6% of sales price, plus .25% for due diligence	Actual amount will depend upon the particular transaction and cannot be determined at this time.

On or after acceptance of his subscription agreement, an investor will have no right to withdraw any funds submitted during the offering period. Shares will be evidenced on Gen-Net's books and records, which will include a list of shareholders' names, addresses and number of shares owned.

The Selected Dealers and their controlling persons, will be indemnified by Gen-Net against certain liabilities, including liabilities under the Securities Act of 1933. As of the date of this prospectus, no broker-dealers have entered into a Selected Dealer Agreement.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF GEN-NET'S FINANCIAL CONDITION**

As of the date of this Prospectus, Gen-Net has not yet had any operations nor has entered into any commitments or obligations to acquire properties. Gen-Net intends to utilize the proceeds of this offering as described under "ESTIMATED USE OF PROCEEDS," consistent with those principles set forth in "INVESTMENT OBJECTIVES AND PROCEEDS".

In the event that the proceeds of this offering are less than the maximum amount contemplated Gen-Net may be unable to diversify its investments. Since the leases will be "Net Leases," Gen-Net will establish a working capital reserve of 1% of the gross proceeds of the offering. In the event such reserves are insufficient to satisfy unanticipated costs, Gen-Net may be required to borrow funds to meet such costs.

As of the date of this prospectus, Gen-Net has no external sources of financing. However, the Directors are not aware of any material trends, favorable or unfavorable, in either capital resources or the outlook for long-term cash generation, nor do they expect any material changes in the availability and relative cost of such capital resources, other than as referred to herein. It is for these reasons that the Directors believe that should Gen-Net be required to obtain financing, other than from affiliated sources, such external financing should be available.

A copy of Gen-Net's audited financial statements for the years ended December 31, 2000 and 2001, is attached to this prospectus as Exhibit C.

## **SALES MATERIALS**

Sales material prepared by Gen-Net may be used in connection with this offering. Such material may be used only when accompanied or preceded by the delivery of this prospectus. The offering is made only by means of this prospectus and shall be identified with Gen-Net's name and logo on the cover page. Sales material does not purport to be complete and should not be considered part of this prospectus or as forming the basis of the offering of the shares.

## **EXPERTS**

Gen-Net's financial statements as of December 31, 2000 and 2001, included in this prospectus have been audited by Zwick & Steinberger, P.L.L.C., independent certified public accountants, as indicated in their report herein, and have been included in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

The statements concerning federal taxes under the headings "INCOME TAX CONSIDERATIONS" AND "RISK FACTORS" have been reviewed by Lieben, Whitted, Houghton, Slowiaczek & Cavanagh, P.C., L.L.O., Counsel for Gen-Net, and have been included herein, to the extent they constitute matters of law. In reliance upon the authority of said firm as experts, counsel believes that such material constitutes a full and fair disclosure of the material tax risks associated with an investment in the shares.

## **LEGAL MATTERS**

The legality and validity of the shares being offered hereby has been passed upon for Gen-Net by its Michigan counsel, David A. Sims, P.C.

Lieben, Whitted, Houghton, Slowiaczek & Cavanagh, P.C., L.L.O. has rendered its opinion regarding the material income tax issues associated with the ownership of shares.

None of Gen-Net, its officers or Directors, are parties to any pending legal proceedings that are material to Gen-Net.

## FURTHER INFORMATION

This prospectus does not contain all of the information set forth in Gen-Net's registration statement and the Exhibits relating thereto which Gen-Net has filed with the SEC, and to which reference is hereby made. Copies of the Exhibits are on file at the offices of the SEC in Washington, D.C. and may be obtained upon payment of the fee prescribed by the SEC, or may be examined without charge at the offices of the SEC.

All summaries contained herein of documents which are filed as Exhibits to the Registration Statement are qualified in their entirety by this reference to those Exhibits. Gen-Net has not knowingly made any untrue statement of a material fact or admitted to any fact required to be stated in the Registration Statement, including this Prospectus, or necessary to make the statement therein not misleading.

## GLOSSARY

"Acquisition Expenses" means those expenses, including but not limited to legal fees and expenses, travel and communications expenses, costs of appraisals, nonrefundable option payments on property not acquired, environmental, accounting fees and expenses, title insurance, and miscellaneous expenses related to selection and acquisition of Properties, whether or not acquired. Acquisition Expenses shall not include Acquisition Fees.

"Acquisition Fees" means fees paid to Genesis or third parties for normal and customary real estate commissions, not to exceed 6% of the total purchase price of a property.

"Affiliate" means as to any person, any other person who i) owns beneficially, directly or indirectly, 10% or more of the outstanding capital stock, shares or equity interests of such person; or (ii) is an officer, retired officer, director, trustee, or general partner of such person; or (iii) controls, is controlled by or is under common control with, such person; or (iv) if such other person is an officer, director, trustee, or general partner of another entity, then the entity for which that person acts in any capacity.

"Appraisal" means the valuation of real property (which value may take into consideration the existing state of the property or a state to be created) by an independent, qualified appraiser who is a member in good standing of the American Institute of Real Estate Appraisers (MAI) or is a disinterested person who, in the judgment of the Directors, is qualified to make such a determination. Each Appraisal shall be maintained in Gen-Net's records for at least five years and shall be available for inspection and duplication by any shareholder. The independent qualified appraiser shall be selected by a majority of the Directors (including a majority of the Independent Directors).

"Appraised Value" means the value of a particular property as stated in the Appraisal.

"Average Invested Assets" means for any period the average of the aggregate book value of the assets of Gen-Net invested, directly or indirectly, in equity interests in and loans secured by real estate, before reserves for depreciation or bad debts or other similar non-cash reserves computed by taking the average of such values at the end of each month during such period.

"Beneficial Ownership, Beneficially Own or Beneficial Owner of Shares" means the ownership of such shares for purposes of part II, Subchapter M of the Code, including the attribution of ownership provisions of Section 542 and 544 of the Code, or if, under Rule 13d-3 of the Exchange Act, such person would be deemed to have beneficial ownership of such shares.

"Benefit Plan" or "Plan" means an IRA, KEOGH or employee benefit plan subject to Title I of ERISA or Section 4975 of the Code.

"Distributable REIT Taxable Income" means an amount equal to or greater than (i) the sum of 90% of: (a) the REIT Taxable Income for the taxable year (determined without regard to the

deduction for dividends paid and by excluding any net capital gain), and (b) the excess of the net income from foreclosure property over the tax imposed on such income less (ii) any excess non-cash income.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Exchange Act" means The Securities Exchange Act of 1934, as amended.

"Independent Directors" means the Director(s) of Gen-Net who are not associated and have not been associated within the last two years, directly or indirectly, with the Sponsor.

- (a) A Director shall be deemed to be associated with the Sponsor if he or she:
- i. owns an interest in the Sponsor, or any of their Affiliates; or
  - ii. is employed by the Sponsor, or any of their Affiliates; or
  - iii. is an officer or director of the Sponsor, or any of their Affiliates; or
  - iv. performs services, other than as a Director, for Gen-Net; or
  - v. is a Director for more than three companies organized by the Sponsor; or
  - vi. has any material business or professional relationship with the Sponsor, or any Affiliates.
- (b) For purposes of determining whether or not the business or professional relationship is material, the gross revenue derived by the prospective Independent Director from the Sponsor and Affiliates shall be deemed material per se if it exceeds 5% of the prospective Independent Directors':
- i. annual gross revenue, derived from all sources, during either of the last two years;
- or
- ii. net worth, on a fair market value basis.
- (c) An indirect relationship shall include circumstances in which a Director's spouse, parents, children, siblings, mothers, or fathers-in-law, sons or daughters-in-law or brothers-in-law or sisters-in-law are or have been associated with the Sponsor, any of their Affiliates, or the Company.

"Net Assets" means the total assets (other than intangible) at cost before deducting depreciation or other non-cash reserves less total liabilities, calculated at least quarterly on a basis consistently applied.

"Organization and Offering Expenses" means those expenses payable by Gen-Net in connection with the formation, qualification and registration of Gen-Net and in marketing and distributing shares, including, but not limited to, (i) the preparing, printing, filing and delivery of the Registration Statement and the prospectus (including any amendments thereof or supplements thereto) and the preparing and printing of contractual agreements between Gen-Net and the Selected Dealers (including copies thereof), (ii) the preparing and printing of the Articles of Incorporation and Bylaws, solicitation material and related documents and the filing and/or recording of such documents necessary to comply with the laws of the State of Michigan for the formation of a company and thereafter for the continued good standing of a company, (iii) the qualification or registration of the Shares under state securities or "Blue Sky" laws, (iv) any escrow arrangements, including any compensation to an escrow agent, (v) the filing fees payable to the SEC and to the NASD, (vi) reimbursement for the reasonable and identifiable out-of-pocket expenses of the Selected Dealers, including the cost of their counsel, (vii) the fees of counsel and independent public accounts, (viii) all advertising expenses incurred in connection with the offering, including the cost of all sales literature and the costs related to investor and broker-dealer

sales and information meetings and marketing incentive programs, and (ix) selling commissions, marketing fees, incentive fees, investment banking fees and wholesaling fees and expenses incurred in connection with the sale of the shares.

"Permitted Temporary Investments" means United States government shares, certificates of deposit or other time or demand deposits of commercial banks, savings banks, savings and loan associations or similar institutions which have a net worth of at least \$100,000,000 or in which such certificates or deposits are fully insured by any federal or state government agency, United States dollar deposits in foreign branches of banks which have a net worth of at least \$100,000,000, bank repurchase agreements covering shares of the United States government or governmental agencies, commercial paper, bankers acceptances, public money market funds or other similar short-term highly liquid investments.

"Prohibited Transaction" under the REIT Provisions means sale of assets held by Gen-Net primarily for sale to customers in the ordinary course of business other than (i) foreclosure property and (ii) certain dispositions of real estate assets not held for at least four years as required by Section 857(b)(6)(C) of the Code.

"Qualified REIT Subsidiary" means a subsidiary of a REIT which is 100% owned by the REIT during the subsidiary's existence.

"Regulations" means the federal income tax regulations which are the official United States Treasury Department Interpretations of the Code.

"REIT" or "Real Estate Investment Trust" means a real estate investment trust as defined under Sections 856-860 of the Code.

"REIT Provisions of the Code" or "REIT Provisions" means Parts II and III of Subchapter M of Chapter 1 of the Code or successor statutes, and regulations and rulings promulgated thereunder.

"REIT Taxable Income" means the taxable income of a REIT, adjusted as follows: (i) the deduction for dividends received allowable to trusts under Sections 241 through 247, 249 and 250 of the Code is not allowed; (ii) the deduction for dividends paid under Section 561 of the Code is allowed, but is computed without regard to that portion of such deduction attributable to net income from foreclosure property; (iii) taxable income is computed without regard to Section 443(b) of the Code relating to the computation of tax upon the change of an annual accounting period; (iv) net income from foreclosure property that is not qualified REIT income without regard to the foreclosure Property provisions of the Code is excluded; (v) the tax imposed for failing the 75% income test and/or the 95% income test is deducted; and (vi) income derived from Prohibited Transactions is excluded.

"Sponsor" means Genesis Financial Group, Inc. and its Affiliates, including the Bartons. Not included is any person whose only relationship with Gen-Net is as that of an independent property manager of Gen-Net assets, and whose only compensation is as such. Sponsor does not include wholly independent third parties such as attorneys, accountants and underwriters whose only compensation is for professional services. A person may also be deemed a Sponsor by:

- (a) taking the initiative, directly or indirectly, in founding or organizing the business or enterprise of Gen-Net, either alone or in conjunction with one or more other persons;
- (b) receiving a material participation in Gen-Net in connection with the founding or organizing of the business, in consideration of services or property, or both services and property;
- (c) having a substantial number of relationships and contacts with Gen-Net;
- (d) possessing significant rights to control Gen-Net's properties;
- (e) receiving fees for providing services to Gen-Net which are paid on a basis that is not customary in the industry; or

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- (f) providing goods or services to Gen-Net on a basis which was not negotiated at arms length.

"Total Operating Expenses" means the aggregate expenses of every character paid or incurred by Gen-Net as determined under generally accepted accounting principles, but excluding:

- (a) the expense of raising capital such as Organization and Offering Expenses, legal, audit, accounting, underwriting, brokerage, listing registration and other fees, printing and other such expenses, and tax Incurred in connection with the issuance, distribution, transfer, registration, and stock exchange listing of the shares;
- (b) interest payments;
- (c) taxes;
- (d) non-cash expenditures such as depreciation, amortization, and bad debt reserves;
- (e) incentive fees;
- (f) acquisition Fees and Acquisition Expenses, real estate commissions on resale of property and other expenses connected with the acquisition, disposition, and ownership of real estate interests, mortgage loans and on other property, (such as the costs of foreclosure, insurance premiums, legal services, maintenance, repair, and improvement of property).

"UBTI" means unrelated business taxable income as defined in Section 512 of the Code.



"Unimproved Real Property" means the real property of Gen-Net which has the following three characteristics:

- (a) an equity interest in real property which was not acquired for the purpose of producing rental or other operating income;
- (b) has no development or construction in process on such land; and
- (c) no development or construction on such land is planned in good faith to commence on such land within one year.

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## EXHIBIT A

### ORDER FORM

The undersigned desires to become a Shareholder of Gen-Net Lease Income Trust, Inc. ("Gen-Net") and to purchase the number of shares appearing at the beginning of this Order Form in accordance with the terms and conditions of the prospectus and supplements, if any, thereto. In connection therewith, the undersigned hereby represents, warrants and agrees as follows:

1. **SUBSCRIPTION**

The undersigned agrees to purchase the number of shares set forth above his signature at the end of this subscription, and hereby tenders the amount required to purchase such shares (\$10.00 per Share).
2. **REPRESENTATIONS** (Each investor must initial each representation on the line provided after each such representation.)
  - (a) The undersigned is subscribing for shares solely for his own account or for the account indicated herein and not for the benefit of the account of any other person or entity. \_\_\_\_\_ (initial)
  - (b) The undersigned is aware that this subscription may be rejected in whole or in part by Gen-Net in its sole discretion. \_\_\_\_\_ (initial)
  - (c) The undersigned has received a copy of the prospectus. \_\_\_\_\_ (initial)
  - (d) The undersigned meets the minimum income and net worth standards established by Gen-Net, which are generally as follows: (1) gross income of \$ \_\_\_\_\_ and a net worth of \$ \_\_\_\_\_ (excluding home, furnishings and automobiles), or (2) a net worth of \$ \_\_\_\_\_ (excluding home, furnishings and automobiles). \_\_\_\_\_ initial
  - (e) The undersigned acknowledges that the shares are not liquid. \_\_\_\_\_ (initial)

NOTHING HEREIN SHALL BE DEEMED A WAIVER OF ANY RIGHTS OF ACTION WHICH THE UNDERSIGNED MAY HAVE UNDER ANY FEDERAL OR STATE SECURITIES LAW.

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## **REGISTRATION REQUIREMENTS FOR GEN-NET LEASE INCOME TRUST, INC.**

The following requirements have been established for the various forms of registration. Accordingly, complete subscription agreements and such supporting material as may be necessary, must be provided.

### TYPE OF OWNERSHIP:

1. INDIVIDUAL—One signature required.
2. JOINT TENANTS WITH RIGHT OF SURVIVORSHIP. Both parties must sign.
3. TENANTS IN COMMON—Both parties must sign.
4. COMMUNITY PROPERTY—Only one investor signature required.
5. CUSTODIAN—The custodian signs the Subscription Agreement.
6. TRUST—The trustee signs the Subscription Agreement. Provide a copy of the trust agreement, the name of the trustee and the name of the beneficiary.
7. PARTNERSHIP—Identify the entity as to whether it is a general or limited partnership. The general partners must be identified and their signatures obtained on the order. In the case of an investment by a general partnership, all partners must sign (unless a "managing partner" has been designated for the partnership, in which case he may sign on behalf of the partnership if a certified copy of the document granting him authority to invest on behalf of the partnership is submitted).
8. CORPORATION—The Subscription Agreement must be accompanied by (i) a certified copy of the resolution of the Board of Directors designating the officer(s) of the corporation authorized to sign on behalf of the corporation and (ii) a certified copy of the board's resolution authorizing the investment.
9. IRA—Requires signature of authorized signer (e.g., an officer) of the bank, trust company or other fiduciary. The address of the trustee must be provided in order for them to receive checks and other pertinent information regarding the investment.
10. KEOGH (HR 10)—Same rules as those applicable to IRAs.
11. UNIFORM GIFT TO MINORS ACT (UGMA)—The required signature is that of the custodian, not of the parent (unless the parent has been designated as the custodian). Only one child is permitted in each investment under the Uniform Gift to Minors Act. In addition, designate the state under which UGMA is being made and the child's Social Security number.

ORDER FORM

GEN-NET LEASE INCOME TRUST, INC.

Make Checks Payable To: "GEN-NET LEASE INCOME TRUST, INC."

IMPORTANT: Please fill out application completely. Type or use ballpoint pen. Press hard.

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1. INVESTMENT

	NUMBER OF SHARES	NEW PURCHASER	DATE OF PREVIOUS PURCHASE
		OR	
	\$		
	AMOUNT OF INVESTMENT (\$10.00 TIMES NUMBER OF SHARES)	ADDITION TO PREVIOUS PURCHASE	PREV. AM ACCT. #

2. OWNERSHIP Check One:

	A. Individual	F. Trust	K. Uniform Gift to Minors Act of the State of _____
	B. Joint Tenants with Rights of Survivorship	G. Partnership	L. Other (explain) _____
	C. Tenants in Common	H. Corporation	_____
	D. Community Property	I. IRA	_____
	E. Custodian	J. Keogh (HR 10)	_____

3. REGISTERED OWNER: Name of Investor. (Use name of trust and address of the trustee or custodian or administrator where applicable.) Please type or print here the exact name (registration) investor desires on account.

Name \_\_\_\_\_  
 Soc. Sec. No. \_\_\_\_\_  
 Name \_\_\_\_\_  
 Soc. Sec. No. \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Phone \_\_\_\_\_

4. DIVIDEND PAYMENT ADDRESS: Where is the dividend to be sent? (Insert "same" if it is to be sent to address of the registered owner. Insert name, address and account number if check is to be sent to a financial institution.)

Name \_\_\_\_\_  
 c/o \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Phone \_\_\_\_\_  
 Account Number \_\_\_\_\_

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5. CORRESPONDENCE:

All reports and financial statements will be sent to the registered owner at the address above. All correspondence, reports, and financial statements are normally sent to the registered owner at the address shown above. On IRA and Uniform Gift to Minors Act accounts, please complete this block to insure that the investor will receive this information at his or her mailing address. Also, if additional correspondence, reports and financial statements are required by another person, please complete.

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Phone \_\_\_\_\_

Executed this \_\_\_\_ day of \_\_\_\_\_, 200\_\_ at \_\_\_\_\_.

X \_\_\_\_\_ X \_\_\_\_\_

(Signature (Investor, Trustee, Custodian, Administrator) Signature (Investor, Trustee Custodian, Administrator)

6. SIGNATURES:

BY EXECUTING THIS AGREEMENT THE INVESTOR IS NOT WAIVING ANY RIGHTS UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934.

7. BROKER/DEALER REGISTERED REPRESENTATIVE

We recognize our obligation under Sections 3(b) and 4(d), Appendix F of the NASD Manual, Rules of Fair Practice (i) to determine the suitability of investors and maintain documentation on which the determination was based, and (ii) to inform investors of the liquidity and marketability of the Shares.

Broker/Dealer NASD Firm Name \_\_\_\_\_

Home/Main Office Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Phone \_\_\_\_\_

Broker/Dealer Authorized Signature X \_\_\_\_\_

Registered Representative Name \_\_\_\_\_

Branch Office Address & Dealer Code Number \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Phone \_\_\_\_\_

Registered Representative Signature X \_\_\_\_\_

8. COPY DISTRIBUTION:

YELLOW-To \_\_\_\_\_

9. MAIL TO:

Mailing Instructions: Please remove yellow copy and mail along with check to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. (OFFICE USE ONLY)

Accepted: Date \_\_\_\_\_ (must be at least 5 days after the date investor receives a final Prospectus)

Date Received \_\_\_\_\_ By \_\_\_\_\_ Date Checked By \_\_\_\_\_

Investor Check Date \_\_\_\_\_ Investor Check Amount \$ \_\_\_\_\_

Investor Check # \_\_\_\_\_

Entered by \_\_\_\_\_ Date Entered \_\_\_\_\_

Confirmation of Purchase Section \_\_\_\_\_

EXHIBIT B

PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (the "Tables") provide information relating to all prior real estate investment programs sponsored by Genesis ("Prior Programs").

As a prospective investor, you should read these Tables carefully together with the summary information concerning the Prior Programs as set forth in "PRIOR PERFORMANCE OF GEN-NET AND GENESIS."

AS AN INVESTOR IN GEN-NET, YOU WILL NOT OWN ANY INTEREST IN THE PRIOR PROGRAMS AND SHOULD NOT ASSUME THAT YOU WILL EXPERIENCE RETURNS, IF ANY, COMPARABLE TO THOSE EXPERIENCED BY INVESTORS IN THE PRIOR PROGRAMS.

As described in the prospectus, Genesis is responsible for assisting management with Gen-Net's day-to-day business affairs and assets, serves as a consultant in connection with policy decisions to be made by the Directors, manages Gen-Net's properties, and renders other services as the Directors and management deem necessary. The financial results of the Prior Programs thus provide an indication of Genesis' performance of its obligations during the periods covered. However, general economic conditions affecting the real estate industry and other factors contribute significantly to financial results.

The following tables are included herein:

Table I—Experience in Raising and Investing Funds (on a Percentage Basis). Table I generally shows Genesis' experience in raising investing funds as measured by the Prior Programs. All of the Prior Programs were non-public programs with objectives similar to those of Gen-Net.

Table II—Compensation to Sponsor. Table II shows the aggregate payments Genesis received as the sponsor of the Prior Programs. All of the Prior Programs were non-public programs with objectives similar to those of Gen-Net.

Table III—Annual Operating Results of Prior Programs. Table III shows the annual operating results of each of the Prior Programs since their respective inceptions. All of the Prior Programs were non-public programs with objectives similar to those of Gen-Net.

Table IV—(Results of Completed Programs) and Table V (Sales or Disposals of Property) have been omitted since none of the Prior Programs have sold any of their properties to date.

Additional information relating to the acquisition of properties by the Prior Programs is contained in Table VI, which is included in the registration statement which Gen-Net filed with the SEC. As described above, no Prior Program has sold or disposed of any property held by it.

