As filed with the Securities and Exchange Commission on March 11, 2004

Registration No. 333-85848

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 7
TO
FORM S-11
REGISTRATION STATEMENT

Under
The Securities Act of 1933

WELLS REAL ESTATE INVESTMENT TRUST, INC.

(Exact name of registrant as specified in governing instruments)

6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092
(770) 449-7800
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Donald Kennicott, Esq.
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1201 West Peachtree Street, N.W.
Atlanta, Georgia 30309-3400
(404) 817-8500
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Agent for Service)

Maryland	**58-2328421**
(State or other Jurisdiction of Incorporation)	**(I.R.S. Employer Identification Number)**

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 the 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, check the following box. ☐ ________

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

[The following is text to a sticker to be attached to the front cover page of the prospectus in a manner that will not obscure the Risk Factors:]

SUPPLEMENTAL INFORMATION – The prospectus of Wells Real Estate Investment Trust, Inc. consists of this sticker, the prospectus dated July 26, 2002, Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 15, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, Supplement No. 9 dated August 27, 2003, Supplement No. 10 dated September 15, 2003, Supplement No. 11 dated September 25, 2003, Supplement No. 12 dated October 20, 2003, Supplement No. 13 dated December 11, 2003, and Supplement No. 14 dated January 10, 2004. Supplement No. 1 includes descriptions of acquisitions of buildings in San Antonio, Texas; Houston, Texas; Duncan, South Carolina; and Suwanee, Georgia, updated unaudited financial statements and certain other revisions to the prospectus. Supplement No. 2 includes descriptions of acquisitions of buildings in Irving, Texas; and Austin, Texas, description of a lease of a build-to-suit office building in Chandler, Arizona, declaration of fourth quarter dividends and certain other revisions to the prospectus. Supplement No. 3 includes descriptions of acquisitions of buildings in Holtsville, New York; Parsippany, New Jersey; Indianapolis, Indiana; Colorado Springs, Colorado; Des Moines, Iowa; Plano, Texas; and Westlake, Texas, description of a build-to-suit office building in Chandler, Arizona, audited financial statements relating to acquisitions of buildings in Austin, Texas; Holtsville, New York; and Parsippany, New Jersey, and certain other revisions to the prospectus. Supplement No. 4 includes descriptions of acquisitions of buildings in Washington, D.C.; Glen Allen, Virginia; and Nashville, Tennessee, audited financial statements relating to acquisitions of buildings in Washington, D.C.; and Nashville, Tennessee, updated unaudited financial statements, declaration of first quarter dividends for 2003 and certain other revisions to the prospectus. Supplement No. 5 includes descriptions of acquisitions of buildings in Fishers, Indiana; Glendale, California; and Mayfield Heights, Ohio, description of the second transaction under the Section 1031 Exchange Program, audited financial statements relating to the acquisition of the building in Glendale, California, updated unaudited financial statements, and certain other revisions to the prospectus. Supplement No. 6 includes descriptions of acquisition of a building in Detroit, Michigan, declaration of second quarter dividends for 2003, updated financial statements and prior performance tables, revisions to the "ERISA Considerations – Annual Valuations" section and certain other revisions to the prospectus. Supplement No. 7 includes descriptions of acquisitions of buildings in Englewood Cliffs, New Jersey; Minneapolis, Minnesota; Chicago, Illinois; and Auburn Hills, Michigan, updated status reports on three build-to-suit properties; description of a new unsecured line of credit, audited financial statements relating to the acquisition of the buildings in Minneapolis, Minnesota and Chicago, Illinois, updated unaudited financial statements of the Wells REIT for the first quarter of 2003, and certain other revisions to the prospectus. Supplement No. 8 includes description of a notice received from the NASD relating to an enforcement action and declaration of third quarter dividends for 2003. Supplement No. 9 includes descriptions of acquisitions of buildings in Reston, Virginia; Atlanta, Georgia; Rockville, Maryland; and Bridgewater, New Jersey, updated financial statements, revisions to the "Management – Executive Officers and Directors" section, revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, revisions to the "Plan of Distribution – Underwriting Compensation and Terms" section, a description of the Settlement of the NASD enforcement action and certain other revisions to the prospectus. Supplement No. 10 includes descriptions of acquisitions of buildings in Pasadena, California; Brea, California; and Lyndhurst, New Jersey and certain other revisions to the prospectus. Supplement No. 11 describes the status of our Share Redemption Program, the formation of Wells Real Estate Investment Trust II, Inc., revisions to the "Conflicts of Interest" section, revisions to the "Management – The Advisor" section, revisions to the "Management – Affiliated Companies – Dealer Manager" section and certain other revisions to the prospectus. Supplement No. 12 includes descriptions of a legal proceeding involving the Wells REIT, status of our Share Redemption Program, acquisitions of buildings in Irvine, California; Hoffman Estates, Illinois; and Beaverton, Oregon, sale of a building in Fountain Valley, California, revisions to the "Management – Executive Officers and Directors" section, revisions to the "Management – The Advisor" section, and certain other revisions to the prospectus. Supplement No. 13 includes descriptions of an acquisition of a partnership interest in an entity which owns a building in Chicago, Illinois; acquisition of all of the outstanding common stock of a real estate investment trust, which owns interests in three buildings in the Washington, DC area; acquisition of all of the membership interest in a limited liability company which owns a building in Arlington, Virginia, updated unaudited financial statements of the Wells REIT for the first quarter of 2003; and certain other revisions to the prospectus. Supplement No. 14 includes acquisitions of buildings in Issaquah, Washington; Brea, California; Philadelphia, Pennsylvania; New York, New York; Cambridge, Massachusetts; and Tacoma, Washington, revisions to the "Description of Shares – Share Redemption Program" section, revisions to the "Management – Affiliated Companies" section, and certain other revisions to the prospectus.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Up to 300,000,000 shares offered to the public