**Table I**  
**Experience in Raising and Investing Funds**  
**(Unaudited Statement)**

	<u>UITFX1</u>	<u>UITGH1</u>	<u>Bond G9</u>	<u>UITFX2</u>	<u>Bond G1</u>	<u>UITFX3</u>
Dollar amount offered	\$1,650,000	\$2,115,000	\$2,500,000	\$1,795,000	\$1,000,000	\$4,412,836
Dollar amount raised (100%)	\$1,650,000	\$121,000	\$2,500,000	\$1,786,936	\$742,000	\$4,218,159
Less offering expenses:						
Selling commissions and discounts retained by non affiliates	6%	6%	5%	5%	5%	5%
Organizational expenses	1%	1%	1%	1%	1%	1%
Other(a)	0%	0%	71%	4%	94%	23%
Reserves	0%	0%	0%	0%	0%	0%
Percent available for investment	93%	93%	23%	90%	0%	71%
Acquisition costs:						

Prepaid items and fees related to purchase of property	0%	0%	0%	0%	0%	0%
Cash down payment	93%	93%	22%	90%	0%	71%
Acquisition fees	0%	0%	0%	0%	0%	0%
Other (explain)	0%	0%	0%	0%	0%	0%
<hr/>						
Total Acquisition costs	93%	93%	23%	90%	0%	71%
Percent leverage (Mortgage financing divided by total acquisition cost)	0%	0%	0%	60%	0%	57%
Date offering began	1/97	5/97	8/97	10/97	6/98	3/99
Length of offering (Months)	12	12	12	12	12	12
Months to invest 90% of amount available for investment (Measured from beginning of offering)	2	1	6	1	-	2

a) General Operational Expenses-Dilution

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**Table I**  
**Experience in Raising and Investing Funds**  
**(Unaudited Statement)**

	<u>Bond G3 &amp; G5</u>	<u>UITFX4</u>	<u>UITFX5</u>	<u>UITCG1</u>	<u>UITCG2</u>
Dollar amount offered	\$2,000,000	\$5,000,000	\$4,000,000	\$2,500,000	\$2,000,000
Dollar amount raised (100%)	\$910,200	\$1,571,769	\$1,346,209	\$1,432,573	\$1,273,405
Less offering expenses:					
Selling commissions and discount					
Retained by non-affiliates	5%	5%	5%	5%	5%
Organizational expenses	2%	2%	2%	2%	2%
Other (a)	93%	4%	1%	1%	1%
Reserves	0%	1%	1%	1%	3%
<hr/>					
Percent available for investment	0%	88%	91%	88%	89%
Acquisition costs:					
Prepaid items and fees related to purchase of property	0%	0%	0%	0%	0%
Cash down payment	0%	88%	91%	88%	89%
Acquisition fees	0%	0%	0%	0%	0%
Other (explain)	0%	0%	0%	0%	0%
<hr/>					
Total Acquisition costs	0%	88%	91%	88%	89%
Percent leverage (Mortgage financing divided by total acquisition cost)	0%	54%	80%	70%	55%
Date offering began	8/99	7/99	9/99	10/99	1/00
Length of offering (months)	12	12	12	12	12
Months to invest 90% of amount available for investment (Measured from beginning of offering)	-	2	2	2	2

**Table I**  
**Experience in Raising and Investing Funds**  
**(Unaudited Statements)**

	<u>UITFGPO</u>	<u>UITFX9</u>	<u>UITFX10</u>	<u>UITFX11</u>	<u>UITFX12</u>	<u>UITFX14</u>	<u>UITFX15</u>	<u>UITFX16</u>
Dollar amount offered	\$1,500,000	\$3,400,000	\$2,200,000	\$1,800,000	\$1,750,000	\$3,000,000	2,000,000	1,600,000
Dollar amount raised (100%)	\$1,466,000	\$1,476,392	\$1,299,700	\$1,800,000	\$1,646,404	\$1,092,601	1,384,492	1,500,518
Less offering expenses:								
Selling commissions and discounts retained by non-affiliates	5%	5%	5%	5%	5%	5%	5%	5%
Organizational expenses	2%	2%	2%	2%	2%	2%	2%	2%
Other(a)	4%	4%	4%	4%	4%	4%	3%	5%
Reserves	0%	0%	0%	0%	0%	0%	0%	0%
Percent available for investment	88%	88%	88%	88%	88%	88%	90%	88%
Acquisition costs:								
Prepaid items and fees related to purchase of property	0%	0%	0%	0%	0%	0%	0%	0%
Cash down payment	88%	88%	88%	88%	88%	88	90%	88%
Acquisition fees	0%	0%	0%	0%	0%	0%	0%	0%
Other (explain)	0%	0%	0%	0%	0%	0%	0%	0%
Total Acquisition costs	88%	88%	88%	88%	88%	88%	90%	88%
Percent leverage (Mortgage financing divided by total acquisition cost)	40%	56%	66%	52%	0%	0%	60%	60%
Date offering began	3/00	7/00	10/00	1/01	3/01	8/01	9/01	10/01
Length of offering (months)	12	12	12	12	12	12	12	12
Months to invest 90% of amount available for investment (Measured from beginning of offering)	2	2	2	3	-	-	-	-

**Table II**  
**Compensation to Sponsor**  
**(Unaudited statement)**

	<u>GFG Bond G9</u>	<u>GFG G1</u>	<u>GFG Bond G3/G5</u>
Date offering commenced	8/97	6/98	8/99
Dollar amount raised (100%)	\$ 2,602,710	\$ 742,000	\$ 910,200
Amount paid to sponsor from proceeds of offering:			

Offering Expenses	\$	156,163	\$	44,520	\$	69,714
Underwriting fees	\$	0	\$	0	\$	0
Acquisition fees:	\$	0	\$	0	\$	0
Real estate commissions	\$	0	\$	0	\$	0
Advisory fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Other	\$	0	\$	0	\$	0
Dollar amount of cash generated from operations Before deducting payments to sponsor	\$	140,750	\$	200,400	\$	245,820
Amount paid to sponsor from operations:						
Property management fee	\$	4,221	\$	1,965	\$	0
Partnership management fees:						
Reimbursements	\$	0	\$	0	\$	0
Leasing commissions	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Dollar amount of property sales and refinancing before deducting Payments to sponsor:						
Cash	\$	0	\$	0	\$	0
Notes	\$	0	\$	0	\$	0
Amount paid to sponsor from property sales and refinancing:						
Real estate commissions	\$	19,224	\$	0	\$	0
Incentive fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0

**Table II**  
**Compensation to Sponsor**  
**(Unaudited statement)**

	UIT Fixed Income I		UIT Fixed Income II		UIT Fixed Income III	
	1/97		10/97		3/99	
Date offering commenced						
Dollar amount raised (100%)	\$	1,650,000	\$	1,786,936	\$	4,218,159
Amount paid to sponsor from proceeds of offering:						
Offering Expenses	\$	132,000	\$	107,216	\$	244,690
Underwriting fees	\$	0	\$	0	\$	0
Acquisition fees	\$	0	\$	0	\$	0
Real estate commissions	\$	0	\$	0	\$	0
Advisory fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Other	\$	0	\$	0	\$	0
Dollar amount of cash generated from operations Before deducting payments to sponsor	\$	347,179	\$	470,269	\$	696,160
Amount paid to sponsor from operations:						
Property management fee	\$	0	\$	8,177	\$	25,641
Partnership management fees:						
Reimbursements	\$	0	\$	0	\$	0
Leasing commissions	\$	0	\$	0	\$	0



Other (identify and quantify)	\$	0	\$	0	\$	0
Dollar amount of property sales and refinancing before deducting Payments to sponsor:						
Cash	\$	0	\$	0	\$	0
Notes			\$	0	\$	0
Amount paid to sponsor from property sales and refinancing:						
Real estate commissions	\$	44,416	\$	0	\$	0
Incentive fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0

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**Table II**  
**Compensation to Sponsor**  
**(Unaudited statement)**

	UIT Fixed Income IV		UIT Fixed Income V		UIT Fixed Income CG I	
	7/99		9/99		10/99	
Date offering commenced						
Dollar amount raised (100%)	\$	1,571,769	\$	1,346,209	\$	1,432,573
Amount paid to sponsor from proceeds of offering:						
Offering Expenses	\$	119,369	\$	111,819	\$	115,656
Underwriting fees	\$	0	\$	0	\$	0
Acquisition fees	\$	0	\$	0	\$	0
Real estate commissions	\$	0	\$	0	\$	0
Advisory fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Other	\$	0	\$	0	\$	0
Dollar amount of cash generated from operations Before deducting payments to sponsor						
	\$	346,381	\$	464,207	\$	229,509
Amount paid to sponsor from operations:						
Property management fee	\$	27,386	\$	36,469	\$	7,835
Partnership management fees:						
Reimbursements	\$	0	\$	0	\$	0
Leasing commissions	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Dollar amount of property sales and refinancing before deducting Payments to sponsor:						
Cash	\$	0	\$	0	\$	0
Notes			\$	0	\$	0
Amount paid to sponsor from property sales and refinancing:						
Real estate commissions	\$	0	\$	0	\$	0
Incentive fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0

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**Table II**  
**Compensation to Sponsor**  
**(Unaudited statement)**

	UIT Fixed Income CGII		UIT Fixed Income VIII		UIT Fixed Income IX	
Date offering commenced		1/00		3/00		7/00
Dollar amount raised (100%)	\$	1,273,405	\$	1,466,000	\$	1,476,312
Amount paid to sponsor from proceeds of offering:						
Offering Expenses	\$	112,682	\$	123,300	\$	123,656
Underwriting fees	\$	0	\$	0	\$	0
Acquisition fees	\$	0	\$	0	\$	0
Real estate commissions	\$	0	\$	0	\$	0
Advisory fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Other	\$	0	\$	0	\$	0
Dollar amount of cash generated from operations Before deducting payments to sponsor	\$	135,833	\$	180,161	\$	81,709
Amount paid to sponsor from operations:						
Property management fee	\$	1,587	\$	4,894	\$	1,608
Partnership management fees:						
Reimbursements	\$	0	\$	0	\$	0
Leasing commissions	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Dollar amount of property sales and refinancing before deducting Payments to sponsor:						
Cash	\$	0	\$	0	\$	0
Notes	\$	0	\$	0	\$	0
Amount paid to sponsor from property sales and refinancing:						
Real estate commissions	\$	0	\$	0	\$	0
Incentive fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0

**Table II**  
**Compensation to Sponsor**  
**(Unaudited statement)**

	UIT Fixed Income X		UIT Fixed Income XI		UIT Fixed Income XII	
Date offering commenced		10/00		1/01		3/01
Dollar amount raised (100%)	\$	1,299,700	\$	1,800,000	\$	1,646,404
Amount paid to sponsor from proceeds of offering:						
Offering Expenses	\$	156,653	\$	131,810	\$	131,712
Underwriting fees	\$	0	\$	0	\$	0
Acquisition fees	\$	0	\$	0	\$	0
Real estate commissions	\$	0	\$	0	\$	0
Advisory fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0

Other	\$	0	\$	0	\$	0
Dollar amount of cash generated from operations Before deducting payments to sponsor	\$	56,863	\$	15,663	\$	1,557
Amount paid to sponsor from operations:						
Property management fee	\$	0	\$	0	\$	0
Partnership management fees:						
Reimbursements	\$	0	\$	0	\$	0
Leasing commissions	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Dollar amount of property sales and refinancing before deducting Payments to sponsor:						
Cash	\$	0	\$	0	\$	0
Notes	\$	0	\$	0	\$	0
Amount paid to sponsor from property sales and refinancing:						
Real estate commissions	\$	0	\$	0	\$	0
Incentive fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0

**Table II**  
**Compensation to Sponsor**  
**(Unaudited statement)**

	UIT Fixed Income XIV		UIT Fixed Income XV		UIT Fixed Income XVI	
	6/01		9/01		10/01	
Date offering commenced	6/01		9/01		10/01	
Dollar amount raised (100%)	\$	1,092,601	\$	1,384,492	\$	1,500,518
Amount paid to sponsor from proceeds of offering:						
Offering Expenses	\$	87,408	\$	71,200	\$	62,500
Underwriting fees	\$	0	\$	0	\$	0
Acquisition fees	\$	0	\$	0	\$	0
Real estate commissions	\$	0	\$	0	\$	0
Advisory fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Other	\$	0	\$	0	\$	0
Dollar amount of cash generated from operations Before deducting payments to sponsor						
	\$	0	\$	0	\$	0
Amount paid to sponsor from operations:						
Property management fee	\$	0	\$	0	\$	0
Partnership management fees:						
Reimbursements	\$	0	\$	0	\$	0
Leasing commissions	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0
Dollar amount of property sales and refinancing before deducting Payments to sponsor:						
Cash	\$	0	\$	0	\$	0
Notes	\$	0	\$	0	\$	0

Amount paid to sponsor from property sales and refinancing:

Real estate commissions	\$	0	\$	0	\$	0
Incentive fees	\$	0	\$	0	\$	0
Other (identify and quantify)	\$	0	\$	0	\$	0

**Table III**  
**GFG Bond G1**  
**Unaudited Statement**

	1998		1999		2000		2001	
Gross revenues	\$	25,000	\$	40,520	\$	134,880	\$	0
Profit on sale of properties	\$	0	\$	0	\$	0	\$	0
Less								
Operating expenses	\$	750	\$	1,215	\$	0	\$	0
Interest expense	\$	20,353	\$	116,158	\$	71,433	\$	59,122
Depreciation expense	\$	0	\$	0	\$	0	\$	0
Net income-GAAP basis	\$	4,646	\$	(75,637)	\$	63,447	\$	(59,122)
Taxable Income								
From operations	\$	0	\$	0	\$	0	\$	0
From gain on sale	\$	0	\$	0	\$	0	\$	0
Cash generated from operations	\$	0	\$	0	\$	0	\$	0
Cash generated from sales	\$	0	\$	0	\$	0	\$	0
Cash generated from refinancing	\$	0	\$	0	\$	0	\$	0
Cash generated from operations, sales and refinancing	\$	0	\$	0	\$	0	\$	0
Less: Cash distributions to investors								
From operating cash flow	\$	0	\$	0	\$	0	\$	0
From sales and refinancing	\$	0	\$	0	\$	0	\$	0
From other	\$	0	\$	0	\$	0	\$	59,122
Cash generated (deficiency) after cash distributions	\$	0	\$	0	\$	0	\$	0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$	0	\$	0	\$	0	\$	0
Cash generated (deficiency) after cash distributions and special items	\$	0	\$	0	\$	0	\$	0
Tax and distribution data per \$1000 invested	\$	0	\$	0	\$	0	\$	0
Federal income tax results:								
From operations	\$	0	\$	0	\$	0	\$	0
From recapture	\$	0	\$	0	\$	0	\$	0
Capital gain (loss)	\$	0	\$	0	\$	0	\$	0
Cash distributions to investors	\$	0	\$	0	\$	0	\$	0
Source (on GAAP basis)								
Investment income	\$	0	\$	0	\$	0	\$	0
Return of capital	\$	0	\$	0	\$	0	\$	0
Source (on cash basis)								
Sales								
Refinancing	\$	0	\$	0	\$	0	\$	0
Operations	\$	0	\$	0	\$	0	\$	0

Other	\$	0	\$	0	\$	0	\$	0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )		0%		0%		0%		0%

**Table III**  
**GFG Bond G3-G5**  
**Unaudited Statement**

	1999		2000		2001	
Gross revenues	\$	5,700	\$	63,447	\$	0
Profit on sale of properties	\$	0	\$	0	\$	0
Less						
Operating expenses	\$	0	\$	0	\$	0
Interest expense	\$	5,677	\$	91,901	\$	77,434
Depreciation expense	\$	0	\$	0	\$	0
Net income-GAAP basis	\$	22	\$	(28,454)	\$	(77,434)
Taxable Income						
From operations	\$	0	\$	0	\$	0
From gain on sale	\$	0	\$	0	\$	0
Cash generated from operations	\$	5,700	\$	63,447	\$	0
Cash generated from sales	\$	0	\$	0	\$	0
Cash generated from refinancing	\$	0	\$	0	\$	0
Cash generated from operations, sales and refinancing	\$	0	\$	0	\$	0
Less:						
Cash distributions to investors	\$	5,677	\$	0	\$	0
From operating cash flow	\$	0	\$	0	\$	0
From sales and refinancing	\$	0	\$	0	\$	0
From other	\$	0	\$	91,901	\$	77,434
Cash generated (deficiency) after cash distributions	\$	0	\$	0	\$	0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$	0	\$	0	\$	0
Cash generated (deficiency) after cash distributions and special items	\$	0	\$	0	\$	0
Tax and distribution data per \$1000 invested	\$	0	\$	0	\$	0
Federal income tax results:						
Ordinary income (loss)	\$	0	\$	0	\$	0
From operations	\$	0	\$	0	\$	0
From recapture	\$	0	\$	0	\$	0
Capital gain (loss)	\$	0	\$	0	\$	0
Cash distributions to investors	\$	0	\$	0	\$	0
Source (on GAAP basis)						
Investment income	\$	0	\$	0	\$	0
Return of capital	\$	0	\$	0	\$	0
Source (on cash basis)						
Sales						
Refinancing	\$	0	\$	0	\$	0
Operations	\$	0	\$	0	\$	0
Other	\$	0	\$	0	\$	0

Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table (*Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program*)

0%

0%

0%

**Table III**  
**GFG Bond G9**  
**Unaudited Statement**

	1997	1998	1999
Gross revenues	\$ 29,364	\$ 51,175	\$ 40,520
Profit on sale of properties	\$ 0	\$ 0	\$ 72,190
Less			
Operating expenses	\$ 880	\$ 2,126	\$ 1,215
Interest expense	\$ 51,177	\$ 231,292	\$ 91,135
Depreciation expense	\$ 0	\$ 0	\$ 0
Net income-GAAP basis	\$ (21,812)	\$ (180,116)	\$ (53,614)
Taxable Income			
From operations	\$ 0	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0	\$ 0
Cash generated from operations	\$ 29,364	\$ 51,175	\$ 40,520
Cash generated from sales	\$ 0	\$ 0	\$ 640,810
Cash generated from refinancing	\$ 0	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0	\$ 0
Less: Cash distributions to investors			
From operating cash flow	\$ 51,177	\$ 231,292	\$ 91,135
From sales and refinancing	\$ 0	\$ 0	\$ 640,810
From other	\$ 0	\$ 0	\$ 1,809,549
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0	\$ 0
Federal income tax results:			
Ordinary income (loss)	\$ 0	\$ 0	\$ 0
From operations	\$ 0	\$ 0	\$ 0
From recapture	\$ 0	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0	\$ 0
Source (on GAAP basis)			
Investment income	\$ 51,177	\$ 231,292	\$ 91,135
Return of capital	\$ 0	\$ 0	\$ 2,450,360
Source (on cash basis)			
Sales			
Refinancing	\$ 0	\$ 0	\$ 0
Operations	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of</i>	0%	0%	0%

**Table III**  
**GFG UIT-Fixed Income Corporate-Government Series I**  
**Unaudited Statement**

	1999	2000	2001
Gross revenues	\$ 50,570	\$ 121,311	\$ 120,670
Profit on sale of properties	\$ 0	\$ 0	\$ 0
Less			
Operating expenses	\$ 0	\$ 0	\$ 0
Interest expense	\$ 3,909	\$ 111,978	\$ 120,670
Depreciation expense	\$ 0	\$ 0	\$ 0
Net income-GAAP basis	\$ 46,666	\$ 9,333	\$ 0
Taxable Income			
From operations	\$ 0	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0	\$ 0
Cash generated from operations	\$ 50,570	\$ 121,311	\$ 120,670
Cash generated from sales	\$ 0	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0	\$ 0
Less: Cash distributions to investors			
From operating cash flow	\$ 3,909	\$ 111,978	\$ 120,670
From sales and refinancing	\$ 0	\$ 0	\$ 0
From other	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0	\$ 0
Federal income tax results:			
From operations	\$ 0	\$ 0	\$ 0
From recapture	\$ 0	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0	\$ 0
Source (on GAAP basis)			
Investment income	\$ 0	\$ 0	\$ 0
Return of capital	\$ 0	\$ 0	\$ 0
Source (on cash basis)			
Sales			
Refinancing	\$ 0	\$ 0	\$ 0
Operations	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table (Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program)	88%	88%	88%

**Table III**  
**GFG UIT-Federal Government/Post Office-Series I**  
**Unaudited Statement**

	2000	2001
Gross revenues	\$ 114,295	\$ 99,810
Profit on sale of properties	\$ 0	\$ 0
Less		
Operating expenses	\$ 0	\$ 0
Interest expense	\$ 82,429	\$ 137,218
Depreciation expense	\$ 0	\$ 0
Net income-GAAP basis	\$ 31,866	\$ (37,408)
Taxable Income		
From operations	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0
Cash generated from operations	\$ 114,295	\$ 99,810
Cash generated from sales	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0
Less: Cash distributions to investors		
From operating cash flow	\$ 82,429	\$ 137,218
From sales and refinancing	\$ 0	\$ 0
From other	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0
Federal income tax results:		
Ordinary income (loss)	\$ 0	\$ 0
From operations	\$ 0	\$ 0
From recapture	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0
Source (on GAAP basis)		
Investment income	\$ 0	\$ 0
Return of capital	\$ 0	\$ 0
Source (on cash basis)		
Sales		
Refinancing	\$ 0	\$ 0
Operations	\$ 0	\$ 0
Other	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	88%	88%



**Table III**  
**GFG UIT-Corporate Government Series II**  
**Unaudited Statement**

	2000	2001
Gross revenues	\$ 88,210	\$ 110,973
Profit on sale of properties	\$ 0	\$ 0
Less		
Operating expenses	\$ 0	\$ 0
Interest expense	\$ 85,997	\$ 110,973
Depreciation expense	\$ 0	\$ 0
Net income-GAAP basis	\$ 2,213	\$ 0
Taxable Income		
From operations	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0
Cash generated from operations	\$ 88,210	\$ 110,973
Cash generated from sales	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0
Less: Cash distributions to investors		
From operating cash flow	\$ 85,997	\$ 110,973
From sales and refinancing	\$ 0	\$ 0
From other	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0
Federal income tax results:		
Ordinary income (loss)	\$ 0	\$ 0
From operations	\$ 0	\$ 0
From recapture	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0
Source (on GAAP basis)		
Investment income	\$ 0	\$ 0
Return of capital	\$ 0	\$ 0
Source (on cash basis)		
Sales		
Refinancing	\$ 0	\$ 0
Operations	\$ 0	\$ 0
Other	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	88%	88%

**Table III**  
**GFG UIT-Fixed Income Series I**  
**Unaudited Statement**

	1998	1999	2000	2001
Gross revenues	\$ 159,240	\$ 102,000	\$ 51,420	\$ 50,226
Profit on sale of properties	\$ 0	\$ 124,883	\$ 0	\$ 0
Less				
Operating expenses	\$ 0	\$ 0	\$ 0	\$ 0
Interest expense	\$ 153,901	\$ 101,480	\$ 49,113	\$ 50,226
Depreciation expense	\$ 0	\$ 0	\$ 0	\$ 0
Net income-GAAP basis	\$ 5,338	\$ 519	\$ 2,307	\$ 0
Taxable Income				
From operations	\$ 0	\$ 0	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated from operations	\$ 159,240	\$ 102,000	\$ 51,420	\$ 50,226
Cash generated from sales	\$ 0	\$ 1,233,882	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0	\$ 0	\$ 0
Less: Cash distributions to investors				
From operating cash flow	\$ 153,901	\$ 101,480	\$ 49,113	\$ 50,226
From sales and refinancing	\$ 0	\$ 1,120,703	\$ 0	\$ 0
From other	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0	\$ 0	\$ 0
Federal income tax results:				
Ordinary income (loss)	\$ 0	\$ 0	\$ 0	\$ 0
From operations	\$ 0	\$ 0	\$ 0	\$ 0
From recapture	\$ 0	\$ 0	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0	\$ 0	\$ 0
Source (on GAAP basis)				
Investment income	\$ 153,901	\$ 101,480	\$ 49,113	\$ 50,226
Return of capital	\$ 0	\$ 1,120,703	\$ 0	\$ 0
Source (on cash basis)				
Sales				
Refinancing	\$ 0	\$ 0	\$ 0	\$ 0
Operations	\$ 0	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	93%	93%	93%	93%

**Table III**  
**GFG UIT-Fixed Income Series II**  
**Unaudited Statement**

	1998	1999	2000	2001
Gross revenues	\$ 64,049	\$ 191,533	\$ 159,245	\$ 95,641
Profit on sale of properties	\$ 0	\$ 124,883	\$ 0	\$ 0
Less				
Operating expenses	\$ 0	\$ 0	\$ 0	\$ 0
Interest expense	\$ 145,140	\$ 145,140	\$ 103,819	\$ 76,464
Depreciation expense	\$ 0	\$ 0	\$ 0	\$ 0
Net income-GAAP basis	\$ (20,609)	\$ 46,393	\$ 55,426	\$ 19,177
Taxable Income				
From operations	\$ 0	\$ 0	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated from operations	\$ 64,049	\$ 191,533	\$ 159,245	\$ 95,641
Cash generated from sales	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0	\$ 0	\$ 0
Less: Cash distributions to investors				
From operating cash flow	\$ 145,140	\$ 145,140	\$ 103,819	\$ 76,464
From sales and refinancing	\$ 0	\$ 0	\$ 0	\$ 0
From other	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0	\$ 0	\$ 0
Federal income tax results:				
From operations	\$ 0	\$ 0	\$ 0	\$ 0
From recapture	\$ 0	\$ 0	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0	\$ 0	\$ 0
Source (on GAAP basis)				
Investment income	\$ 0	\$ 0	\$ 0	\$ 0
Return of capital	\$ 0	\$ 0	\$ 0	\$ 0
Source (on cash basis)				
Sales				
Refinancing	\$ 0	\$ 0	\$ 0	\$ 0
Operations	\$ 0	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	90%	90%	90%	90%

**Table III**  
**GFG UIT-Fixed Income Series III**  
**Unaudited Statement**

1999

2000

2001

Gross revenues	\$ 143,183	\$ 386,404	\$ 345,152
Profit on sale of properties	\$ 0	\$ 0	\$ 0
Less			
Operating expenses	\$ 0	\$ 0	\$ 0
Interest expense	\$ 232,456	\$ 341,137	\$ 345,152
Depreciation expense	\$ 0	\$ 0	\$ 0
Net income-GAAP basis	\$ (89,273)	\$ 45,267	\$ 0
Taxable Income			
From operations	\$ 0	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0	\$ 0
Cash generated from operations	\$ 143,183	\$ 386,404	\$ 345,152
Cash generated from sales	\$ 0	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0	\$ 0
Less: Cash distributions to investors			
From operating cash flow	\$ 232,456	\$ 341,137	\$ 345,152
From sales and refinancing	\$ 0	\$ 0	\$ 0
From other	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0	\$ 0
Federal income tax results:			
Ordinary income (loss)	\$ 0	\$ 0	\$ 0
From operations	\$ 0	\$ 0	\$ 0
From recapture	\$ 0	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0	\$ 0
Source (on GAAP basis)			
Investment income	\$ 0	\$ 0	\$ 0
Return of capital	\$ 0	\$ 0	\$ 0
Source (on cash basis)			
Sales			
Refinancing	\$ 0	\$ 0	\$ 0
Operations	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	71%	71%	71%

**Table III**  
**GFG UIT-Fixed Income Series IV**  
**Unaudited Statement**

	1999	2000	2001
Gross revenues	\$ 99,656	\$ 178,109	\$ 138,326
Profit on sale of properties	\$ 0	\$ 0	\$ 0
Less			

Operating expenses	\$ 0	\$ 0	\$ 0
Interest expense	\$ 41,432	\$ 144,286	\$ 138,326
Depreciation expense	\$ 0	\$ 0	\$ 0
Net income-GAAP basis	\$ 58,224	\$ 33,823	\$ 0
Taxable Income			
From operations	\$ 0	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0	\$ 0
Cash generated from operations	\$ 99,656	\$ 178,109	\$ 138,326
Cash generated from sales	\$ 0	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0	\$ 0
Less: Cash distributions to investors			
From operating cash flow	\$ 41,432	\$ 144,286	\$ 138,326
From sales and refinancing	\$ 0	\$ 0	\$ 0
From other	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0	\$ 0
Federal income tax results:			
Ordinary income (loss)	\$ 0	\$ 0	\$ 0
From operations	\$ 0	\$ 0	\$ 0
From recapture	\$ 0	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0	\$ 0
Source (on GAAP basis)			
Investment income	\$ 0	\$ 0	\$ 0
Return of capital	\$ 0	\$ 0	\$ 0
Source (on cash basis)			
Sales			
Refinancing	\$ 0	\$ 0	\$ 0
Operations	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	88%	88%	88%

### Table III

#### GFG UIT-Fixed Income Series V

#### Unaudited Statement

	1999	2000	2001
Gross revenues	\$ 61,052	\$ 348,662	\$ 112,071
Profit on sale of properties	\$ 0	\$ 0	\$ 0
Less			
Operating expenses	\$ 0	\$ 0	\$ 0

Interest expense	\$ 17,622	\$ 113,585	\$ 112,071
Depreciation expense	\$ 0	\$ 0	\$ 0
Net income-GAAP basis	\$ 43,430	\$ 235,077	\$ 0
Taxable Income			
From operations	\$ 0	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0	\$ 0
Cash generated from operations	\$ 61,052	\$ 348,662	\$ 112,071
Cash generated from sales	\$ 0	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0	\$ 0
Less: Cash distributions to investors			
From operating cash flow	\$ 17,622	\$ 113,585	\$ 112,071
From sales and refinancing	\$ 0	\$ 0	\$ 0
From other	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)			
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0	\$ 0
Federal income tax results:			
Ordinary income (loss)	\$ 0	\$ 0	\$ 0
From operations	\$ 0	\$ 0	\$ 0
From recapture	\$ 0	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0	\$ 0
Source (on GAAP basis)			
Investment income	\$ 0	\$ 0	\$ 0
Return of capital	\$ 0	\$ 0	\$ 0
Source (on cash basis)			
Sales			
Refinancing	\$ 0	\$ 0	\$ 0
Operations	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	91%	91%	91%

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**Table III**
**GFG UIT-Fixed Income Series X****Unaudited Statement**

	2000	2001
Gross revenues	\$ 0	\$ 110,965
Profit on sale of properties	\$ 0	\$ 0
Less		

Operating expenses	\$ 0	\$ 0
Interest expense	\$ 5,509	\$ 110,965,900
Depreciation expense	\$ 0	\$ 0
Net income-GAAP basis	\$ (5,509)	\$ 0
Taxable Income		
From operations	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0
Cash generated from operations	\$ 0	\$ 110,965
Cash generated from sales	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0
Less: Cash distributions to investors		
From operating cash flow	\$ 5,509	\$ 110,965
From sales and refinancing	\$ 0	\$ 0
From other	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0
Federal income tax results:		
From operations	\$ 0	\$ 0
From recapture	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0
Source (on GAAP basis)		
Investment income	\$ 0	\$ 0
Return of capital	\$ 0	\$ 0
Source (on cash basis)		
Sales		
Refinancing	\$ 0	\$ 0
Operations	\$ 0	\$ 0
Other	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	88%	88%

**Table III****GFG UIT-Fixed Income Series XI****Unaudited Statement**

	2000	2001
Gross revenues	\$ 0	\$ 116,667
Profit on sale of properties	\$ 0	\$ 0
Less		
Operating expenses	\$ 0	\$ 0
Interest expense	\$ 0	\$ 116,667

Depreciation expense	\$	0	\$	0
Net income-GAAP basis	\$	0	\$	(0)
Taxable Income				
From operations	\$	0	\$	0
From gain on sale	\$	0	\$	0
Cash generated from operations	\$	0	\$	116,667
Cash generated from sales	\$	0	\$	0
Cash generated from refinancing	\$	0	\$	0
Cash generated from operations, sales and refinancing	\$	0	\$	0
Less: Cash distributions to investors				
From operating cash flow	\$	0	\$	116,667
From sales and refinancing	\$	0	\$	0
From other	\$	0	\$	0
Cash generated (deficiency) after cash distributions	\$	0	\$	0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$	0	\$	0
Cash generated (deficiency) after cash distributions and special items	\$	0	\$	0
Tax and distribution data per \$1000 invested	\$	0	\$	0
Federal income tax results:				
Ordinary income (loss)	\$	0	\$	0
From operations	\$	0	\$	0
From recapture	\$	0	\$	0
Capital gain (loss)	\$	0	\$	0
Cash distributions to investors	\$	0	\$	0
Source (on GAAP basis)				
Investment income	\$	0	\$	0
Return of capital	\$	0	\$	0
Source (on cash basis)				
Sales				
Refinancing	\$	0	\$	0
Operations	\$	0	\$	0
Other	\$	0	\$	0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )		0%		88%

**Table III****GFG UIT-Fixed Income Series XII****Unaudited Statement**

	2000	2001
Gross revenues	\$ 0	\$ 82,236
Profit on sale of properties	\$ 0	\$ 0
Less		
Operating expenses	\$ 0	\$ 0
Interest expense	\$ 0	\$ 82,236
Depreciation expense	\$ 0	\$ 0



Net income-GAAP basis	\$	0	\$	0
Taxable Income				
From operations	\$	0	\$	0
From gain on sale	\$	0	\$	0
Cash generated from operations	\$	0	\$	82,236
Cash generated from sales	\$	0	\$	0
Cash generated from refinancing	\$	0	\$	0
Cash generated from operations, sales and refinancing	\$	0	\$	0
Less: Cash distributions to investors				
From operating cash flow	\$	0	\$	82,236
From sales and refinancing	\$	0	\$	0
From other	\$	0	\$	0
Cash generated (deficiency) after cash distributions	\$	0	\$	0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$	0	\$	0
Cash generated (deficiency) after cash distributions and special items	\$	0	\$	0
Tax and distribution data per \$1000 invested	\$	0	\$	0
Federal income tax results:				
Ordinary income (loss)	\$	0	\$	0
From operations	\$	0	\$	0
From recapture	\$	0	\$	0
Capital gain (loss)	\$	0	\$	0
Cash distributions to investors	\$	0	\$	0
Source (on GAAP basis)				
Investment income	\$	0	\$	0
Return of capital	\$	0	\$	0
Source (on cash basis)				
Sales				
Refinancing	\$	0	\$	0
Operations	\$	0	\$	0
Other	\$	0	\$	0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )			0%	88%

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**Table III**
**GFG UIT-Fixed Income Series XIV****Unaudited Statement**

	<u>2000</u>	<u>2001</u>
Gross revenues	\$ 0	\$ 47,880
Profit on sale of properties	\$ 0	\$ 0
Less		
Operating expenses	\$ 0	\$ 0
Interest expense	\$ 0	\$ 47,880
Depreciation expense	\$ 0	\$ 0
Net income-GAAP basis	\$ 0	\$ 0

Taxable Income		
From operations	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0
Cash generated from operations	\$ 0	\$ 47,880
Cash generated from sales	\$ 0	\$ 0
Cash generated from refinancing	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0
Less: Cash distributions to investors		
From operating cash flow	\$ 0	\$ 47,880
From sales and refinancing	\$ 0	\$ 0
From other	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0
Federal income tax results:		
Ordinary income (loss)	\$ 0	\$ 0
From operations	\$ 0	\$ 0
From recapture	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0
Source (on GAAP basis)		
Investment income	\$ 0	\$ 0
Return of capital	\$ 0	\$ 0
Source (on cash basis)		
Sales		
Refinancing	\$ 0	\$ 0
Operations	\$ 0	\$ 0
Other	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	0%	0%

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**Table III**
**GFG UIT-Growth and Income Series I**
**Unaudited Statement**

	1998	1999	2000	2001
Gross revenues	\$ 8,470	\$ 8,470	\$ 8,470	\$ 0
Profit on sale of properties	\$ 0	\$ 0	\$ 0	\$ 0
Less				
Operating expenses	\$ 0	\$ 0	\$ 0	\$ 0
Interest expense	\$ 8,470	\$ 8,470	\$ 8,470	\$ 0
Depreciation expense	\$ 0	\$ 0	\$ 0	\$ 0
Net income-GAAP basis	\$ 0	\$ 0	\$ 0	\$ 0
Taxable Income				

From operations	\$ 0	\$ 0	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated from operations	\$ 8,470	\$ 8,470	\$ 8,470	\$ 0
Cash generated from sales	\$ 0	\$ 0	\$ 150,000	\$ 0
Cash generated from refinancing	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated from operations, sales and refinancing	\$ 0	\$ 0	\$ 0	\$ 0
Less: Cash distributions to investors				
From operating cash flow	\$ 8,470	\$ 8,470	\$ 8,470	\$ 0
From sales and refinancing	\$ 0	\$ 0	\$ 150,000	\$ 0
From other	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions	\$ 0	\$ 0	\$ 0	\$ 0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$ 0	\$ 0	\$ 0	\$ 0
Cash generated (deficiency) after cash distributions and special items	\$ 0	\$ 0	\$ 0	\$ 0
Tax and distribution data per \$1000 invested	\$ 0	\$ 0	\$ 0	\$ 0
Federal income tax results:				
Ordinary income (loss)	\$ 0	\$ 0	\$ 0	\$ 0
From operations	\$ 0	\$ 0	\$ 0	\$ 0
From recapture	\$ 0	\$ 0	\$ 0	\$ 0
Capital gain (loss)	\$ 0	\$ 0	\$ 0	\$ 0
Cash distributions to investors	\$ 0	\$ 0	\$ 0	\$ 0
Source (on GAAP basis)				
Investment income	\$ 8,470	\$ 8,470	\$ 8,470	\$ 0
Return of capital	\$ 0	\$ 0	\$ 150,000	\$ 0
Source (on cash basis)				
Sales				
Refinancing	\$ 0	\$ 0	\$ 0	\$ 0
Operations	\$ 0	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0	\$ 0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )	93%	93%	93%	0%

### Table III

#### GFG UIT-Fixed Income Series IX

#### Unaudited Statement

	2000	2001
Gross revenues	\$ 23,294	\$ 127,367
Profit on sale of properties	\$ 0	\$ 0
Less		
Operating expenses	\$ 0	\$ 0
Interest expense	\$ 31,426	\$ 127,367
Depreciation expense	\$ 0	\$ 0
Net income-GAAP basis	(\$ 8,132)	\$ 0
Taxable Income		
From operations	\$ 0	\$ 0

From gain on sale	\$	0	\$	0
Cash generated from operations	\$	23,294	\$	127,367
Cash generated from sales	\$	0	\$	0
Cash generated from refinancing	\$	0	\$	0
Cash generated from operations, sales and refinancing	\$	0	\$	0
Less: Cash distributions to investors				
From operating cash flow	\$	31,426	\$	127,367
From sales and refinancing	\$	0	\$	0
From other	\$	0	\$	0
Cash generated (deficiency) after cash distributions	\$	0	\$	0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$	0	\$	0
Cash generated (deficiency) after cash distributions and special items	\$	0	\$	0
Tax and distribution data per \$1000 invested	\$	0	\$	0
Federal income tax results:				
Ordinary income (loss)	\$	0	\$	0
From operations	\$	0	\$	0
From recapture	\$	0	\$	0
Capital gain (loss)	\$	0	\$	0
Cash distributions to investors	\$	0	\$	0
Source (on GAAP basis)				
Investment income	\$	0	\$	0
Return of capital	\$	0	\$	0
Source (on cash basis)				
Sales				
Refinancing	\$	0	\$	0
Operations	\$	0	\$	0
Other	\$	0	\$	0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )		88%		88%

**Table III****GFG UIT-Fixed Income Series XV****Unaudited Statement**

	2000	2001
Gross revenues	\$ 0	\$ 30,355
Profit on sale of properties	\$ 0	\$ 0
Less		
Operating expenses	\$ 0	\$ 0
Interest expense	\$ 0	\$ 30,355
Depreciation expense	\$ 0	\$ 0
Net income-GAAP basis	\$ 0	\$ 0
Taxable Income		
From operations	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0

Cash generated from operations	\$	0	\$	30,355
Cash generated from sales	\$	0	\$	0
Cash generated from refinancing	\$	0	\$	0
Cash generated from operations, sales and refinancing	\$	0	\$	0
Less: Cash distributions to investors				
From operating cash flow	\$	0	\$	30,355
From sales and refinancing	\$	0	\$	0
From other	\$	0	\$	0
Cash generated (deficiency) after cash distributions	\$	0	\$	0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$	0	\$	0
Cash generated (deficiency) after cash distributions and special items	\$	0	\$	0
Tax and distribution data per \$1000 invested	\$	0	\$	0
Federal income tax results:				
Ordinary income (loss)	\$	0	\$	0
From operations	\$	0	\$	0
From recapture	\$	0	\$	0
Capital gain (loss)	\$	0	\$	0
Cash distributions to investors	\$	0	\$	0
Source (on GAAP basis)				
Investment income	\$	0	\$	0
Return of capital	\$	0	\$	0
Source (on cash basis)				
Sales				
Refinancing	\$	0	\$	0
Operations	\$	0	\$	0
Other	\$	0	\$	0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )			0%	90%

**Table III****GFG UIT-Fixed Income Series XVI****Unaudited Statement**

	<u>2000</u>	<u>2001</u>
Gross revenues	\$ 0	\$ 0
Profit on sale of properties	\$ 0	\$ 0
Less		
Operating expenses	\$ 0	\$ 0
Interest expense	\$ 0	\$ 0
Depreciation expense	\$ 0	\$ 0
Net income-GAAP basis	\$ 0	\$ 0
Taxable Income		
From operations	\$ 0	\$ 0
From gain on sale	\$ 0	\$ 0
Cash generated from operations	\$ 0	\$ 0

Cash generated from sales	\$	0	\$	0
Cash generated from refinancing	\$	0	\$	0
Cash generated from operations, sales and refinancing	\$	0	\$	0
Less: Cash distributions to investors				
From operating cash flow	\$	0	\$	0
From sales and refinancing	\$	0	\$	0
From other	\$	0	\$	0
Cash generated (deficiency) after cash distributions	\$	0	\$	0
Less: Special items (not including sales and refinancing) (identify and qualify)	\$	0	\$	0
Cash generated (deficiency) after cash distributions and special items	\$	0	\$	0
Tax and distribution data per \$1000 invested	\$	0	\$	0
Federal income tax results:				
Ordinary income (loss)	\$	0	\$	0
From operations	\$	0	\$	0
From recapture	\$	0	\$	0
Capital gain (loss)	\$	0	\$	0
Cash distributions to investors	\$	0	\$	0
Source (on GAAP basis)				
Investment income	\$	0	\$	0
Return of capital	\$	0	\$	0
Source (on cash basis)				
Sales				
Refinancing	\$	0	\$	0
Operations	\$	0	\$	0
Other	\$	0	\$	0
Amount (in percentage terms) remaining invested in program properties at the end of the last year reported in the table ( <i>Original total acquisition costs of properties retained divided by total acquisition costs of all properties in program</i> )		0%		0%

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**EXHIBIT C**

**GEN-NET LEASE INCOME TRUST, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2000 AND 2001**

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**GEN-NET LEASE INCOME TRUST, INC.**

**YEARS ENDED DECEMBER 31, 2000 AND 2001**

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### Independent Auditor's Report

Shareholder  
Gen-Net Lease Income Trust, Inc.  
Grosse Ile, Michigan

We have audited the accompanying balance sheet of Gen-Net Lease Income Trust, Inc. as of December 31, 2000 and 2001, and the related statement of income, changes shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of Gen-Net Income Trust, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Gen-Net Lease Income Trust, Inc. as of December 31, 2000 and 2001 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Zwick & Steinberger, P.L.L.C.

Southfield, Michigan  
January 10, 2002

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### GEN-NET LEASE INCOME TRUST, INC.

#### BALANCE SHEETS

(See Accountants' Audit Report)

	December 31,	
	2000	2001
<b>ASSETS</b>		
Cash and cash equivalents	\$	\$ 956
Investments:		
Public offering expenses (note 2)	-	180,145
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 181,101</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Liabilities:		
Accrued public offering expenses	\$ -	\$ 4,649
Notes payable, related party (Note 3)	-	\$ 75,112
<b>Total liabilities</b>	<b>-</b>	<b>\$ 79,761</b>
Shareholder's equity		
Common stock, (\$10 par; 10,000,000 authorized, 10,000 issued and outstanding)	-	100,000
Retained earnings	-	1,340
<b>Total shareholder's equity</b>	<b>-</b>	<b>101,340</b>
	<b>\$ -</b>	<b>\$ 181,101</b>

The accompanying notes are an integral part of the financial statements.

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**GEN-NET LEASE INCOME TRUST, INC.**

**STATEMENTS OF INCOME**

**(See Accountant's Audit Report)**

	Year ended December 31,		
	1999	2000	2001
Dividend income	\$ -	\$ -	\$ 1,340
Net income	\$ -	\$ -	\$ 1,340
Net income per share	\$ -	\$ -	\$ .13

The accompanying notes are an integral part of the financial statements.

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**GEN-NET LEASE INCOME TRUST, INC.**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**(See Accountants' Audit Report)**



	Common stock		Retained Earnings	Total
	Shares	Amount		
Balance, January 1, 1999	-	\$ -	\$ -	\$ -
Net income	-	-	-	-
Balance, December 31, 2000	-	-	-	-
Net income	-	-	1,340	1,340
Stock issued for cash	10,000	100,000	-	100,000
Balances, August 31, 2001	10,000	\$ 100,000	\$ 1,340	\$ 101,340

The accompanying notes are an integral part of the financial statements.

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## GET-NET LEASE INCOME TRUST, INC.