Wells Real Estate Investment Trust, Inc. (Wells REIT) is a real estate investment trust. We invest in commercial real estate properties primarily consisting of high grade office and industrial buildings leased to large corporate tenants. As of July 1, 2002, we owned interests in 53 real estate properties located in 19 states.

We are offering and selling to the public up to 300,000,000 shares for $10 per share and up to 30,000,000 shares to be issued pursuant to our dividend reinvestment plan at a purchase price of $10 per share. We are registering an additional 6,600,000 shares for issuance at $12 per share to participating broker-dealers upon their exercise of warrants.

You must purchase at least 100 shares for $1,000.

The most significant risks relating to your investment include the following:

- lack of a public trading market for the shares;
- reliance on Wells Capital, Inc., our advisor, to select properties and conduct our operations;
- authorization of substantial fees to the advisor and its affiliates;
- borrowing—which increases the risk of loss of our investments; and
- conflicts of interest facing the advisor and its affiliates.

You should see the complete discussion of the risk factors beginning on page 17.

The Offering:

- The shares will be offered on a best efforts basis to investors at $10 per share.
- We will pay selling commissions to broker-dealers of 7% and a dealer manager fee of 2.5% out of the offering proceeds raised.
- We will invest approximately 84% of the offering proceeds raised in real estate properties, and the balance will be used to pay fees and expenses.
- This offering will terminate on or before July 25, 2004.

Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. It is a criminal offense if someone tells you otherwise.

The use of projections or forecasts in this offering is prohibited. No one is permitted to make any oral or written predictions about the cash benefits or tax consequences you will receive from your investment.

WELLS INVESTMENT SECURITIES, INC.

July 26, 2002

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QUESTIONS AND ANSWERS ABOUT THIS OFFERING

Below we have provided some of the more frequently asked questions and answers relating to an offering of this type. Please see the "Prospectus Summary" and the remainder of this prospectus for more detailed information about this offering.

Q: What is a REIT?

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

- combines the capital of many investors to acquire or provide financing for real estate properties;
- pays dividends to investors of at least 90% of its taxable income;
- avoids the "double taxation" treatment of income that would normally result from investments in a corporation because a REIT is not generally subject to federal corporate income taxes on its net income, provided certain income tax requirements are satisfied; and
- allows individual investors to invest in a large-scale diversified real estate portfolio through the purchase of interests, typically shares, in the REIT.

Q: What is Wells Real Estate Investment Trust, Inc.?

A: Wells Real Estate Investment Trust, Inc. is a non-traded REIT formed with the intent to provide investors the potential for income and growth through the acquisition and operation of high-grade commercial office and industrial buildings leased long-term to high net worth companies (typically having a minimum net worth of $100,000,000). The Wells REIT was incorporated in the State of Maryland in 1997.