### STATEMENTS OF CASH FLOWS

(See Accountants' Audit Report)

	Year ended December 31,		
	1999	2000	2001
Cash flows from operating activities:			
Net income	-	-	\$ 1,340
Adjustments to reconcile net income to net cash used in operating activities:			
Changes in assets and liabilities:			
Increase in accrued expenses	-	-	4,649
Increase in public offering expense	-	-	(180,145)
Total adjustments	-	-	(175,496)
Net cash used in operating activities	-	-	(174,156)
Cash flows provided by financing activities:			
Proceeds from related party borrowings	-	-	75,112
Proceeds from sale of common stock	-	-	100,000
Net cash provided by financing activities	-	-	175,112
Net increase in cash	-	-	956
Cash, beginning	-	-	0
Cash, ending	\$ -	\$ -	\$ 956

The accompanying notes are an integral part of the financial statements.

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**GEN-NET LEASE INCOME TRUST, INC.**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1999, 2000 AND 2001  
(See Independent Accountants' Audit Report)**

**1. Nature of Business and Operations:**

The Company was incorporated as Genesis Net Lease Realty, Inc. (a Michigan corporation) on September 28, 1998. The Company changed its name on August 30, 2001 to Gen-Net Lease Income Trust, Inc. The Company intends to operate as a Real Estate Investment Trust which will invest in single purpose properties to be leased in a net lease to material businesses or governmental agencies, supported by long-term real estate leases. Net leases generally impose on the lessee responsibility for all or a substantial portion of operating costs and expenses of the property including repairs and maintenance, taxes, assessments, utilities, and insurance. The Company's leases generally provide for a minimum rent plus specified fixed periodic rent increases. The Company will commence operations after receiving approval from the proper regulatory authorities.

The Company had no operations during 1998, 1999 and 2000, and no assets or liabilities during that period of time.

**2. Public offering expense:**

Public offering expenses will be treated as a reduction of proceeds upon successful completion of the offering. In the event the offering is not completed, these expenses will be written off.

**3. Loan payable:**

The loan payable related party, are for amounts due to the shareholder for public offering expenses advanced on behalf of the Company.

**4. Income taxes:**

The Company intends to become a Real Estate Investment Trust as defined under Internal Revenue Code Section 856 through 860. The trust and its' unit holders will be subject to taxation under Internal Revenue Code Section 857, whereby, the taxable income of the trust will be taxable to the shareholders of the trust if at least 90% of its real estate investment trust taxable income is distributed to shareholders and meets certain other requirements. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**5. Subsequent events:**

The Company filed an initial public offering during 2001 and such registration is currently in progress.

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**PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 31. Other Expenses of Issuance and Distribution**

SEC Registration Fee	\$	6,250
NASD Filing Fee	\$	3,000
Blue Sky Qualification Fees and Expenses	\$	20,000

Fees of Transfer Agent	\$ 0
Printing and Engraving	\$ 85,000
Accounting Fees and Expenses	\$ 25,000
Legal Fees and Expenses	\$ 60,000
Total <sup>(1)</sup>	\$ 199,250

(1) The amounts set forth above, except for SEC and NASD fees, are in each case estimated. All expenses itemized above will be paid by Registrant.

**Item 32. Sales to Special Parties.**

None.

**Item 33. Recent Sales of Unregistered Securities.**

None.

**Item 34. Indemnification of Directors and Officers.**

Section 5.12 of the Bylaws of the Company provides for indemnification of the officers, directors, or their affiliates by the Company against any claim or loss imposed on them relative to the Company and provided the course of conduct causing the loss was determined, in good faith, to be in the best interests of the Company and that the Directors, or their affiliates were not guilty of misconduct or negligence. Section 5.12 also provides that no Director or affiliate shall be indemnified for any liability imposed by judgment arising out of a violation of state or federal securities laws. The Section conforms with Michigan law.

Section 4.1 of the Selected Dealer Agreement provides that the Company shall indemnify the Selected Dealer, its officers and Directors and each person, if any, who controls such Selected Dealer for liabilities arising out of (1) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereto or in the prospectus or any amendment or supplement to the prospectus or in any "blue sky" application ("Blue Sky Application") or other document executed by the Company on its behalf specifically for the purpose of qualifying any or all of the securities for sale under the securities laws, or (ii) the omission or alleged omission to state in the Registration Statement, the prospectus or any supplement therein or any post-effective amendment therein, or in any Blue Sky Application, a material, fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 4.2 of the Selected Dealer Agreement provides that each Selected Dealer agrees to indemnify the Company, its officers and directors, each person or firm which has signed the Registration Statement and each person, if any, who controls the Company for liabilities arising out of (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereto, the Prospectus or any amendment or supplement

thereto, or any Blue Sky Application, or (ii) the omission or alleged omission to state in the Registration Statement or any post-effective amendment thereto, the Prospectus or any amendment or supplement thereto, or in any Blue Sky Application, any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; in each case, to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Selected Dealer specifically for use

with reference to the Selected Dealer and the preparation of the Registration Statement or any such preliminary prospectus with the Prospectus or any such amendment or supplement thereto, or (iii) any unauthorized use of sales materials or use of unauthorized verbal representations concerning the securities by the Selected Dealer.

**Item 35. Treatment of Proceeds from Stock Being Registered.**

Not applicable.

**Item 36. Financial Statements and Exhibits.**

**(a) Financial Statements**

- (1)** Gen-Net Lease Income Trust, Inc. Financial Statements and Independent Auditors' Report, for years ended December 31, 2000 and 2001 (filed with Prospectus)

**(b) Exhibits**

	<u>Title</u>	<u>Method of Filing</u>
1	Form of Selected Dealer Agreement	Filed herewith
3	Restated Articles of Incorporation	Filed herewith
3.1	Form of Bylaws	Filed herewith; executed copy to be filed by pre-effective amendment
4	Specimen of Stock Certificate	To be filed by pre-effective amendment
5	Opinion of David A. Sims, P.C. as to legality of securities being registered, including consent	Filed herewith
8	Form of Opinion of Lieben, Whitted, Houghton, Slowiaczek & Cavanagh, P.C., L.L.O. as to tax matters, including consent	Filed herewith; executed copy to be filed by pre-effective amendment
10.1	Form of Escrow Agreement	Filed herewith; executed copy to be filed by pre-effective amendment
10.2	Form of Omnibus Services Agreement with Genesis Financial Group, Inc.	Filed herewith; executed copy to be filed by pre-effective amendment
23	Consent of Zwick & Steinberger, P.L.L.C., Independent Certified Public Accountants	Filed herewith;
23.1	Consent of Lieben, Whitted, Houghton, Slowiaczek & Cavanagh, P.C., L.L.O.	Included in Exhibit 8

24	Power of Attorney with respect to signing future amendments to this Registration Statement	Filed as part of signature page of initial Registration Statement
99	Prior Performance Table VI	Filed herewith

**Item 37. Undertakings.**

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933.

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment of any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a sticker supplement pursuant to Rule 424(c) under the Act during the distribution period describing each property not identified in the prospectus at such time as there arises a reasonable probability that such property will be acquired and to consolidate all such stickers into a post-effective amendment filed at least once every three months, with the information contained in such amendment provided simultaneously to the existing Limited Partners. Each sticker supplement should disclose all compensation and fees received by the General Partner(s) and its affiliates in connection with any such acquisition. The post-effective amendment shall include audited financial statements meeting the requirements of Rule 3-14 of Regulation S-X only for properties acquired during the distribution period.

The registrant also undertakes to file, after the end of the distribution period, a current report on Form 8-K containing the financial statements and any additional information required by Rule 3-14 of Regulation S-X, to reflect each commitment (*i.e.*, the signing of a binding purchase agreement) made after the end of the distribution period involving the use of 10 percent or more (on a cumulative basis) of the net proceeds of the offering, and to provide the information contained in such report to the Limited Partners at least once each quarter after the distribution period of the offering has ended.

(5) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Grosse Ile, State of Michigan, on the 13th day of February, 2002.

GEN-NET LEASE INCOME TRUST, INC.

By: /s/ JERRY D. BRINGARD  
 Jerry D. Bringard,  
*Chair of the Board, President and Director*

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ JERRY D. BRINGARD</u> Jerry D. Bringard	Chair of the Board of Directors, President, Secretary and Director (Principal Executive Officer)	February 13, 2002
<u>Bruce Baum*</u> Bruce Baum	Treasurer (Principal Financial Officer) (Principal Accounting Officer)	February 13, 2002
<u>Thomas D. Peschio*</u> Thomas D. Peschio	Independent Director	February 13, 2002
<u>Richard H. Schwachter*</u> Richard H. Schwachter	Independent Director	February 13, 2002

\*By: /s/ JERRY D. BRINGARD  
 Jerry D. Bringard,  
*Attorney-in-Fact*

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Title</b>
1	Form of Selected Dealer Agreement
3	Restated Articles of Incorporation
3.1	Form of Bylaws
5	Opinion of David A. Sims, P.C.
8	Form of Opinion of Lieben, Whitted, Houghton, Slowiaczek & Cavanagh, P.C., L.L.O.
10.1	Form of Escrow Agreement
10.2	Form of Omnibus Services Agreement
23	Consent of Zwick & Steinberger, P.L.L.C., Independent Certified Public Accountants
99	Prior Performance Table VI

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[REGISTRATION REQUIREMENTS FOR GEN-NET LEASE INCOME TRUST, INC.](#)

[GEN-NET LEASE INCOME TRUST, INC. 24081 West River Road, First Floor Grosse Ile, MI 48178 ORDER FORM GEN-NET LEASE INCOME TRUST, INC. Make Checks Payable To: "GEN-NET LEASE INCOME TRUST, INC." IMPORTANT: Please fill out application completely. Type or use ballpoint pen. Press hard.](#)

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## GEN-NET LEASE INCOME TRUST, INC.

SELECTED DEALER AGREEMENT  
, 2002

Dear Sirs:

Gen-Net Lease Income Trust, Inc., a Michigan corporation (the "Company") proposes to issue and sell up to \$2,500,000 of shares of common stock (the "Shares") in a public offering registered with the Securities and Exchange Commission ("SEC"). Such Shares are to be sold for cash for \$10.00 each and the minimum purchase by any one person shall be one (1) Share. In connection therewith, the Company hereby agrees with you (the "Selected Dealer") as follows:

1. *Representations and Warranties of the Company.*

The Company represents and warrants to the Selected Dealer that:

1.1 A Registration Statement (File No. 333-72404) with respect to the Company has been prepared by the Company in accordance with applicable requirements of the Securities Act of 1933 as amended (the "Securities Act"), and the applicable rules and regulations of the SEC thereunder (the "Rules and Regulations") covering the Shares. Said Registration Statement includes a final prospectus filed with the SEC on \_\_\_\_\_, 2002 and was declared effective by the SEC on \_\_\_\_\_, 2002. Copies of such Registration Statement and each amendment thereto, and copies of the final prospectus included in such Registration Statement and any supplement, have been or will be delivered to the Selected Dealer. (The registration statement and the prospectus included therein at such date as finally amended and revised at the effective date of the registration statement are hereinafter referred to, respectively, as the "Registration Statement" and the "Prospectus", except that if the prospectus first filed by the Company pursuant to Rule 424(b) under the Securities Act shall differ from the Prospectus, the term "Prospectus" shall also include the prospectus filed pursuant to Rule 424(b)).

1.2 The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Michigan with corporate power and authority to own its properties and conduct its business as described in the Prospectus. The authorized and outstanding capital stock and the financial position of the Company is as set forth in the Prospectus as of the dates stated therein, and there has been no material adverse change therein since such dates.

1.3 The Company intends to use the funds received from the sale of the Shares as set forth in the Prospectus.

1.4 The Registration Statement and Prospectus comply or will comply with the Securities Act and the Rules and Regulations and do not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; provided, however, that the foregoing provisions of this Section 1.4 do not extend to such statements contained in or omitted from the Registration Statement or Prospectus as are primarily within the knowledge of the Selected Dealer and are based upon information furnished by the Selected Dealer in writing to the Company specifically for inclusion therein.

1.5 No consent, approval, authorization or other order of any governmental authority is required in connection with the execution or delivery by the Company of this Agreement or the issuance and sale by the Company of the Shares, except such as may be required under the Securities Act or state securities laws.

1.6 There are no actions, suits or proceedings pending, or to the knowledge of the Company, threatened against the Company or any of its property, at law or in equity or before or by any federal

or state commission, regulatory body or administrative agency or other governmental body, domestic or foreign, which will have a material adverse effect on the business or property of the Company.

1.7 The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and compliance with the terms of this Agreement by the Company will not conflict with, or constitute a default under, any charter, bylaw, indenture, mortgage, deed of trust, lease or rule or regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company, or any of its property, except to the extent that the enforceability of the indemnity or contribution provisions contained in Section 4 of this Agreement may be limited under applicable securities laws.

1.8 The Company has full legal right, power and authority to enter into this Agreement and to perform the transactions contemplated hereby, except to the extent that the enforceability of the indemnity or contribution provisions contained in Section 4 of this Agreement may be limited under applicable securities laws.

1.9 At the time of the issuance of the Shares, the Shares will have been duly authorized and validly issued, and upon payment therefor, will be fully paid and nonassessable, and will conform to the description thereof contained in the Prospectus.

1.10 The financial statements contained in the Registration Statement and the Prospectus fairly present the financial condition of the Company and the results of its operations as of the dates and for the periods therein specified; such financial statements have been prepared in accordance with generally accepted principles of accounting consistently maintained throughout the period involved; and Zwick & Steinberger, P.L.L.C. has rendered an opinion on certain of such financial statements and are independent public accountants within the meaning of the Securities Act and the Rules and Regulations.

## 2. *Covenants of the Company.*

The Company covenants and agrees with the Selected Dealer that:

2.1 It will, at no expense to the Selected Dealer, furnish to the Selected Dealer such number of printed copies (in English) of the Registration Statement, including all amendments and exhibits thereto, as the Selected Dealer may reasonably request. It will similarly furnish to the Selected Dealer, as many copies as it may reasonably request of (i) the Prospectus (in English) in final form and of every form of supplemental or amended prospectus, (ii) this Agreement, and (iii) any other printed sales literature or other materials (provided that the use of said sales literature and other materials has been first approved for use by the Company and all appropriate regulatory agencies) which the Selected Dealer may reasonably request in connection with the offering of the Shares.

2.2 It will furnish such proper information and execute and file such documents as may be necessary to qualify the Shares for offer and sale under the "blue sky" laws of such jurisdictions as the Selected Dealer may reasonably designate and will file and make in each year such statements and reports as may be required under such laws. It will furnish to the Selected Dealer, upon request, a copy of all documents filed by the Company in connection with any such qualification.

2.3 It will: (i) use its best efforts to cause the Registration Statement to become effective; (ii) furnish copies of any proposed amendment or supplement of the Registration Statement or Prospectus to the Selected Dealer; (iii) file every amendment or supplement of the Registration Statement or Prospectus that may be required by the SEC; and (iv) if at any time the SEC shall issue any stop order suspending the effectiveness of the Registration Statement, use its best efforts to obtain the lifting of such order at the earliest possible time.

2.4 If at any time when a prospectus relating to the Shares is required to be delivered under the Securities Act any event occurs as a result of which, in the opinion of either the Company or the

Selected Dealer, the Prospectus or any other prospectus then in effect would include an untrue statement of a material fact or, in view of the circumstances under which they were made, omit to state any material fact necessary to make any statement therein not misleading, they will promptly notify the Selected Dealer thereof (unless the information shall have been received from the Selected Dealer) and will effect the preparation of an amended or supplemental prospectus which will correct such statement or omission. The Company will then promptly prepare such amended or supplemental prospectus or prospectuses as may be necessary to comply with the requirements of Section 10 of the Securities Act.

### 3. *Obligations and Compensation of the Selected Dealer.*

3.1 The Company hereby appoints the Selected Dealer as its agent and one of its distributors for the purposes of selling for cash up to \_\_\_\_\_ Shares directly to its clients and customers at the public offering subject to the terms and conditions stated in the Prospectus. The Selected Dealer shall be a member of the National Association of Securities Dealers, Inc. ("NASD"). The Selected Dealer hereby accepts such agency and distributorship and agrees to use its best efforts to sell the Shares on said terms and conditions. The Selected Dealer represents to the Company that it is a member of the NASD and that it and its employees and representatives have all the required licenses, registrations and approval necessary to act under this Agreement.

3.2 Promptly after the effective date of the Registration Statement, the Selected Dealer shall commence the offering of the Shares for cash to the public in jurisdictions in which the Shares are registered or qualified for sale or in which such offering is otherwise permitted. The Company shall be responsible for handling, processing and documentation of investor funds. The Selected Dealer agrees that it will transmit all checks received from investors for Shares, together with an Order Form as attached to the Prospectus as Exhibit B properly completed by the investor and the investor's registered representative and all other investor documentation, to the Company by noon of the business day following receipt. All checks shall be made payable to "Gen-Net Lease Income Trust, Inc". All subscriptions shall be subject to acceptance by the Company. No subscription agreement will be accepted unless the broker's representation contained therein has been duly completed by the registered representative soliciting such subscription. The Selected Dealer will suspend or terminate offering of the Shares upon request of the Company at any time and will resume offering the Shares upon subsequent request of the Company.

3.3 Selected Dealer has, or will have, prior to its participation in the offering, reasonable grounds to believe that all material facts are adequately and accurately disclosed in the Prospectus and provide a basis for evaluating the Company, including information relating to items of compensation, properties acquired to date (if any), tax aspects, financial stability and experience of the Company, conflicts of interest, risk factors, and pertinent documents and reports.

3.4 (i) As compensation for the services rendered by the Selected Dealer and other costs, except bona fide accountable due diligence expenses incurred by the Selected Dealer in connection with the offer and sale of the Shares which shall be reimbursed to the Selected Dealer in amount up to \_\_\_\_\_ % of the gross proceeds with respect to any sale, the Company shall pay to the Selected Dealer from the gross proceeds of the offering, a selling commission equal to \_\_\_\_\_ % of the gross proceeds of all Shares sold by the Selected Dealer, and accepted and confirmed by the Company.

(ii) For purposes of determining the selling commission payable with respect to subscriptions made by a single purchaser, certain subscriptions may be combined and the selling commission apportioned pro rata among the subscriptions. Separate subscriptions by an individual, his or her spouse, their minor children, trusts established on behalf of any of them, and a corporation, partnership, association or similar organized group in which any of the foregoing hold a controlling interest (provided such entity has been in existence for at least six months at the time of subscription and was not formed for the purpose of subscribing) will be treated as submitted by a

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single purchase. Moreover, any purchaser (whether an individual, a corporation, partnership, trust or other entity) that subscribes for additional interests subsequent to an initial purchase of Shares may combine all such prior and subsequent subscriptions for the purpose of computing total selling commissions.

(iii) The following purchasers will be permitted to aggregate their subscriptions as described below for purposes of the reduced selling commissions for volume purchases: (a) all profit-sharing pension and other retirement trusts (other than any self-employed retirement plan or IRA) and all funds and foundations maintained by a single corporation, partnership or other entity; (b) all profit-sharing, pension and other retirement trusts and all funds or foundations over which a single bank or entity (except an individual, or an investment adviser registered under the Investment Advisers Act of 1940) exercises discretionary authority with respect to an investment in the Company; and (c) all clients of an investment adviser registered under the Investment Advisers Act of 1940 who have been advised by such adviser regarding an investment in the Company, and who are not being charged by such adviser or its affiliates, through the payment of commissions or otherwise, for the advice rendered by such adviser in connection with the purchase of interests. No purchaser may simultaneously combine subscriptions with purchasers in more than one of the categories (a), (b) and (c).

(iv) In addition to the selling commissions, the Company will pay nonaccountable expense reimbursement only as set forth in an exhibit hereto. The selling commissions and any nonaccountable expense reimbursement are collectively referred to as "Sales Compensation".

(v) The Company will reimburse the Selected Dealer for bona fide, accountable due diligence expenses of the Company in an aggregate amount up to one-half percent (.005) of the gross proceeds of all Shares sold by the Selected Dealer and accepted and confirmed by the Company.

(vi) In the event the Company elects to sell its Shares to those categories of purchasers described below on terms that are net of all commission and due diligence expenses otherwise applicable, it is agreed and understood by the Selected Dealer that in such case no Sales Compensation or due diligence reimbursement will be due or owed by the Company to the Selected Dealer under this Agreement or otherwise, regardless of the activities of the Selected Dealer in causing the said sale or the benefit to the Company. The categories of purchasers are as follows:

- (a) Registered investment advisers, trust companies, bank trust departments, brokers purchasing for their own accounts, and officers, directors and employees of the Company; or
- (b) Any party who directly or through a registered investment adviser acquires at least \$1 million worth of Shares from the Company.

3.5 The Selected Dealer represents and warrants to the Company, and each person and firm which signs the Registration Statement, that the information under the caption "Plan of Distribution" in the Prospectus and all other information furnished to the Company by the Selected Dealer in writing expressly for the use in the Registration Statement, any preliminary prospectus, the Prospectus, or any amendment or supplement thereto, does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

3.6 The Selected Dealer represents that it has reasonable grounds to believe, based on information obtained from the Company and through the Prospectus or other materials, that all material facts relating to a sale of the Shares (including facts relating to the items set forth in Section 4(a) of Section 34 of the NASD's Rules of Fair Practice) are adequately and accurately disclosed and provide a basis for evaluating an investment in the Company.

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3.7 The Selected Dealer covenants not to execute any subscriptions in the Company on behalf of a customer for which it holds a discretionary account without the prior written approval of such customer.

3.8 The Selected Dealer covenants that it will maintain subscription agreements with respect to investors in the Company and other documents relating to the suitability of the investors in the Company for a period of not less than six years after the termination of the offering with respect to the Company.

3.9 In recommending the purchase of Shares, and before confirming any sale of such Shares to a customer, the Selected Dealer shall have reasonable grounds to believe, on the basis of information obtained from such customer concerning his or her investment objectives, other investments, financial condition and needs, and any other information known to the Selected Dealer, that (i) the customer is or will be in a financial position appropriate to enable him to realize to a significant extent that benefits described in the Prospectus, including the benefits described under the caption "Income Tax Aspects"; (ii) the customer has a fair market net worth sufficient to sustain the risks inherent in an investment in the Company, including loss of investment and lack of liquidity; and (iii) an investment in the Company is otherwise suitable for the customer.

3.10 The Selected Dealer covenants not to execute any subscription in the Company prior to informing the subscribing investor of all pertinent facts relating to liquidity and marketability of the Shares during the term of the investment.

3.11 No person is authorized to make any representations concerning the Shares except those contained in the Company's then current Prospectus and the Company's approved sales literature. Selected Dealer shall not sell any Shares pursuant to this Agreement unless a copy of the Prospectus is furnished to each purchaser prior to the acceptance of the purchaser's subscription. Selected Dealer agrees not to use any of the supplemental sales literature of any kind without the prior written approval of the Company, unless the literature is furnished by the Company for such purpose. Selected Dealer agrees that any document marked "Not for Distribution to the Public" will not be distributed to any public investor. In offering and selling the Shares, the Selected Dealer shall rely solely upon the representations contained in the Company's Prospectus and the approved sales literature.

3.12 By accepting this Agreement, Selected Dealer represents that it is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended, is a member in good standing of the NASD if located in the United States, is licensed as broker-dealer in one or more jurisdictions in which the Shares may legally be sold and will maintain such registration, membership and licenses throughout the term of this Agreement. Furthermore, Selected Dealer agrees to and represents that it will comply with all applicable federal laws, the rules and regulations of the NASD (including but not limited to Rules 2730, 2740, 2420 and 2750 of the NASD Conduct Rules), and those securities laws (and rules promulgated thereunder) of those jurisdictions in which it offers and sells the Shares. Selected Dealer also represents that it will use the "Preliminary Prospectus" and the final Prospectus and the approved sales literature strictly in conformance with federal and state securities laws, and will only offer and sell the Company's Shares to bona fide residents of those jurisdictions in which Shares may legally be sold and which the Selected Dealer is licensed. The Selected Dealer shall not be entitled to any compensation during any period in which its registration with the Securities and Exchange Commission, membership with the NASD or license in the jurisdiction where a sale occurred has been suspended or terminated.

3.13 By accepting this Agreement, the Selected Dealer has assumed full responsibility for thorough and prior training of its representatives concerning the selling methods to be used in connection with the offer and sale of the Shares, giving special emphasis to the principles of full and fair disclosure to prospective purchasers and taking all necessary steps to ensure that all of its representatives engaged in the offer and sale of the Shares are, if applicable, properly registered with

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the NASD and licensed under the securities laws of those jurisdictions in which the Shares may legally be offered and sold and in which the representatives offer and sell such Shares.

#### 4. *Indemnification.*

4.1 The Company will indemnify and hold harmless the Selected Dealer, its officers and directors and each person, if any, who controls such Selected Dealer within the meaning of Section 15 of the Securities Act, from and against any losses, claims, damages or liabilities, joint or several, to which such Selected Dealer, its officers and directors, or such controlling persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liability (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained (a) in the Registration Statement, or any post-effective amendment thereto or in the Prospectus or any amendment or supplement to the Prospectus or (b) in any "blue sky" application or other document executed by the

Company on its behalf specifically for the purpose of qualifying any or all of the Shares for sale under the securities laws of any jurisdiction based upon written information furnished by the Company under the securities laws thereof (any such application, document or information being hereinafter called a "Blue Sky Application"), or (ii) the omission or alleged omission to state in the Registration Statement, the Prospectus or any supplement therein or any post-effective amendment therein, or in any Blue Sky Application, a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and will reimburse the Selected Dealer, its officers and directors and each such controlling person for any legal or other expenses reasonably incurred by the Selected Dealer, its officers and directors, or such controlling person in connection with investigating or defending such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Selected Dealer specifically for use with reference to the Selected Dealer in the preparation of the Registration Statement or any such post-effective amendment therein or any such Blue Sky Application or any such preliminary prospectus or the Prospectus or any such amendment or supplement thereto; and provided further that the Company will not be liable in any case if it is determined that the Selected Dealer was at fault in connection with the loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

4.2 The Selected Dealer agrees to indemnify and hold harmless the Company, its officers and directors, each person or firm which has signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities to which any of the aforesaid parties may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereto, the Prospectus or any amendment or supplement thereto, or any Blue Sky Application, or (ii) the omission or alleged omission to state in the Registration Statement or any post-effective amendment thereto, the Prospectus or any amendment or supplement thereto, or in any Blue Sky Application, any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Selected Dealer specifically for use with reference to the Selected Dealer in the preparation of the Registration Statement or any such preliminary prospectus or the Prospectus or any such amendment or supplement thereto, or (iii) any unauthorized use of sales materials or use of unauthorized verbal representations concerning the Shares by the Selected Dealer, and will reimburse the aforesaid parties,

in connection with investigating or defending such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability that the Selected Dealer may otherwise have.

4.3 Promptly after receipt by an indemnified party under this Section 4 of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against any indemnifying party under this Section 4, notify in writing the indemnifying party of the commencement thereof, and the omission to so notify the indemnifying party will relieve it from any liability under this Section 4 as to the particular item for which indemnification is then being sought, but not from any other liability which it may have to any indemnified party. In case any such action is brought against any indemnified party, and it notifies any indemnifying party of the commencement thereof, the indemnifying party will be entitled, to the extent it may wish, jointly with any other indemnifying party similarly notified, to participate in the defense thereof, with separate counsel. Such participation shall not relieve such indemnifying party of the obligation to reimburse the indemnified party for reasonable legal and other expenses (subject to Section 4.4) incurred by such indemnified party in defending himself, except for such expenses incurred after the indemnifying party has deposited funds sufficient to effect the settlement, with prejudice, of the claim in respect of which indemnity is sought. Any such indemnifying party shall not be liable to any such indemnified party on account of any settlement of any claim or action effected without the consent of such indemnifying party.

4.4 The indemnifying party shall be obligated to pay all legal fees and expenses of the indemnified party in the defense of such claims or actions; provided, however, that the indemnifying party shall not be obliged to pay legal fees and expenses to more than one law firm in connection with the defense of similar claims arising out of the same alleged acts or omissions giving rise to such claims notwithstanding that

such actions or claims are alleged or brought by one or more parties against more than one indemnified party. In the case such claims or actions are alleged or brought against more than one indemnified party, then the indemnifying party shall only be obliged to reimburse the expenses and fees of the one law firm against which such action is finally brought, and in the event a majority of the indemnified parties against which such action is finally brought, and in the event a majority of such indemnified parties are unable to agree on which law firm for which expenses or fees will be reimbursable by the indemnifying party then payment shall be made to the first law firm of record representing an indemnified party against the action or claim. Such law firm shall be paid only to the extent of services performed by such law firm and no reimbursement shall be payable to such law firm on account of legal services performed by another law firm.

4.5 The indemnity agreements contained in this Section 4 shall remain operative and in full force and effect regardless of (i) an investigation made by or on behalf of the Selected Dealer or the Company, or any office or director of either of them, (ii) delivery of any Shares and payment therefor, or (iii) any termination of this Agreement. A successor of any Selected Dealer or of any of the parties to this Agreement, as the case may be, shall be entitled to the benefits of the indemnity agreements contained in this Section 4.

5. *Survival of Provisions.*

The respective agreements, representations and warranties of the Company and the Selected Dealer set forth in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement; (ii) any investigation made by or on behalf of the Selected Dealer or any person controlling the Selected Dealer or by or on behalf of the Company, or any person controlling the Company; or (iii) the acceptance of any payment for the Shares.

6. *Applicable Law.*

This Agreement is executed and delivered in, and its validity, interpretation and construction, shall be governed by the laws of the State of Michigan.

7. *Counterparts.*

This Agreement may be executed in any number of counterparts. Each counterpart, when executed and delivered, shall be an original contract; but all counterparts, when taken together, shall constitute one and the same Agreement.

8. *Successors and Amendment.*

8.1 This Agreement shall inure to the benefit of, and be binding upon, the Selected Dealer, the Company, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person any right, remedy or claim, except as otherwise specifically provided herein.

8.2 This Agreement may be amended in whole or part, upon the written agreement of the Selected Dealer and the Company.

9. *Term.*

Any party to this Agreement shall have the right to terminate this Agreement on ten (10) days prior written notice.

10. *Notices.*

Any notice under this Agreement shall be given or confirmed in writing, delivered personally or sent by certified mail, postage prepaid, addressed as specified in this Section:

**Notice to the Company:**

**Notice to Selected Dealer:**

\_\_\_\_\_

11. *Confirmation.*

The Company hereby agrees and assumes the duty to confirm on behalf of itself, and on behalf of Selected Dealer, all orders for the purchase of Shares accepted by the Company. Such confirmations will comply with the applicable rules of such other jurisdictions to the extent the Company is advised of such laws in writing by the Selected Dealer.

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If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter and your acceptance shall constitute a binding Agreement between us as of the date first above written.

Very truly yours,  
GEN-NET LEASE INCOME TRUST, INC.

By: \_\_\_\_\_  
Jerry D. Bringard, President

**We hereby agree to the terms hereof.**

\_\_\_\_\_  
By: \_\_\_\_\_

Its: \_\_\_\_\_



**RESTATED ARTICLES OF INCORPORATION**  
**For use by Domestic Profit Corporations**  
(Please read information and instructions on the last page)

*Pursuant to the provisions of Act 284, Public Acts of 1972, the undersigned corporation executes the following Articles:*

1. The present name of the corporation is:

Genesis Net Lease Realty, Inc.

2. The identification number assigned by the Bureau is:

517-982

3. All former names of the corporation are:

Genesis Net Lease Realty, Inc.

4. The date of filing the original Articles of Incorporation was:

September 28, 1998

*The following Restated Articles of Incorporation supersede the Articles of Incorporation as amended and shall be the Articles of Incorporation for the corporation:*

**ARTICLE I**

The name of the corporation is:

Gen-Net Lease Income Trust, Inc.

**ARTICLE II**

The purpose or purposes for which the corporation is formed are:

To engage in any activity within the purposes for which corporations may be formed under the Business Corporation Act of Michigan. Entity will comply with provisions of IRS Code to obtain special tax treatment as a REIT.

**ARTICLE III**

The total authorized shares:

Common shares	<u>10,000,000</u>	Preferred shares	<u>zero</u>
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A statement of all or any of the relative rights, preferences and limitations of the shares of each class is as follows:

as described in Article VIII

**ARTICLE IV**

1. The address of the registered office is:

200 East Big Beaver Road , Troy, Michigan 48083  
(Street Address) (City) (Zip Code)

2. The mailing address of the registered office, if different than above:

P.O. Drawer 427 , Grosse Ile, Michigan 48138  
(Street Address) (City) (Zip Code)

3. The name of the resident agent is: Jerry D. Bringard

**ARTICLE V (Optional. Delete if not applicable)**

When a compromise or arrangement or a plan of reorganization of this corporation is proposed between this corporation and its creditors or any class of them or between this corporation and its shareholders or any class of them, a court of equity jurisdiction within the state, on application of this corporation or of a creditor or shareholder thereof, or on application of a receiver appointed for the corporation, may order a meeting of the creditors or class of creditors or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or reorganization, to be summoned in such manner as the court directs. If a majority in number representing <sup>3</sup>/<sub>4</sub> in value of the creditors or class of creditors, or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or a reorganization, agree to a compromise or arrangement or a reorganization of this corporation as a consequence of the compromise or arrangement, the compromise or arrangement and the reorganization, if sanctioned by the court to which the application has been made, shall be binding on all the creditors or class of creditors, or on all the shareholders or class of shareholders and also on this corporation.

**ARTICLE VI (Optional. Delete if not applicable)**

Any action required or permitted by the Act to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote, if consents in writing, setting forth the action so taken, are signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote on the action were present and voted. The written consents shall bear the date of signature of each shareholder who signs the consent. No written consents shall be effective to take the corporate action referred to unless, within 60 days after the record date for determining shareholders entitled to express consent to or to dissent from a proposal without a meeting, written consents, dated not more than 10 days before the record date and signed by a sufficient number of shareholders to take the action are delivered to the corporation. Delivery shall be to the corporation's registered office, its principal place of business, or an officer or agent of the corporation having custody of the minutes of the proceedings of its shareholders. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to shareholders who would have been entitled to notice of the shareholder meeting if the action had been taken at a meeting and who have not consented in writing.

**ARTICLE VII (Additional provisions, if any, may be inserted here; attach additional pages if needed.)**

See Attached Pages

5. COMPLETE SECTION (a) IF THE RESTATED ARTICLES WERE ADOPTED BY THE UNANIMOUS CONSENT OF THE INCORPORATOR(S) BEFORE THE FIRST MEETING OF THE BOARD OF DIRECTORS; OTHERWISE, COMPLETE SECTION (b). DO NOT COMPLETE BOTH.

a. Those Restated Articles of Incorporation were duly adopted on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ in accordance with the provisions of Section 842 of the Act by the unanimous consent of the incorporator(s) before the first meeting of the Board of Directors.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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(Signatures of Incorporators; Type or Print Name Under Each Signature)

b. /x/ These Restated Articles of Incorporation were duly adopted on the 24<sup>th</sup> day of August, 2001 in accordance with the provisions of Section 642 of the Act and; (check one of the following)

// were duly adopted by the Board of Directors without a vote of the shareholders. These Restated Articles of Incorporation // only restate and integrate and do not further amend the provisions of the Articles of Incorporation as heretofore amended and there is no material discrepancy between those provisions and the provisions of these Restated Articles.

// were duly adopted by the shareholders. The necessary number of shares as required by statute were voted in favor of these Restated Articles.

// were duly adopted by the written consent of the shareholders having not less than the minimum number of votes required by statute in accordance with Section 407(1) of the Act. Written notice to shareholders who have not consented in writing has been given. (Note: Written consent by less than all of the shareholders is permitted only if such provision appears in the Articles of Incorporation).

/x/ were duly adopted by the written consent of all the shareholders entitled to vote in accordance with section 407(2) of the Act.

Signed this 24<sup>th</sup> day of August, 2001

By \_\_\_\_\_ /s/ Jerry D. Bringard  
(Signature of an authorized officer or agent)

\_\_\_\_\_ Jerry D. Bringard

\_\_\_\_\_ (Type or Print Name)

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**BYLAWS  
OF  
GEN-NET LEASE INCOME TRUST, INC.**

**ARTICLE I**

**Offices**

**Section 1.01** *Principal Office.* The Company's principal office in the State of Michigan shall be in the City of Troy, State of Michigan.

**Section 1.02** *Principal Executive Office.* Unless otherwise determined from time to time by the Board of Directors, the principal executive office of the company shall be in the City of Troy, State of Michigan.

**Section 1.03** *Other Offices.* The Company may also have offices at such other places both in and out of the State of Michigan as the Board of Directors may from time to time determine or the business of the Company may require.

**ARTICLE II**

**Meeting of Shareholders**

**Section 2.01** *Place of Meetings.* Meetings of the Shareholders shall be held at the office of the Company in the City of Troy and State of Michigan, or at any other place within the United States as shall be designated from time to time by the Board of Directors and stated in the notice of meeting or in a duly executed waiver of notice hereof.

**Section 2.02** *Annual Meetings.* Annual meetings of Shareholders, commencing with the year 2002, shall be held on the first Monday of June at 10:00 a.m., or at such other date and time within thirty (30) days thereafter as shall be fixed by the Board of Directors and stated in the notice of meeting, but in no event less than thirty (30) days following the date stated in the notice of meeting, but in no event less than thirty (30) days following the distribution of the Annual Report to the Shareholders of the Company pursuant to Section 7.02 hereof, at which the Shareholders shall elect a Board of Directors and may transact any business within the powers of the Company. Any business of the Company may be transacted at the annual meeting without being specially designated in the notice, except such business as is specifically required by law to be stated in the notice.

**Section 2.03** *Special Meetings.* At any time in the interval between annual meetings, special meetings of the Shareholders, unless otherwise provided by law or by the Articles, may be called by a majority of the Board of Directors, a majority of the Independent Directors (as defined in Section 3.01 hereof), or the President or upon the written request of the holders of shares representing not less than ten percent (10%) of the outstanding shares entitled to vote at the meeting. Such written request shall be given in person or by mail and state the purpose or purposes of the proposed meeting, and the matters proposed to be acted upon at such meeting. No special meeting need be called upon the request of the holders of less than a majority of all votes entitled to be cast at such meeting to consider any matter which is substantially the same matter voted upon at any special meeting of the Shareholders held during the preceding twelve (12) months. Business transacted at any special meeting of Shareholders shall be limited to the purposes stated in the notice.

**Section 2.04** *Notice of Meetings.* Not less than ten (10) nor more than ninety (90) days before the date of every meeting of Shareholders the Secretary shall give to each Shareholder entitled to vote at

such meeting, and to each Shareholder not entitled to vote who is entitled by law to notice, written or printed notice stating the time and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail or by personal delivery or by leaving it at the shareholder's residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, addressed to the Shareholder at the post office address as it appears on the records of the Company.

In the case of a special meeting of Shareholders convened at the request of Shareholders, as provided for in Section 2.03 above, the notice herein provided for shall be given by the Secretary, in the manner herein provided, within ten (10) days after receipt of such request of Shareholders. Such a special meeting shall be held not less than fifteen (15) nor more than sixty (60) days after receipt of the request of Shareholders. Such meeting shall be held at the place and time specified in the request or, if none is specified, at a place and time reasonably believed by the Directors to be convenient to a majority of the Shareholders.

**Section 2.05** *Quorum.* At any meeting of Shareholders, the presence in person or by proxy of Shareholders entitled to cast a majority of the votes shall constitute a quorum; but this Section shall not affect any requirement of law or under the Company's Articles for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present or represented at any at any meeting of the Shareholders, a majority of the Shareholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

**Section 2.06** *Voting.* A majority of the votes cast at a meeting of Shareholders, duly called and at which a quorum is present, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless more than a majority of the votes cast is required by law or by the Company's Articles or by these Bylaws and except that a plurality of votes shall be required for the election for the election of any Director. Except in the election of Directors, which shall be by written ballot, or unless required by statute or by these Bylaws or demanded by Shareholders present in person or represented by proxy entitled to cast twenty-five percent (25%) of the votes entitled to be cast at a meeting, any vote of Shareholders need not be by written ballot. On a vote by written ballot, each ballot shall be signed by the Shareholder or his proxy and shall state the number of shares voted.

With respect to shares owned by the Directors, or any affiliates, neither the Directors or any affiliates may vote or consent on matters submitted to the Shareholders regarding the removal of any Director, or any affiliate, or any transaction between the Company and any of them. In determining the applicable percentage in interest of shares necessary to approve a matter in which a Director and/or any affiliate may not vote or consent, any shares owned by any of them shall not be included.

Unless any statute or the Company's Articles provide otherwise, each outstanding share of stock having voting power shall be entitled to one vote on each matter submitted to a vote at a meeting of Shareholders, but no share shall be entitled to vote if any installment payable thereon is overdue and unpaid. A Shareholder may vote only the shares owned by him as shown on the record of Shareholders of the Company as of the record date determined pursuant to Section 6.05 hereof or pursuant to applicable law. All persons who were holders of record of shares at such time, and no others, shall be entitled to vote at such a meeting and any adjournment thereof. A Shareholder may vote the shares owned of record by him either in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from its date, unless otherwise provided in the proxy. At all meetings of Shareholders, unless the voting is conducted by inspectors, all questions relating to the qualification of voters and validity of proxies and the acceptance or rejection of votes shall be decided by the Chair of the meeting.

**Section 2.07** *Organization and Order of Business.* At each meeting of the Shareholders, the Chair of the Board of Directors, or in the Chair's absence or inability to act, the President, or in the absence or inability to act of the Chair of the Board and the President, a Vice President, shall act as Chair of the meeting. The Secretary, or in the Secretary's absence or inability to act, any person appointed by the Chair of the meeting, shall act as Secretary of the meeting and keep the minutes thereof. The order of business at all meetings of the Shareholders shall be as determined by the Chair of the meeting.

**Section 2.08** *Inspectors.* The Board of Directors may, in advance of any meeting of Shareholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If the inspectors shall not be so appointed or if any of them shall fail to appear or act, the Chair of the meeting may, and at the request of any Shareholder entitled to vote thereat shall, appoint inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election of a vote with fairness to all Shareholders. On request of the Chair of the meeting, any Shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No Director or candidate for the office of Director shall act as inspector of an election of Directors. Inspectors need not be Shareholders.

**Section 2.09** *Action Without Meeting.* Except as otherwise provided by statute or the Articles, any action required or permitted to be taken at any meeting of Shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth such action, is signed by all the Shareholders entitled to notice of a meeting of Shareholders but not to vote thereat have waived writing any rights which they may have to dissent from such action, and such consent and waiver are filed with the records of Shareholders' meetings.

## ARTICLE III

### Directors

**Section 3.01** *Number, Election and Term.* The current number of Directors of the Company is three (3). By vote of a majority of the entire Board of Directors, the number of Directors may from time to time be increased or decreased, but may not exceed seven (7) nor be less than three (3) except as permitted by law; provided, however, that the tenure of office of a Director shall not be affected by any decrease or increase in the number of Directors so made by the Board. At all times that the Company intends to be qualified as a real estate investment trust under the Internal Revenue Code, a majority of the Board of Directors shall be Independent Directors (as hereinafter defined). Each Director must have at least three (3) years of relevant experience demonstrating the knowledge and expertise required to acquire and manage the Company's properties. For purposes of these Bylaws, "Independent Director" shall mean a Director of the Company who is not employed by, or receiving any compensation (other than Director's fees and reimbursed expenses) from or otherwise affiliated with, the Company and any affiliate, and who is not affiliated, directly or indirectly, with an person(s) or entity, if any, responsible for directing and performing the day-to-day business affairs of the Company. A Director shall not be considered independent who serves as a Director of more than three (3) real estate investment trusts organized by the Company or its affiliates. Until the first annual meeting of Shareholders and at each annual meeting thereafter, the Shareholders shall elect Directors to hold office until the next annual meeting or until their successors are elected and qualify. Directors need not be Shareholders in the Company. Shareholders wanting to nominate a person for election as

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a Director shall deliver written notice of such nomination at least ninety (90) days prior to an annual meeting of Shareholders and within seven (7) days following the date on which notice of a special meeting of Shareholders to elect Directors is first given to Shareholders.

**Section 3.02** *Powers.* The business and affairs of the Company shall be managed in accordance with the Articles and these Bylaws under the direction of its Board of Directors and where applicable, the Independent Directors, which may exercise all of the powers of the Company, except such as are allowed by law or by the Company's Articles or by these Bylaws conferred upon or reserved to the Shareholders.

**Section 3.03** *Vacancies.* Any vacancy occurring in the Board of Directors for any cause other than by reason of an increase in the number of Directors, may, subject to the provisions of Section 3.08, be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum; provided, however, that if the Company has sought to qualify as a real estate investment trust and in accordance with Section 3.01, a majority of the Board of Directors are required to be Independent Directors, then Independent Directors shall nominate replacements for vacancies among the Independent Directors. Any vacancy occurring by reason of the removal of a Director by the Shareholders may be filled by a vote of the holders of a majority of the shares entitled to vote for the election of Directors. Any vacancy occurring by reason of an increase in the number of Directors may be filled by action of a majority of the entire Board of Directors. If the Shareholders of any class or series may fill any vacancy among the number of Directors elected by that class or series. A Director elected by the Board of Directors to fill a vacancy shall be elected to hold office until the next annual meeting of Shareholders or until his successor is elected and qualified.

**Section 3.04** *Resignations.* Any Director serving as such or in his or her capacity as a member of a committee of the Board of Directors may resign either as a Director or as a member of a committee or both at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time is specified, at the time of the receipt by the Chair of the Board, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective.

**Section 3.05** *Fiduciary Duty of the Directors.* The Directors shall be charged with a fiduciary duty to the Company and Shareholders to supervise the business and relationships of the Company and to exercise reasonable care in the exercise of their duties.

**Section 3.06** *Committees of the Board.* The Board of Directors may appoint from among its members an executive committee, an audit committee and other committees composed of two (2) or more Directors. A majority of the members of any committee so appointed shall be Independent Directors (as defined in Section 3.01). The Board of Directors may delegate to any committee any of the powers of the Board of Directors except the power to declare dividends or distributions on stock, recommend to the Shareholders action which requires Shareholder approval, amend the Bylaws, approve any merger or share exchange or issue stock. However, if the Board of Directors has given general authorization for the issuance of stock, a committee of the Board, in accordance with a general formula or method specified by the Board of Directors by resolution or by adoption of a stock option plan, may fix the terms of stock subject to classification or reclassification and the terms on which any stock may be issued.

Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors.

One third ( $\frac{1}{3}$ ), but not less than two (2), of the members of any committee shall be present in person at any meeting of such committee in order to constitute a quorum for the transaction of business at such meeting, and the act of a majority of those present shall be the act of such committee. The Board of Directors may designate a Chair of any committee and such Chair or any two (2) members of any committee may fix the time and place of its meetings unless the Board shall

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otherwise provide. In the absence or disqualification of any member of any such committee, the members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another Director to act at the meeting in the place of such absent or disqualified members; provided, however, that in the event of the absence or disqualification of an Independent Director, such appointee shall be an Independent Director.

Each committee shall keep minutes of its proceedings and shall report the same to the Board of Directors at the meeting next succeeding, and any action taken by the Committees shall be subject to revision and alteration by the Board of Directors, provided that no rights of third persons shall be affected by any such revision or alteration.

Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members, to replace any absent or disqualified member, or to dissolve any committee.

**Section 3.07** *Meetings of the Board of Directors.* Meetings of the Board of Directors, regular or special, may be held at any place in or out of the State of Michigan as the Board may from time to time determine or shall be specified in the notice of such meeting.

The initial meeting of the Board of Directors shall be held as soon as practicable after the Company has been duly formed in accordance with Michigan law. The first meeting of each newly elected Board of Directors shall be held as soon as practicable after the annual meeting of the Shareholders at which the Directors were elected. The meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors or as shall be specified in a written waiver signed by all of the Directors as provided in Article IV, except that no notice shall be necessary if such meeting is held immediately after the adjournment and at the site of the annual meeting of Shareholders.

Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board of Directors.

Special meetings of the Board of Directors may be called at any time by two (2) or more Directors or by a majority of the members of the executive committee, if one be constituted, in writing with or without a meeting of such committee or by the Chair of the Board or President.

Notice of the place and time of every special meeting of the Board of Directors shall be delivered by the Secretary to each Director either personally or by telephone, telegram or electronic mail, or by leaving the same at his residence or usual place of business at least forty-eight (48) hours before the time at which such meeting is to be held, or by first class mail, at least three (3) days before the day on which such meeting is to be held. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the Director at his post office address as it appears on the records of the Company, with postage thereon prepaid. For purposes of the Notice requirements provided for herein, the initial meeting of the Board of Directors following the formation of the Company shall be deemed to be a special meeting of the Board of Directors.

**Section 3.08** *Quorum and Voting.* At all meetings of the Board, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the action of a majority of the Directors present at any meeting at which a quorum is present shall be the action of the Board of Directors unless the concurrence of a greater proportion, or the concurrence of a majority of the Independent Directors is required for such action by law, the Company's Articles or these Bylaws. If a quorum shall not be present at any meeting of the Board, the Directors present may, be a majority vote, adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Notwithstanding the first paragraph of this Section 3.08, any action pertaining to a transaction involving the Company in which any Director or officer of the Company or any affiliate or any of the foregoing persons has an interest shall specifically be approved with respect to any isolated transactions or generally be approved with respect to any series of similar transactions, by a majority of the members of the Board of Directors including a majority of the members of the Board of Directors, including a majority of the Independent Directors who are not parties to and have no financial interest in such transaction and who are not affiliates of such interested party, even if such Directors constitute less than a quorum.

Subject to the provisions contained in Section 3.13 (o), in approving any contract, joint venture or other transaction or series of transactions between the Company and any Director or officer of the Company or any affiliate of such persons, a majority of the Directors including a majority of the Independent Directors must determine that:

- (a) the contract, joint venture or other transaction as contemplated is fair reasonable to the Company and its Shareholders and on terms and conditions no less favorable to the Company than those available from the unaffiliated third parties;



- (b) if an acquisition of property other than mortgage loans is involved, the total consideration for the property being acquired is not in excess of the appraised value of such property as stated in an appraisal by a qualified independent real estate appraiser selected by the Independent Directors, which shall be obtained by the Company prior to any such acquisition, and if the price is in excess of the cost of the asset to such seller thereof, the Independent Directors shall determine that substantial justification for such excess exists and that such excess is not unreasonable;
- (c) if the transaction involves compensation for services rendered in a capacity other than contemplated by the employment arrangements, such compensation, to the knowledge of the Directors, is not greater than the customary charges for comparable services between unaffiliated persons; and
- (d) if the transaction involves the making of loans or the borrowing of money, the transaction is fair, competitive, and commercially reasonable and no less favorable to the Company than loans between unaffiliated lenders and borrowers under the same circumstances.

The foregoing voting provisions shall not be changed without the approval of the holders of a majority of outstanding shares.

**Section 3.09 Organization.** The Chair of the Board shall preside at each meeting of the Board of Directors, or in the absence or inability of the Chair of the Board to preside at a meeting, the Vice-Chair, or in his absence or inability to act, another Director chosen by a majority of the Directors present, shall act as Chair of the meeting and preside thereat. The Secretary (or, in the Secretary's absence or inability to act, any person appointed by the Chair of the meeting) shall act as Secretary of the meeting and keep the minutes thereof.

**Section 3.10 Meeting by Conference Telephone.** Members of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at a meeting.

**Section 3.11 Action Without Meeting.** Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

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**Section 3.12 Compensation of Directors.** The Company initially shall pay each Director a fee of \$500 for attendance in person at each regular or special meeting of the Board of Directors and \$250 for each telephonic meeting attended. In addition, the Company shall reimburse the Directors for their actual costs and travel expenses incurred in connection with their duties as Directors of the Company.

**Section 3.13 Investment Policies and Restrictions.** It shall be the duty of the Board of Directors to ensure that the purchase, sale, retention and disposal of the Company's assets, and the investment policies of the Company and the limitations thereon or amendments thereto are at all times consistent with such policies, limitations and restrictions as are contained in this Section 3.13, or recited in the Registration Statement on Form S-11 ("Registration Statement") filed with the Securities and Exchange Commission in connection with this Company's initial offering of common stock (the "Initial Offering"); and In compliance with the restrictions applicable to real estate investment trusts pursuant to the Internal Revenue Code of 1986, as amended.

The Company shall not:

- (a) Invest in unimproved real property or mortgage loans on unimproved property.

- (b) Invest in commodities or commodity future contracts. Such limitation is not intended to apply to future contracts, when used solely for hedging purposes.
  
- (c) Make mortgage loans unless an appraisal is obtained concerning the underlying property except for construction loans for the construction of improvements on properties acquired by the Company that are already leased to qualifying tenants and those loans insured or guaranteed by a government or government agency. In cases in which a majority of the Independent Directors so determine, all in all cases in which the transaction is with the Directors or affiliates thereof, such an appraisal must be obtained from an independent expert concerning the underlying property. This appraisal shall be maintained in the Company's records for at least five years, and shall be available for inspection and duplication by any Shareholder. In addition to the appraisal, a mortgagee's or owner's title insurance policy or commitment as to the priority of the mortgage or the condition of the title must be obtained. Further, the Shareholders shall observe the following policies in connection with investing in or making mortgage loans:
  - (1) The Company shall not invest in real estate contracts of sale, otherwise known as land sale contracts, unless such contracts of sale are in recordable form and appropriately recorded in the chain of title.
  
  - (2) The Company shall not make or invest in mortgage loans, including construction loans, on any one property if the aggregate amount of all mortgage loans outstanding on the property, including the loans of the Company, would exceed an amount equal to eighty percent (80%) of the purchase price of the property. For purposes of this subsection, the "aggregate amount of all mortgage loans outstanding on the property, including the loans of the Company," shall include all interest (excluding contingent participation in income and/or appreciation in value of the mortgaged property), the current payment of which may be deferred pursuant to the terms of such loans, to the extent that deferred interest on each loan exceeds five percent (5%) per annum of the principal balance of the loan.
  
  - (3) The Company shall not make or invest in any mortgage loans that are subordinate to any mortgage or equity interest of a Director or any affiliate of the Company.
  
  - (4) The Company shall not invest in real estate mortgages, other than purchase money mortgages acquired by the Company in connection with one or more of its properties.
  
- (d) Issue redeemable equity securities.

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- (e) Issue debt securities unless the historical debt service coverage (in the most recently completed fiscal year) as adjusted for known changes is sufficient to properly service that higher level of debt.
  
  - (f) Issue options or warrants to purchase its shares to the Directors or any affiliate hereof except on the same terms as such options or warrants are sold to the general public, if applicable. The Company may issue options or warrants to persons not so connected with the Company but not at exercise prices less than the fair market value of such securities on the date of grant and for consideration (which may include services) that in the judgement of the Independent Directors, has a market value less than the value of such option on the date of grant. Options or warrants issuable to the Directors or any affiliate thereof shall not exceed an amount equal to ten percent (10%) of the outstanding shares of the Company on the date of grant of any options or

warrants.

- (g) Issue of its shares on a deferred payment basis or other similar arrangement.
- (h) Invest in any mortgage loans that are subordinate to any liens or other indebtedness on a property.
- (i) Invest in the equity securities of any non-governmental issue.
- (j) Sell any of its properties to any Director or affiliates of the Company.
- (k) Engage in any short sales of securities or trading, as distinguished from investment activities.
- (l) Engage in underwriting or the agency distribution of securities issued by others.
- (m) Acquire securities in any company holding an investment or engaging in activities in which the Company is prohibited to invest or engage.
- (n) Invest in the securities of other issuers for the purpose of exercising control.
- (o) Invest in the securities of or interests in persons or other entities engaged in real estate activities.

The total of all acquisition fees and commissions paid by any party, and acquisition expenses paid by the Company, in connection with the Company's purchase of any property shall be reasonable and, in no event may exceed an amount equal to five percent (5%) of the contract price of the property or in the case of a mortgage loan, four percent (4%) of the funds advanced.

The Company does not intend to invest in the securities of other issuers for the purposes of exercising control, to offer securities in exchange for property unless deemed prudent by a majority of the Directors, to repurchase or otherwise reacquire shares of the Company except as may be necessary to maintain qualification as a real estate investment trust, to issue senior securities or to make loans to other persons except tenants (typically for improvements to leased premises).

The Directors shall review the borrowings of the Company quarterly for reasonableness in relation to the Company's net assets. The Company shall not incur indebtedness if, after giving effect to the incurrence thereof, aggregate indebtedness, secured and unsecured, would exceed three hundred percent (300%) of the Company's net assets on a consolidated basis. For this purpose, the term "net assets" means the total assets (less intangibles) of the Company at cost, before deducting depreciation or other non-cash reserves, less total liabilities, as calculated at the end of each quarter on a basis consistently applied. The Company shall not borrow on an unsecured basis if such borrowing will result in an asset coverage of less than three hundred percent (300%), unless there is a satisfactory showing that a higher level of borrowing is appropriate and such excess borrowing is approved by a majority of the Independent Directors and disclosed to the Shareholders in the next quarterly report along with the justification for the excess. "Asset Coverage" means the ratio which the value of the total assets less

liabilities, except indebtedness for unsecured borrowings, bears to the aggregate amount of all unsecured borrowings. The Company shall not borrow in order to distribute the proceeds to Stockholders and thereby offset under-performance by properties owned by the Company.

The Independent Directors shall review the investment policies of the Company at least annually to determine that the policies then being followed by the Company are in the best interests of its Stockholders. Each such determination and the basis therefore shall be set forth in the minutes of the Board of Directors. No material change in the investment policies, prohibitions or restrictions of the Company shall be made without the written consent or approval of both a majority of the Directors including a majority of the Independent Directors and the Stockholders owning in the aggregate more than 50% of the then outstanding Shares, excluding Shares held by officers, Directors and their affiliates.

**Section 3.14** *Total Expense.* The Independent Directors shall determine, from time to time but at least annually after the first year of operation, that the total fees and expenses of the Company are reasonable in light of the Company's investment experience, net assets, net income and all other relevant factors, and each such determination and the factors in support thereof shall be recorded in the minutes of the next meeting of the Board of Directors. The Independent Directors shall have a fiduciary duty to limit the "Total Operating Expenses" to amounts that do not exceed (for the twelve (12) months ending with the end of each fiscal quarter of the Company) the greater of (a) two percent (2%) of the "Average Invested Assets" or b) twenty-five percent (25%) of the Company's Net Income.

As used herein, the following terms shall have the following meanings:

- (a) "Total Operating Expenses" for any period shall mean the aggregate operating general administrative expenses as determined under generally accepted accounting principles exclusive of expenses of raising capital, interest payments, taxes, non-cash expenditures (including but not limited to depreciation, amortization and bad debt reserves) and direct asset acquisition, operation and disposition costs.
- (b) "Average Invested Assets" for any period shall mean the average of the aggregated book value of the assets of the Company invested, directly or indirectly, in equity interests in and loans secured by real estate before reserves for depreciation, bad debts or other similar non-cash reserves computed by taking the average of such values at the end of each calendar month during such period.
- (c) "Net Income" for any period shall mean total revenues applicable to such period (excluding any gain from the sale of assets of the Company), less the expenses applicable to such period, other than additions to reserves for depreciation, bad debts or other similar non-cash reserves determined in accordance with generally accepted accounting principles.

**Section 3.15** *Real Estate Brokerage Commissions.* Upon the sale of any of the Properties with respect to which sale the Director or officer of the Company, or any of their affiliates performs a substantial amount of services, the entity or such affiliate shall be entitled to receive a real estate brokerage commission customary and competitive for comparable size and type of properties in the area where the sold Property is located (hereinafter referred to as the "Competitive Commission"); provided that such commission shall not exceed three percent (3%) of the contracted sales price for such Property. In the event such brokerage commissions are also payable to any other party pursuant to such transactions, the entity or any such affiliates shall be entitled to one half ( $\frac{1}{2}$ ) of all such commission paid in connection therewith, provided that the total of such commissions paid to all parties shall not exceed the lesser of the Competitive Commission or six percent (6%) of the sales price of such Property.

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**Section 3.16** *Business Activities.* Each Director may engage in other business activities of types conducted by the Company and, except as otherwise provided herein, is not required to present to the Company any investment opportunities which becomes available to him regardless of whether the opportunities are within the Company's permissible investment policies.

## ARTICLE IV

### Waivers of Notice

**Section 4.01** Whenever any notice of the time, place or purpose of any meeting of Shareholder, Directors or committee is required to be given under law or under the provisions of the company's Articles to these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice and filed with the records of the meeting whether before or after the holding thereof, or actual attendance at the meeting of Shareholders in person or by proxy, or at the meeting of Directors or committee in person, shall be deemed equivalent to the giving of such notice to such persons. When a meeting is adjourned to another time and place, unless the adjournment is for more than thirty (30) days, notice of such adjourned meeting need not be given if the time and place to which the meeting shall be adjourned were announced at the meeting at which the adjournment was taken.

## ARTICLE V

### Officers

**Section 5.01** *Officers.* The officers of the Company shall be chosen by the Board of Directors and shall be initially a President, a Secretary and a Treasurer. The Board of Directors may also choose a Chair of the Board, one (1) or more Vice Presidents, and one or more Assistant Secretaries and Treasurers (also from time to time referred to by the Company as Financial Officers). Two (2) or more offices, except those of President and Vice President may be held by the same person but no officer shall execute, acknowledge or verify any instrument in more than one (1) capacity, if such instrument is required by law, the Company's Articles or these Bylaws to be executed, acknowledged or verified by two (2) or more officers.

The Board of Directors at its first meeting after each annual meeting of Shareholders shall choose a President, a Secretary and a Treasurer, none of whom need to be a member of the Board.

**Section 5.02** *Other Officers and Agents.* The Board of Directors may appoint such other officer and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

**Section 5.03** *Compensation.* The salaries of all officers and agents of the Company shall be fixed by the Board of Directors.

**Section 5.04** *Removal; Resignation.* The officers of the Company shall serve at the pleasure of the Board of Directors, until their successors are chosen and qualified. Any officer or agent may be removed by the Board of Directors whenever, in its judgment, the best interests of the Company will be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed. Any officer may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and if time not be specified, at the time of its receipt by the Chair of the Board, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

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**Section 5.05** *Chair.* The Chair of the Board, if one shall be elected, shall, if present, preside at all meetings of the Board of Directors and Shareholders and exercise and perform such other powers and duties as may be from time to time assigned to him by Board of Directors or prescribed by these Bylaws and as may be set forth herein.

**Section 5.06** *President.* The President shall be the chief executive officer of the Company. The President shall have general and active control of the business, finances and affairs, subject to the control of the Board of Directors. Except as may otherwise be provided by the

Board of Directors from time to time, the President shall have general power to execute bonds, deeds, contracts, conveyances and other instruments in the name of the Company and to affix the corporate seal, to appoint all employees and agents of the Company whose appointment is not otherwise provided for and to fix the compensation thereof subject to the provisions of these Bylaws and subject to the approval of the Board of Directors; to remove or suspend any employee or agent who shall not have been appointed by the Board of Directors to suspend for cause, pending final action by the body which shall have appointed him, any officer other than an elected officer, or any employee or agent who shall have been appointed by the Board of Directors. In the absence of the Chair of the Board to act, the President shall have authority to exercise the power and perform the duties of the Chair of the Board. He shall have such further powers and duties as may be conferred on him by the Board of Directors.

**Section 5.07** *Vice President.* The Vice President, or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

**Section 5.08** *Secretary.* The Secretary shall attend all meetings of the Board of Directors and all meetings of the Shareholders and record all proceedings of the meetings of the Shareholders and record all the proceedings of the meetings of the Company and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the Shareholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision the Secretary shall be. The Secretary shall keep in safe custody the seal of the Company, and, when authorized the Board of Directors, affix the same to any instrument requiring it and, when so affixed, it shall be attested by the Secretary's signature or by the signature of an Assistant Secretary.

**Section 5.09** *Assistant Secretary.* The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary, and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

**Section 5.10** *Treasurer and Assistant Treasurer.* The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all monies and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Company as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Company. If required by the Board of Directors, the Treasurer shall give the Company a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Company, in case if his death, resignation, retirement or removal from

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office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Company.

The Assistant Treasurer, or if there be more than one, the Assistant Treasurers in the order determined by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer, and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

**Section 5.11** *Delegation of Duties.* In the case of the absence of any officer of the Company, or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may confer for the time being the powers or duties, or any of them, of such officer upon any other officer or upon any director.

**Section 5.12 Indemnification.** No indemnity of officers, Directors or affiliates shall be allowed for any liability or loss suffered by the Directors, nor shall the Directors be held harmless for any loss or liability suffered by the Company, unless all of the following conditions are met:

- (a) The Directors or affiliates have determined, in good faith, that the course of conduct that caused the loss or liability was in the best interests of the Company.
- (b) The Directors or affiliates were acting on behalf of or performing services for the Company.
- (c) Such liability or loss was not the result of:
  - (1) Negligence or misconduct by the Directors, excluding the Independent Directors or affiliates; or
  - (2) gross negligence or willful misconduct by the Independent Directors.
- (d) Such indemnification or agreement to hold harmless is recoverable only out of Company net assets and not from Shareholders.

Notwithstanding anything to the contrary contained in this Section 5.12, the Directors or affiliates and any persons acting as a broker-dealer shall not be indemnified by the Company for any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws by such party unless one or more of the following conditions are met:

- (a) There has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnity.
- (b) Such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnity.
- (c) A court of competent jurisdiction approves a settlement of the claims against a particular indemnity and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the Securities Exchange Commission and of the published position of any state securities regulatory authority in which securities of the Company were offered or sold as to indemnification for violations of securities laws.

The advancement of Company funds to the Directors or affiliates for legal expenses and other costs incurred as a result of any legal action for which indemnification is being sought is permissible only if all the following conditions are satisfied:

- (a) The legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the Company.

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- (b) The legal action is initiated by a third party who is not a Shareholder or the legal action is initiated by a Shareholder acting in his or her capacity as such and a court of competent jurisdiction specifically approves such advancement.

- (c) The Directors or affiliates undertake to repay the advanced funds to the Company, together with the applicable legal rate of interest thereon, in cases in which such Directors or affiliates are found not be entitled to indemnification.

Subject to the foregoing limitations and restrictions, each officer, Director or employee of the Company shall be indemnified by the Company to the full extent permitted under the General Laws of the State of Michigan and other applicable law, provided that such person determined in good faith, that the course of conduct which caused the loss or liability was in the best interests of the Company and such liability or loss was not the result of negligence or misconduct by such person.

**Section 5.13 Business Activities.** Each officer may engage in other business activities of types conducted by the Company and, except as otherwise provided herein, is not required to present to the Company any investment opportunities which become available to him regardless of whether the opportunities are within the Company's permissible investment policies.

## ARTICLE VI

### Certificates of Stock

**Section 6.01 Certificates.** Actual issuance of a certificate evidencing the number and kind and class of shares owned by a Shareholder is optional with the Board of Directors. The Company will issue certificates unless it receives a request in writing not to do so from a bona fide shareholder. Shareholders who do not elect to receive certificates will own stock in "uncertified" or "book entry" form and will be treated in a like manner as those who do receive a certificate.

The signatures may be either manual or facsimile signatures and the seal may be either facsimile or any other form of seal. In case any officer who has signed any certificate ceases to be an officer of the Company before the certificate is issued, the certificate may nevertheless be issued by the Company with the same effect as if the officer has not ceased to be such officer as of the date of its issue. Each stock certificate shall include on its face the name of the Company, the name of the Shareholder and the class of stock and number of shares represented by the certificate. If the Company has authority to issue stock of more than one class, the stock certificate shall contain on its face or back a full statement or summary of the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions or redemption of the stock of each class which the Company is authorized to issue and, if the Company is authorized to issue a preferred or special class in series, the differences in the relative rights and preferences between the shares of each series to the extent they have been set, and the authority of the Board of Directors to set the relative rights and preferences of subsequent series. In lieu of such full statement or summary, there may be set forth upon the face or back of the certificate a statement that the Company will furnish to any Shareholder upon request and without charge, a full statement of such information. A summary of such information included in a registration statement permitted to become effective under the Federal Securities Act of 1933, as now or hereafter amended, shall be an acceptable summary for purposes of this Section. Every stock certificate representing shares of stock which are restricted as to the transferability by the Company shall contain a full statement of the restriction or state that the Company will furnish information about the restriction to the Shareholder on request and without charge. A stock certificate may not be issued until the stock represented by it is fully paid except in the case of stock purchased under an option plan as permitted by law.

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**Section 6.02 Lost Certificates.** The Board of Directors may direct a new stock certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been stolen, lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be stolen, lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such stolen, lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and to give the Company a bond, with sufficient surety, to the Company to indemnify it against any loss or claim which may arise by reason of the issuance of a new certificate.



**Section 6.03** *Transfer Agents and Registrars.* The Board of Directors may in its discretion, appoint, in lieu of the Company, one or more banks or trust companies in such city or cities as the Board of Directors may deem advisable, from time to time, to act as transfer agents and/or registrars of the shares of stock of the Company; and upon such appointments being made, no certificate representing shares shall be valid until countersigned by one of such transfer agents and/or registered by one of such registrars.

**Section 6.04** *Transfer of Stock.* No transfers of shares of stock of the Company shall be made if (i) void ab initio pursuant to Article VIII of the Company's Articles, or (ii) the Board of Directors, pursuant to such Article VIII, shall have refused to transfer such shares. The Board of Directors of the Company may:

- (a) Redeem the outstanding shares of stock of the Company or restrict the transfer of such shares to the extent necessary to prevent the concentration of ownership of more than fifty percent (50%) of the outstanding shares of the Company in the hands of five (5) or fewer individuals or entities and to ensure that the Company always has at least one hundred (100) Shareholders;
- (b) Refuse to effect a transfer of shares of stock of the Company to any person who as a result would beneficially own shares in excess of nine and eight tenths percent (9.8%) of the outstanding shares of the Company ("Excess Shares"); and
- (c) Redeem Excess Shares held by any Shareholder of the Company.

Permitted transfers of shares of stock of the Company shall be made on the stock records of the Company only upon the instruction of the registered holder thereof, or by the holder's attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent or transfer clerk, and upon surrender of the certificate or certificates, if issued for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. Upon surrender to the Company or the transfer agent of the Company of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, as to any transfers not prohibited by the Company's Articles, these Bylaws, or by action of the Board of Directors thereunder, it shall be the duty of the Company to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

**Section 6.05** *Fixing of Record Dates; Closing of Transfer Books.* The Board of Directors may fix, in advance, a date as the record date for the purpose of determining Shareholders entitled to notice of, or to vote at, any meeting of Shareholders, or Shareholders entitled to receive payment of any dividend or the allotment of any rights, or in order to make a determination of Shareholders for any other proper purpose. Such date, in any case, shall be not more than ninety (90) days and in case of meeting of Shareholders not less than ten (10) days, prior to the date on which the particular action requiring such determination of Shareholders is to be taken.

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**Section 6.06** *Registered Stockholders.* The Company shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, and to hold liable for calls, if any, a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

**Section 6.07** *Regulations.* The Board of Directors may make such additional rules and regulations, not inconsistent with these Bylaws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Company.

## ARTICLE VII

### General Provisions

**Section 7.01** *Dividends.* Subject to the provisions of the Company's Articles and any requirements of applicable law, quarterly dividends up to an amount equal to substantially all of the Company's available cash flow from operation of its properties, may be declared by the Board of Directors at any regular or special meeting. Dividends may be paid in cash, in its own shares, or in other marketable securities, subject to the provisions of law and of the Company's Articles. Before payment of any dividend, there may be set aside out of any funds of the Company available for dividends such sums as the Directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Company, or for such other purpose as the Board of Directors shall deem conducive to the interests of the Company, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created. The Company shall disclose in a written statement accompanying each payment the source or sources of such payment to the extent such source or sources is or are other than from current operations.

In no event shall dividends be made from any source of funds borrowed by the Company. No dividends shall be made in kind except as follows:

- (a) Dividend of readily marketable securities.
- (b) Distribution of beneficial interests in a liquidating trust established for the dissolution of the Company and liquidation of its assets as provided under Michigan law.
- (c) Distributions in kind that meet the following conditions:
  - (1) The Directors advise each Shareholder of the risks associated with direct ownership of the property;
  - (2) The Directors offer each Shareholder the election of receiving in-kind property distributions;
  - (3) The Directors distribute in-kind property only to Shareholders who accept the Directors' offer.

**Section 7.02** *Annual Report.* The President or a Vice President or the Treasurer shall prepare or cause to be prepared annually a full and correct report of the affairs of the Company, including financial statements for the preceding fiscal year, which shall be prepared in accordance with generally accepted accounting principles, audited and certified by independent certified public accountants and distributed to Shareholders within one hundred twenty (120) days after the close of the Company's fiscal year and a reasonable period of time (not less than thirty (30) days) prior to the annual meeting of Shareholders. Such report shall also be submitted at the annual meeting and shall be filed within twenty (20) days thereafter at the principal office of the Company in the State of Michigan. The annual

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report shall also include a separately stated, full disclosure of all material terms, factors and circumstances surrounding any transactions between the Company and any Director or any affiliates of such Director occurring during the year for which the annual report is made. The Independent Directors will comment on the fairness of such transactions in the annual report.

The Company shall also publish in the annual report (i) the ratio of the cost of raising capital during the year to the capital raised; (ii) the aggregate amount of fees or charges paid to third parties doing business with the Company; (iii) the total operating expenses of the Company stated as a percentage of average invested assets and as a percentage of its net income; (iv) a report from the Independent Directors that the policies being followed by the Company are in the best interests of its Shareholders and the basis for such determination.

**Section 7.03** *Quarterly Report.* The President or a Vice President or the Treasurer shall also prepare or cause to be prepared quarterly for each of the first three (3) quarters of each fiscal year, a full and correct report of the affairs of the Company, including a balance sheet and financial statement of operations for the preceding fiscal quarter, which need not be certified by independent certified public accountants and shall be distributed to Shareholders within forty-five (45) days after the close of the company's preceding fiscal quarter.

**Section 7.04** *Checks.* All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Company shall be signed by the President or Treasurer or by such officer or officers as the Board of Directors may from time to time designate.

**Section 7.05** *Depositories and Custodians.* The funds of the Company shall be deposited with such banks or other depositories as the Board of Directors of the Company may from time to time determine. All securities and other investments shall be deposited in the safekeeping of such banks or other companies as Board of Directors of the Company may from time to time determine.

**Section 7.06** *Books of Account and Records.* The Company shall maintain at its office in the City of Troy and State of Michigan correct and complete books and records of account of all the business and transactions of the Company. Upon request of any Shareholder, there shall be make available in accordance with the provisions of Michigan law, a record containing the number of shares of stock issued during a specified period not to exceed twelve (12) months and the consideration received by the Company for each such share.

**Section 7.07** *Information for Inspection.* Any Shareholder and any designated representative thereof shall be permitted access to all records of the Company at all reasonable times, and may inspect and copy any of them. Inspection of the Company books and records by the Administrator shall be provided upon reasonable notice and during normal business hours. Any Shareholder shall have access to shareholder information as follows:

- (a) An alphabetical list of the names, addresses and telephone numbers of the Shareholders of the Company along with the number of shares held by each of them (the "Shareholder List") shall be maintained as part of the books and records of the Company and shall be available for inspection by any Shareholder or the Shareholder's designated agent at the home office of the Company upon the request of the Shareholder.
- (b) The Shareholder List shall be updated at least quarterly to reflect changes in the information contained therein.
- (c) A copy of the Shareholder List shall be mailed to any Shareholder requesting the Shareholder List within ten (10) days of the request. The copy of the Shareholder List shall be printed in alphabetical order, on white paper, and in a readily readable type size (in no event smaller than 10-point type). A reasonable charge for copy work may be charged by the Company.

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- (d) The purposes for which a Shareholder may request a copy of the Shareholder List include, without limitation, matters relating to Shareholders' voting rights under the Company agreement, and the exercise of Shareholders' rights under the Company agreement, and the exercise of Shareholders' rights under federal proxy laws.
  - (e) If the Directors of the company neglect or refuse to exhibit, produce or mail a copy of the Shareholder List as requested, the Directors shall be liable to any Shareholder requesting the list for the costs, including attorneys' fees, incurred by that Shareholder for compelling the production of the Shareholder List, and for actual damages suffered by any Shareholder by reason of such refusal or neglect. It shall be a defense that the actual purpose and reason for the requests for inspection or for a copy of the Shareholder List is to secure such list of Shareholders or other information for the purpose of selling such list or copies thereof, or of using information for the purpose of selling such list or copies hereof, or of using the same for a commercial purpose other than in the interest of the applicant as a Shareholder relative to the affairs of the Company. The Company may require the Shareholder requesting the Shareholder List to represent that the list is not required requested for a

commercial purpose unrelated to the Shareholder's interest in the Company. The remedies provided hereunder to Shareholders requesting copies of the Shareholder List are in addition to, and shall not in any way limit, other remedies available to Shareholders under federal law, or the laws of any state.

**Section 7.08** *Fiscal Year.* The fiscal year of the Company shall be the calendar year.

**Section 7.09** *Seal.* The corporate seal shall have inscribed thereon the name of the Company and the year and state of its organization. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise

**Section 7.10** *Stock Ledger.* The Company shall maintain at its office in the City of Troy and State of Michigan an original stock ledger containing the names and address of all Shareholders and the number of shares of each class held by each Shareholder. Such stock ledger may be in written form or any other form capable of being converted into written form within a reasonable time for visual inspection.

## ARTICLE VIII

### Amendments

**Section 8.01** *Directors.* Except as otherwise provided herein, the Board of Directors shall have the power, in accordance with the Articles, at any regular meeting or at any special meeting if notice thereof be included in the notice of such special meeting, to alter, modify or repeal any Bylaws of the Company and to make new Bylaws, except that the Board of Directors shall not alter, modify or repeal any Bylaws made by the Stockholders.

**Section 8.02** *Shareholders.* The Shareholders shall have the power, at any annual meeting or at any special meeting if notice thereof be included in the notice of such special meeting, to alter, modify or repeal any Bylaws of the Company and to adopt new Bylaws by a vote of a majority of the Shareholder votes entitled to be cast thereon. Notwithstanding the foregoing, any amendment, alteration, modification or repeal of the provisions in Section 6.04 hereof, or which would change any rights of a Shareholder by reducing the amount payable on the class of stock or other securities of the Company held by such Shareholder upon liquidation of the Company or by diminishing or eliminating any voting rights of that class, shall require an affirmative vote of not less than sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the Shareholder votes entitled to be cast thereon.

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These Bylaws were adopted by a duly authorized vote of the Board of Directors of the Company at a regular meeting of the Directors on \_\_\_\_\_, 2001, and are hereby certified as true and correct.

\_\_\_\_\_  
Jerry D. Bringard, Chair

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## QuickLinks

[BYLAWS OF GEN-NET LEASE INCOME TRUST, INC.](#)

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LAW OFFICES  
**DAVID A. SIMS, P.C.**  
3033 VAN HORN  
TRENTON, MICHIGAN 48183

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(734) 676-5000  
FAX: (734) 676-0662  
E-MAIL: dasims@ili.net

January 16, 2002

Gen-Net Lease Income Trust, Inc.  
200 East Big Beaver Road  
Troy, Michigan 48083

Attention: Jerry D. Bringard, President

**In Re: Registration Statement on Form S-11  
10,000,000 Shares of Common Stock,  
\$10.00 Par Value Per Share**

Ladies and Gentlemen:

We have served as Michigan counsel to Gen-Net Lease Income Trust, Inc., a Michigan corporation (the "Company"), in connection with certain matters of Michigan law arising out of the registration of up to 10,000,000 shares (the "Shares") of Common Stock, \$10.00 par value per share (the "Common Stock"), by the Company, pursuant to the above-referenced Registration Statement, and all amendments thereto (the "Registration Statement"), under the Securities Act of 1933, as amended (the "1933 Act"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings given to them in the Registration Statement.

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The charter of the Company, certified as of a recent date by the Secretary of State of Michigan.
2. The Bylaws of the Company, certified as of a recent date by its President;
3. Resolutions adopted by the Board of Directors of the Company relating to the sale and issuance of the Shares, certified as of a recent date by the President of the Company;
4. A certificate as of a recent date of the Secretary of State of Michigan as to the good standing of the Company;
5. The form of certificate representing a share of the Common Stock;
6. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth herein, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed, and so far as is known to us there are no facts inconsistent with, the following:

1. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms except as limited (a) by bankruptcy, insolvency, reorganization, moratorium, fraudulent

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conveyance or other laws relating to or affecting the enforcement of creditors' rights or (b) by general equitable principles.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so;

3. Each individual executing any of the Documents is legally competent to do so; and

4. All Documents submitted to us as originals are authentic. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All statements and information contained in the Documents are true and complete. There are no oral or written modifications of or amendments to the Documents, and there has been no waiver of any of the provisions of the Documents, by action or conduct of the parties.

The phrase "known to us" is limited to the actual knowledge, without independent inquiry, of the lawyers at our firm who have performed legal services in connection with the issuance of this opinion.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Michigan and is in good standing with the Secretary of State of Michigan.

2. The Shares have been duly authorized and, when sold and delivered against payment therefor in the manner described in such authorization, will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the substantive laws of the State of Michigan and we do not express any opinion herein concerning any other law.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

**David A. Sims, P.C.**

/s/ David A. Sims

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Gen-Net Lease Income Trust, Inc.  
Attention: Jerry D. Bringard, President  
200 East Big Beaver Road  
Troy, Michigan 48083

**In re: Gen-Net Lease Income Trust, Inc.**

Dear Sir or Madam:

You have requested certain opinions regarding the application of U.S. federal income tax laws to Gen-Net Lease Income Trust, Inc. (the "Company") in connection with the Registration Statement on Form S-11 filed with the Securities and Exchange Commission on October 29, 2001, and the amendments thereto (the "Registration Statement"). All capitalized terms used but not otherwise defined herein shall have the respective meanings given them in the prospectus included in the Registration Statement.

In rendering the following opinions, we have examined such statutes, regulations, records, certificates and other documents as we have considered necessary or appropriate as a basis for such opinions, including the following: (1) the Registration Statement (including all Exhibits thereto and all amendments made thereto through the date hereof); (2) the Articles of Incorporation of the Company, together with all amendments; (3) certain written representations of the Company and (4) such other documents or information as we have deemed necessary to render the opinions set forth in this letter. In our review, we have assumed, with your consent, that the documents listed above that we reviewed in proposed form will be executed in substantially the same form, all of the representations and statements set forth in such documents are true and correct, and all of the obligations imposed by any such documents on the parties thereto, including obligations imposed under the Articles of Incorporation of the Company, have been or will be performed or satisfied in accordance with their terms. We also have assumed the genuineness of all signatures, the proper execution of all documents, the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as copies, and the authenticity of the originals from which any copies were made.

Unless facts material to the opinions expressed herein are specifically stated to have been independently established or verified by us, we have relied as to such facts solely upon the representations made by the Company. To the extent that the representations of the Company are with respect to matters set forth in the Code or Treasury Regulations, we have reviewed with the individuals making such representations the relevant provisions of the Code, the applicable Treasury Regulations and published administrative interpretations thereof.

Based upon, and subject to, the foregoing, we are of the opinion as follows:

1. Commencing with the beginning of the Company's taxable year ending December 31, 2002, the Company will be organized in conformity with the requirements for qualification as a REIT, and the Company's proposed method of operation will enable it to meet the requirements for qualification as a REIT under the Code.
2. The discussion of matters of law under the heading "INCOME TAX CONSIDERATIONS" in the Registration Statement is accurate in all material respects, and such discussion fairly summarizes the federal income tax considerations that are likely to be material to a holder of Shares of the Company.
3. Assuming that there is no waiver of the restrictions on ownership of Shares in the Articles of Incorporation of the Company and that a tax-exempt stockholder does not finance the acquisition of its Shares with "acquisition indebtedness" within the meaning of Section 514(c) of the Code or otherwise use its Shares in an unrelated trade or business, the distributions of the Company with respect to such



tax-exempt shareholder will not constitute unrelated business taxable income as defined in Section 512(a) of the Code.

For a discussion relating the law to the facts and legal analysis underlying the opinions set forth in this letter, we incorporate by reference the discussion of federal income tax issues, which we assisted in preparing, in the sections of the Registration Statement under the heading "INCOME TAX CONSIDERATIONS".

The opinions set forth in this letter are based on existing law as contained in the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations thereunder (including any Temporary and Proposed Regulations), and interpretations of the foregoing by the Internal Revenue Service (the "IRS") and by the courts as of the date hereof, all of which are subject to change, both retroactively or prospectively, and to possibly different interpretations. Moreover, the Company's ability to achieve and maintain qualification as a REIT depends upon its ability to achieve and maintain certain diversity of stock ownership requirements and, through actual annual operating results, certain requirements under the Code regarding its income, asset and distribution levels. No assurance can be given that the actual ownership of the Company's stock and its actual operating results and distributions for any taxable year will satisfy the tests necessary to achieve and maintain its status as a REIT. We assume no obligation to update the opinions set forth in this letter. We believe that the conclusions expressed herein, if challenged by the IRS, would be sustained in court. However, because our positions are not binding upon the IRS or the courts, there can be no assurance that contrary positions may not be successfully asserted by the IRS.

The foregoing opinions are limited to the specific matters covered thereby and should not be interpreted to imply the undersigned has offered its opinion on any other matter.

We hereby consent to the use and filing of this opinion as an exhibit to the Registration Statement and to all references to us in the Registration Statement.

Very truly yours,

Lieben, Whitted, Houghton, Slowiaczek  
& Cavanagh, P.C., L.L.O.

QuickLinks

[In re: Gen-Net Lease Income Trust, Inc.](#)

ESCROW AGREEMENT

GEN-NET LEASE INCOME TRUST, INC.

This Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2002, by and among Citizens First Savings Bank (the "Escrow Agent") and Gen-Net Lease Income Trust, Inc., a Michigan corporation (the "Company").

WITNESSETH:

**WHEREAS**, the Company proposes to arrange for the offer for sales to investors through one or more registered broker-dealers of up to 2,500,000 shares ("Shares") of common stock of the Company at a price of \$10.00 per Share (the "Proceeds"); and

**WHEREAS**, the Company, through selected broker-dealers that are members of the National Association of Securities Dealers, Inc., (individually, a "Selected Dealer" and collectively, the "Selected Dealers"), intends to cause the sale of the Shares in a public offering (the "Offering"); and

**WHEREAS**, the Shares are being offered pursuant to the Prospectus of the Company filed with the Securities and Exchange Commission on October 29, 2001 (the "Prospectus"); and

**WHEREAS**, the Company desires to establish an escrow account into which funds received from subscribers will be deposited pending completion of the escrow period and Escrow Agent agrees to serve as escrow agent in accordance with the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the premises and the mutual promises hereinafter contained, the parties hereby agree as follows:

1. **Establishment of Escrow Account.** After the date hereof, the parties shall establish one or more general deposit accounts which are interest-bearing, money market escrow accounts with or under the name of the Escrow Agent, which escrow account or accounts shall be entitled "Gen-Net Lease Income Trust, Inc. Escrow Account" (collectively, the "Escrow Account"). Each Selected Dealer will instruct its subscribers to make their checks for subscriptions payable to the order of "Gen-Net Lease Income Trust, Inc.". The Selected Dealer will promptly send such checks along with the Written Account (as defined herein) to the Escrow Agent. Any checks received that are made payable to a party other than as specifically set forth above shall be returned by the Escrow Agent to the Selected Dealer who submitted the check. The Escrow Agent shall return to the Selected Dealer who submitted the check any checks that are not submitted along with the Written Account or other information of similar content satisfactory to the Escrow Agent. If any checks are received by the Escrow Agent from a party other than a Selected Dealer, the Escrow Agent shall return such check to the person submitting the same. The Company will assist the Selected Dealers in forwarding the checks to the Escrow Agent and will provide the names and addressees of Selected Dealers approved by the Company to submit checks directly to the Escrow Agent. Any person or entity not named on such current list shall not be considered a Selected Dealer.

2. **Escrow Period.** The escrow period (the "Escrow Period") shall begin on the date the Escrow Account is opened and shall terminate upon the earlier to occur of the following dates:

- a. Upon satisfaction of the conditions established under Section 4 below permitting the release of the Escrow Amount (the "Minimum Conditions");

- b. The date that is one year from the date of the Prospectus or one year from the date of the Order of Effectiveness applicable to the Prospectus as issued by the Securities and Exchange Commission, whichever is first; or
  - c. The effective date in the written notification which the Escrow Agent receives from Company of its determination to terminate the offering prior to the satisfaction of the Minimum Conditions.
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During the Escrow Period, the Company is aware and understands that it is not entitled to any funds received into escrow and no amounts deposited in the Escrow Account shall be withdrawn or subject to check or otherwise used by it or any other entity, except as herein provided, or be subject to the debts of the Company or any other entity.

3. **Deposits into the Escrow Account.** Each approved Selected Dealer shall deliver directly to the Escrow Agent by noon of the next business day following receipt thereof all monies received from subscribers for the payment of the Shares to the Escrow Agent for deposit into the Escrow Account together with a written account of each sale (the "Written Account"), which account shall set forth, among other things, the subscriber's name and address, social security number, the number of Shares purchased, the amount paid therefor, whether the consideration received was in the form of a check draft or money order and the Selected Dealer's name and address. All collected funds so deposited in the Escrow Account prior to satisfaction of the Minimum Conditions are herein referred to as the "Escrow Amount", except for interest earned thereon. Notwithstanding anything to the contrary contained herein, after (i) satisfaction of the Minimum Conditions and (ii) written notification from the Company, Selected Dealers shall continue to promptly transmit such checks, drafts and money orders, along with the appropriate subscription documents, to the Escrow Agent and Escrow Agent shall thereafter collect the funds and promptly thereafter remit such funds (less commission payments deducted from the non-U.S. sales of Shares per written instructions from the Company) to the Company.

4. **Disbursements from the Escrow Account.** In the event that the Escrow Period terminates without satisfaction of the Minimum Conditions, the Escrow Agent shall promptly refund directly to each subscriber, at the address indicated on the Written Account or such other address that Escrow Agent can determine, the amount received from the subscriber with interest actually earned thereon, without deduction, penalty or expense to the subscriber, and the Escrow Agent shall notify the Company and the Selected Dealer of its distribution of the funds. The purchase money returned to each subscriber shall be free and clear of any and all claims of the Company or any of its creditors.

Before the Escrow Agent shall be properly authorized and empowered pursuant to this Agreement to release the Escrow Amount the following conditions (the "Minimum Conditions") must be satisfied as determined by the Escrow Agent:

- a. The Escrow Amount contains a minimum of \$3,000,000 (the "Minimum Escrow Amount");
- b. The aforementioned minimum Escrow Amount was achieved prior to the earlier of the dates set forth in Section 2B above;
- c. The Company has certified in a written notification to the Escrow Agent that the Escrow Amount constitutes the proceeds from valid subscriptions of the Shares pursuant to the terms of the Prospectus; and
- d. Counsel for the Company as named in the Prospectus issues to the Escrow Agent a confirmation letter stating that, to its knowledge, neither the Company nor the Company's offering of Shares is subject to any outstanding cease and desist order or stop order issued by the Securities and Exchange Commission or any state securities regulatory agency.

Subscriptions received after satisfaction of the Minimum Conditions shall be held by the Escrow Agent until such time, and from time to time, as the Company requests the release thereof. At such time as the Company requests the release of the escrowed funds, the Company shall designate to the Escrow Agent, in writing, the names of the subscribers whose funds are being withdrawn and the entity or account to which such funds are to be paid. For purposes of this Agreement, the term "collected funds" shall mean all funds received by the Escrow

Agent which have cleared normal banking channels and are in the form of cash. If the Escrow Amount is released to the Company, each subscriber will receive his pro rata share of any interest actually earned on the Escrow Amount based on the date of

deposit of such subscriber's subscription payment. With respect to subscribed Funds received held in Escrow Account and thereafter released once the Minimum Escrow Amount has been received and the Company gives notice to the Escrow Agent to release said funds, the Escrow Agent shall transmit directly to each subscriber his pro rata share of such interest, at the address indicated on the Written Account or such other address that Escrow Agent can determine. With respect to subscribed funds received by the Escrow Agent after the Minimum has been released to the Company, the Escrow Agent shall not be required to transmit any interest earned on said funds to the subscriber.

5. **Collection Procedure.** The Escrow Agent is hereby authorized to forward each check for collection and, upon collection of the proceeds of each check, deposit the collected proceeds in the Escrow Account. As an alternative, the Escrow Agent may telephone the bank on which the check is drawn to confirm that the check has been paid.

Any check returned unpaid to the Escrow Agent shall be returned to the Selected Dealer that submitted the check, at the address indicated on the Written Account or such other address that Escrow Agent can determine. In such cases, the Escrow Agent will promptly notify the Company of such return.

If the Company rejects any subscription for which the Escrow Agent has already collected funds and upon written notice of such rejection to the Escrow Agent from the Company, the Escrow Agent shall promptly issue a refund check to the rejected subscriber in the amount of the subscriber's check plus any interest credited thereon. If the Company rejects any subscription for which the Escrow Agent has not yet collected funds but has submitted the subscriber's check for collection and upon written notice of such rejection to Escrow Agent from the Company, the Escrow Agent shall promptly issue a check in the amount of the subscriber's check to the rejected subscriber after the Escrow Agent is satisfied that such uncollected funds are collected. If the Escrow Agent has not yet submitted a rejected subscriber's check for collection and upon written notice to Escrow Agent from the Company is rejecting such subscription, the Escrow Agent shall promptly return the subscriber's check directly to subscriber.

6. **Compensation of Escrow Agent.** The Company shall pay the Escrow Agent compensation for its escrow services as set forth in the attachment to this Escrow Agreement, said attachment being incorporated herein by reference. If it is necessary for the Escrow Agent to return funds to the subscribers or to a Selected Dealer or if Escrow Agent does any other act or provides any other service as requested by the Company, the Company shall pay to the Escrow Agent an additional amount sufficient to reimburse it for its actual cost in disbursing such funds or in doing such acts or providing such services. However, no such fee, reimbursement for costs and expenses, indemnification for any damages incurred by the Escrow Agent, or any monies whatsoever shall be paid out of or chargeable to the funds on deposit in the Escrow Account.

7. **Miscellaneous.** The Escrow Agent represents that it is not affiliated with the Company. In receiving items for deposit or collection, the Escrow Agent acts only as the collecting agent for the Company, and assumes no responsibility beyond the exercise of ordinary care. All items received by the Escrow Agent for the purposes of deposit or collection and all credit for items are provisional and subject to final payment. Monies received by Escrow Agent shall be invested only in investments permissible under SEC Rule 15c 2-4. No withdrawals shall be permitted from the Escrow Account except as provided herein or as required by law or court order. The Escrow Agent may not at any time set off any sums credited to the Escrow Account against any indebtedness owed to the Escrow Agent by any party. The Escrow Agent will not be liable for default or negligence of its duly selected correspondents, nor for losses in transit, and each correspondent so selected shall not be liable except for its own negligence. The Escrow Agent or its correspondents may send any item, directly or indirectly, to any bank including the payor, and accept its draft or credit as conditional payment in lieu

of cash, it may charge back any item at any time before final payment, whether returned or not, or any item drawn on the Escrow Agent which is not good at the close of business on the date deposited.

All notices, communications or transmissions required or permitted by this Agreement shall be mailed by United States mail, first class. All notices, communications or transmissions sent by Escrow Agent to a subscriber or Selected Dealer shall be sent to the address indicated on the Written Account or such other address that Escrow Agent can determine.

As to all checks, drafts and other items for the payment of money, which now or hereafter constitute, or which are intended to constitute, any part of (or which are attempted to be deposited in) the Escrow Account, the Escrow Agent shall have the right (and is hereby authorized) to endorse the same in the name of any party hereto and deposit the same in the Escrow Account. In general, Escrow Agent shall have all of the rights afforded a collecting bank or presenting bank under the Uniform Commercial Code in effect in the State of Michigan; provided, however, that Escrow Agent shall not have the right of set-off.

All of the terms and conditions in connection with the Escrow Agent's duties and responsibilities, and the rights of the undersigned or anyone else, with respect to the Escrow Account, are contained solely in this Agreement and in any signature card required by the Escrow Agent pertaining to the Escrow Account, and the Escrow Agent is not expected or required to be familiar with the provisions of any other writing, understanding or agreement, and shall not be charged with any responsibility or liability in connection with the observance or non-observance of the provisions of any such other writing, understanding or agreement, and no implied covenant or obligation on the part of the Escrow Agent shall be read into this Agreement; and the Escrow Agent shall not be responsible in any manner for any depreciations in the value of the Escrow Account or any of the items attempted to be deposited therein or the proceeds thereof, nor shall the Escrow Agent have any duty or responsibility whatsoever to take any necessary steps to preserve any rights or enforce collection of any of the items attempted to be deposited in the Escrow Account or the proceeds thereof by legal proceedings or otherwise.

The Escrow Agent may act or refrain from acting in respect of any matter referred to herein in full reliance upon any by any with the advice of counsel which may be selected by it, and shall be fully protected in so acting or in refraining from acting upon the advise of such counsel.

The Escrow Agent may rely and shall be protected in acting upon any writing which may be submitted to it in connection with its duties hereunder and which is believed by it to be genuine and to have been signed or presented by the proper party or parties and shall have no liability or responsibility with respect to the form, content, execution or validity thereof.

The Escrow Agent shall have no responsibility or liability for any act or omission on its part, notwithstanding any demand or notice to the contrary by any party hereto or any other person or entity, all subject to the sole limitation that the Escrow Agent act in good faith, and upon the exercise of its best judgment. Except as herein expressly provided, none of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur financial liability or expense in the performance of any of its duties hereunder.

The Escrow Agent is hereby authorized to comply with and obey all orders, judgments, decrees or writs entered or issued by any court, and in the event the Escrow Agent obeys or complies with any such order, judgment, decree or writ of any court, in whole or in part, it shall not be liable to any of the parties hereto, nor to any other person or entity, by reason of such compliance, notwithstanding that it shall be determined that any such order, judgment, decree or writ be entered without jurisdiction or be invalid for any reason or be subsequently reversed, modified, annulled, satisfied or vacated.

The Escrow Agent shall not be required to institute or defend any action or legal process involving any matter referred to herein which in any manner affects it or its duties or liabilities hereunder to

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take any other action with reference to the Escrow Account not specifically agreed to therein, and the Escrow Agent shall not be responsible for any act or failure to act on its part except in the case of its own bad faith or gross negligence.

Company promises and agrees to indemnify and save the Escrow Agent from any and all claims, liabilities, judgments, attorney fees and other expenses of every kind and nature which may be incurred by the Escrow Agent in any manner pertaining to, connected with or emanating from the Escrow Agent's acceptance of, and its performance under, this Agreement.

Should any controversy arise between the undersigned or between any of the undersigned and any other person or entity with respect to this Agreement, or with respect to the ownership of or the right to receive any sums from the Escrow Account, Escrow Agent shall have the right to institute a bill of interpleader in any court of competent jurisdiction to determine the rights of the parties. Should a bill of interpleader be instituted, or should Escrow Agent become involved in litigation in any manner whatsoever connected with or pertaining to this Agreement or the Escrow Account, the Company hereby binds and obligates itself, its heirs and legal representatives, to pay Escrow Agent, on demand, in addition to any charge made hereunder for acting as escrow agent, reasonable attorney fees incurred by Escrow Agent, and any other disbursements, expenses, losses, costs and damages in connection with or resulting from such litigation.

Escrow Agent may resign as escrow agent by giving all of the parties hereto not less than 15 days prior written notice of the effective date of such resignation. If on or prior to the effective date of such resignation, Escrow Agent has not received joint written instructions from the parties hereto, it will thereupon deposit the Escrow Amount into the registry of a court of competent jurisdiction. The parties hereto intend that a substitute escrow agent will be appointed to fulfill the duties of the Escrow Agent hereunder for the remaining term of this Agreement in the event of the Escrow Agent's resignation, and if the parties hereto cannot agree on a substitute escrow agent, they will use their best efforts to derive a procedure to appoint a substitute escrow agent.

The Escrow Agent is acting solely as an escrow agent hereunder and not as a trustee, and the Escrow Agent has no fiduciary duties, obligations or liabilities under this Agreement.

All of the terms, conditions and agreements contained herein shall be binding on each of the undersigned, jointly and severally, and each of the undersigned's heirs, successors, legal representatives and assigns.

The name of the Escrow Agent shall not be used in any way which may infer an association with the Company, other than that of escrow agent.

This Agreement is entered into for the express benefit of the Company and the subscribers for Shares.

The laws of the State of Michigan shall govern the interpretation of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

GEN-NET LEASE INCOME TRUST, INC.

By: \_\_\_\_\_  
Jerry D. Bringard, President

Agreed to and accepted this        day of        , 2002.

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Citizens First Savings Bank

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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[WITNESSETH](#)

**OMNIBUS SERVICES AGREEMENT**

**THIS AGREEMENT** is entered into by and among Gen-Net Lease Income Trust, Inc., a Michigan corporation (the "Company") and Genesis Financial Group, Inc., a Michigan corporation ("Genesis").

**WITNESSETH**

**WHEREAS**, the Company is offering shares of common stock to the public pursuant to a registered prospectus (the "Prospectus");

**WHEREAS**, the Prospectus provides that various services will be furnished to the Company by Genesis and these services and the compensation terms to be paid by the Company are generally described in the Prospectus; and

**WHEREAS**, the parties have resolved to enter into this Agreement to describe in greater detail the services to be provided and the terms of compensation for such services.

**NOW THEREFORE**, the parties covenant and agree as follows:

1. Property Acquisition Services.

- (a) Genesis shall locate prospective acquisition properties for the Company that meet the acquisition criteria established in the Prospectus; investigate the purchase terms and all material aspects and characteristics of the proposed acquisition property; negotiate with the seller the proposed acquisition terms; engage legal counsel; oversee preparation of and review the purchase documentation and monitor the closing for the purchased property to insure that all acquisition terms are satisfied and that all acquisition requirements set forth in the Prospectus have been met in all material respects.
- (b) The compensation to be received by Genesis shall be reasonable and shall be payable only for services actually rendered directly or indirectly and subject to the following conditions:
  - (i) The total of all such compensation paid to everyone involved in the acquisition transaction by the Company and/or any other person shall be deemed to be presumptively reasonable if it does not exceed the lesser of such compensation customarily charged in arm's length transactions by others rendering similar circumstances as an on-going public activity in the same geographical location and for comparable property or an amount not to exceed 3 percent of the property purchase price.
  - (ii) The limitations imposed above shall be complied with at all times.
- (c) Within 30 days after completion of the last acquisition, Genesis shall cause to be forwarded to the appropriate state securities commissioners, including California, a schedule, verified by a duly authorized officer under penalty of perjury, reflecting:



- (i) each property acquisition made;
- (ii) the purchase price paid; and
- (iii) the aggregate of all acquisition fees paid on each transaction.

## 2. Property Disposition Services

- (a) Genesis shall locate purchasers of the Company properties pursuant to the disposition criteria established by the Company; negotiate with the purchaser the proposed sale terms; engage legal counsel; oversee preparation of sale documentation and monitor the closing of the transaction. In performing all of the foregoing activities, Genesis shall be

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subject to the direction of the Company and the Company and the Company shall have final approval of all final actions and agreements.

- (b) Genesis shall be entitled to receive, in the aggregate, a real estate commission upon the sale of Company properties if it provides substantial real estate brokerage services in connection with such sale, provided the aggregate compensation does not exceed an amount equal to a competitive real estate commission but in any event not to exceed 5 percent of the contract price for the sale of the property.
- (c) The total commission paid to all persons for the sale of a Company property shall be limited to an amount which does not exceed a competitive real estate commission but in any event not to exceed five percent (5%) of the contract price for the sale of the property.

## 3. Administrative Services.

- (a) Genesis or its affiliate may provide administrative services to the Company necessary for its prudent operation, including transfer agent support. Such services may include computer, secretarial, correspondence, reception, copying, telecopying, similar office functions and activities.
- (b) For providing such services, Genesis shall be paid monthly a fee of 3 percent of the gross rental revenues of the properties, such fee to be reviewed and approved by a majority of the Company's directors including a majority of its Independent Directors prior to becoming effective. In no event shall Genesis be paid a fee for its services which shall exceed the price that would be charged by unaffiliated persons rendering similar services in the same geographic location. Genesis shall also be entitled to be reimbursed for its actual out-of-pocket costs and expenses incurred on behalf of the Company in performing its services hereunder. "Costs" may include an allocable share of the administrative overhead expense incurred by Genesis or its affiliate in furnishing the said services, provided that such overhead allocation shall be verified according to the provisions set forth in paragraph 3(e) above.
- (c) In connection with providing such services Genesis represents that it has currently the key staff personnel and can acquire supporting staff personnel as may be necessary depending on the number of Shareholders in the Company to provide the services referred to in paragraph 3(a) above.

- (d) Genesis further represents that it has previously engaged in the business of rendering such services independently as an ordinary and ongoing business on behalf of other affiliated companies or partnerships.
- (e) In connection with the annual report to investors the Company shall cause its independent auditors to verify that general and administrative overhead incurred by Genesis which is not directly attributable to the rendering of services authorized by this paragraph are not being charged to the Company. The method of verification shall at a minimum provide:
  - (i) a review of the time records of individual employees, the cost of whose services were reimbursed; and
  - (ii) a review of the specific nature of the work performed by each employee.

#### 4. Property Management.

- (a) The Company's properties will be managed by Genesis as is necessary for the prudent operation of the Company's properties. Presently, Genesis has an adequate staff to be

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able to render such services to the Company which it utilizes in the conduct of its business.

- (b) Property management services will include providing leasing services, assisting in negotiating leases, providing monthly property reports, collecting, depositing and accounting for rents, periodically verifying tenant payments of real estate taxes and insurance premiums and periodic inspection of properties and tenants' sales receipts records, where applicable under the leases.
- (c) For providing such services, Genesis shall be paid monthly a fee of 3 percent of the gross rental revenues of the properties, such fee to be reviewed and approved by a majority of the Company's directors including a majority of its Independent Directors prior to becoming effective. In no event shall Genesis be paid a fee for its services which shall exceed the price that would be charged by unaffiliated persons rendering similar services in the same geographic location. Genesis shall also be entitled to be reimbursed for its actual out-of-pocket costs and expenses incurred on behalf of the Company in performing its services hereunder. "Costs" may include an allocable share of the administrative overhead expense incurred by Genesis or its affiliate in furnishing the said services, provided that such overhead allocation shall be verified according to the provisions set forth in paragraph 3(e) above.

#### 5. Sale of Goods.

Genesis agrees that under no circumstances will it or any affiliate sell any goods to the Company. In the event that Genesis or any Genesis affiliate acquires goods for the Company for which it seeks reimbursement, such reimbursement shall be for the actual cost of the goods acquired and only to the extent used by the Company.

#### 6. Contract Term, Amendment and Termination.

- (a) This Agreement shall commence on the date it is signed by both parties and continue for a period of 12 months thereafter. It will automatically renew for successive 12 month periods unless terminated pursuant to subparagraph

(c) below.

- (b) This Agreement shall not be amended or modified in any material respect except by a vote of a majority in interest of the Shareholders of the Company at a regular or special meeting called for such purpose.
- (c) This Agreement may be terminated by either party without penalty on 60 days' prior written notice to the other party.

7. Miscellaneous.

- (a) This Agreement shall be enforced and construed in accordance with the laws of the State of Michigan.
- (b) If any provision of this Agreement is in conflict with any provision of the Company's Bylaws or Prospectus dated \_\_\_\_\_, 2002, or the blue sky rules applicable to real estate programs, such provisions shall be null and void and the remainder of the Agreement shall remain in full force and effect.
- (c) This Agreement shall terminate, unless terminated sooner by a default hereunder or by other terms of the agreement, at such time as the Company is liquidated and terminated pursuant to the terms of the Company's Articles of Incorporation.

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Entered into by and between the parties hereto as of the \_\_\_\_\_ day of \_\_\_\_\_, 2002.

Gen-Net Lease Income Trust, Inc.

By: \_\_\_\_\_  
Jerry D. Bringard, President

Genesis Financial Group, Inc.

By: \_\_\_\_\_  
D. James Barton, President

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[OMNIBUS SERVICES AGREEMENT](#)  
[WITNESSETH](#)

**CONSENT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors of  
Gen-Net Lease Income Trust, Inc.

We hereby consent to the inclusion in the Registration Statement under the Securities Act of 1933 and Investment Company Act of 1940 on Form S-11 of our report dated January 10, 2002, on our audit of the financial statements of Gen-Net Lease Income Trust, Inc., as of December 31, 2000 and 2001 and the three years in the period ended which are included in the Registration Statement. We further consent to the reference to our firm under the caption "Experts" in both the Prospectus and Part II of the Registration Statement.

By:           /s/ ZWICK & STEINBERGER, P.L.L.C.            
          Zwick & Steinberger, P.L.L.C.

Southfield, Michigan  
January 10, 2002

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[CONSENT OF INDEPENDENT ACCOUNTANTS](#)

**Table VI. Acquisitions of Properties by Programs**

	<u>Property Location/Tenant</u>	<u>Type of Property</u>	<u>Gross Leasable Space (in sq. ft)</u>	<u>Date of Purchase</u>	<u>Mortgage Financing (at date of purchase)</u>
Fixed Income Series 1	Moline, IL–Federal Express	Single Tenant–Distribution	55,000	2/12/1999	\$ 2,100
Fixed Income Series 2	Westport, MA–Post Office	Single Tenant–Office	3,986	8/15/1997	\$
Fixed Income Series 3	Brashear, Tx–US Post Office	Single Tenant–Office	1,456	3/17/1999	\$
	Lithopolis, OH–US Post Office	Single Tenant–Office	3,062	4/21/1999	\$
	Oceanside, CA–Federal Naval Credit Union	Single Tenant–Office	6,800	7/23/2001	\$ 1,110
	San Antonio TX–State of Texas	Single Tenant–Office	9,050	11/16/1999	\$ 1,953
	Cameron, TX–State of Texas	Single Tenant–Office	5,890	9/1/1999	\$
	Midway TX–US Post Office	Single Tenant–Office	3,200	2/25/2000	\$
Fixed Income Series 4	Teague, TX–State of Texas	Single Tenant–Office	3,255	9/1/1999	\$
	Hamilton, TX–State of Texas	Single Tenant–Office	4,565	9/1/1999	\$
	Ft. Worth TX–State of Texas	Single Tenant–Office	21,355	10/19/1999	\$ 1,010
	Bryan TX–State of Texas	Single Tenant–Office	27,885	10/19/1999	\$ 669
	Brenham TX–State of Texas	Single Tenant–Office	9,185	10/19/1999	\$ 337
	Lytle TX–State of Texas	Single Tenant–Office	26,225	10/19/1999	\$ 777
Fixed Income Series 5	Edinburg TX–State of Texas	Single Tenant–Office	45,990	10/19/1999	\$ 1,548
	San Antonio TX–Veterans Administration	Single Tenant–Office	62,860	12/29/1999	\$ 6,245
Fixed Income Series Corporate/Government 1	Houston TX–State of Texas	Single Tenant–Office	64,640	11/16/1999	\$ 1,100
	Waco TX–State of Texas	Single Tenant–Office	11,430	12/15/1999	\$ 568
	Bryan TX–State of Texas	Single Tenant–Office	17,675	12/15/1999	\$ 777
Fixed Income Series Corporate/Government 2	Coppares Cove TX–State of Texas	Single Tenant–Office	7,776	2/16/2000	\$
	Deltaville VA–US Post Office	Single Tenant–Office	4,415	3/31/2000	\$
Fixed Government–US Post Office Series 1	Chicago Heights, IL–Social Security Admin.	Single Tenant–Office	14,600	5/15/2000	\$ 1,942
	Grapevine, TX–US Post Office	Single Tenant–Office	4,200	5/18/1998	\$
Fixed Income Series 9	Hilo, HI–Veterans Administration	Single Tenant–Office	13,040	11/29/2000	\$ 2,625
	Wadsworth, TX–US Post Office	Single Tenant–Office	2,571	1/15/2001	\$
Fixed Income Series 10	Egg Harbor, NJ–Social Security Admin.	Single Tenant–Office	10,508	4/20/2001	\$ 1,218
	Independence, MO Social Security Admin.	Single Tenant–Office	13,002	4/25/2001	\$ 1,500
Fixed Income Series 11	East Bernard, TX–US Post Office	Single Tenant–Office	7,136	7/1/2001	\$
	Yuma, AZ–Bureau of Land Management	Single Tenant–Office	31,050	7/1/2001	\$ 1,600

Fixed Income Series 12	Property Under Contract	Single Tenant-Office			
Fixed Income Series 14	Waller, TX-US Post Office	Single Tenant-Office	9,036	9/30/2001	\$
Fixed Income Series 15	Property Under Contract	Single Tenant-Office			
Genesis Financial Group-Series A & B Bonds	General Obligation Bonds				
Genesis Financial Group-10% Bonds	General Obligation Bonds				

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