Q: Who will choose which real estate properties to invest in?

A: Wells Capital, Inc. (Wells Capital) is the advisor to the Wells REIT and, as such, manages our daily affairs and makes recommendations on all property acquisitions to our board of directors. Our board of directors must approve all of our property acquisitions.

Q: Who is Wells Capital?

A: Wells Capital, as our advisor, provides investment advisory and management, marketing, sales and client services on our behalf. Wells Capital was incorporated in the State of Georgia in 1984. As of June 30, 2002, Wells Capital had sponsored public real estate programs which have raised in excess of $1,795,000,000 from approximately 65,000 investors and which own and operate a total of 78 commercial real estate properties.

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Q: What are the specific criteria Wells Capital uses when selecting a potential property acquisition?

A: Wells Capital generally seeks to acquire high quality office and industrial buildings located in densely populated metropolitan markets on an economically "triple-net" basis leased to large companies having a net worth in excess of $100,000,000. Current tenants of public real estate programs sponsored by Wells Capital include The Coca-Cola Company, State Street Bank, AT&T, Siemens Automotive, PricewaterhouseCoopers, Novartis and SYSCO Corporation.

To find properties that best meet our selection criteria for investment, Wells Capital's property acquisition team studies regional demographics and market conditions and interviews local brokers to gain the practical knowledge that these studies sometimes lack. An experienced commercial construction engineer inspects the structural soundness and the operating systems of each building, and an environmental firm investigates all environmental issues to ensure each property meets our quality specifications.

Q. How many real estate properties do you currently own?

A. As of July 1, 2002, we had acquired and owned interests in 53 real estate properties, all of which were 100% leased to tenants. We own the following properties directly:

Property Name	Tenant	Building Type	Location
ISS Atlanta	Internet Security Systems, Inc.	Office Buildings	Atlanta, GA
MFS Phoenix	Massachusetts Financial Services Company	Office Building	Phoenix, AZ
TRW Denver	TRW, Inc.	Office Building	Aurora, CO
Agilent Boston	Agilent Technologies, Inc.	Office Building	Boxborough, MA
Experian/TRW	Experian Information Solutions, Inc.	Office Buildings	Allen, TX
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Office Building	Ft. Lauderdale, FL
Agilent Atlanta	Agilent Technologies, Inc. and Koninklijke Philips Electronics N.V.	Office Building	Alpharetta, GA
Travelers Express Denver	Travelers Express Company, Inc.	Office Buildings	Lakewood, CO
Dana Kalamazoo	Dana Corporation	Office and Industrial Building	Kalamazoo, MI
Dana Detroit	Dana Corporation	Office and Research and Development Building	Farmington Hills, MI
Novartis Atlanta	Novartis Opthalmics, Inc.	Office Building	Duluth, GA
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc. and Newpark Drilling Fluids, Inc.	Office Building	Houston, TX
Arthur Andersen	Arthur Andersen LLP	Office Building	Sarasota, FL
Windy Point I	TCI Great Lakes, Inc., The Apollo Group, Inc., and Global Knowledge Network, Inc.	Office Building	Schaumburg, IL
Windy Point II	Zurich American Insurance Company, Inc.	Office Building	Schaumburg, IL
Convergys	Convergys Customer Management Group, Inc.	Office Building	Tamarac, FL
Lucent	Lucent Technologies, Inc.	Office Building	Cary, NC
Ingram Micro	Ingram Micro L.P.	Distribution Facility	Millington, TN
Nissan	Nissan Motor Acceptance Corporation	Office Building	Irving, TX

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Property Name	Tenant	Building Type	Location
IKON	IKON Office Solutions, Inc.	Office Buildings	Houston, TX
State Street	SSB Realty LLC	Office Building	Quincy, MA
Metris Minnesota	Metris Direct, Inc.	Office Building	Minnetonka, MN
Stone & Webster	Stone & Webster, Inc. and SYSCO Corporation	Office Building	Houston, TX
Motorola Plainfield	Motorola, Inc.	Office Building	S. Plainfield, NJ
Delphi	Delphi Automotive Systems, Inc.	Office Building	Troy, MI
Avnet	Avnet, Inc.	Office Building	Tempe, AZ
Motorola Tempe	Motorola, Inc.	Office Building	Tempe, AZ
ASML	ASM Lithography, Inc.	Office and Warehouse Building	Tempe, AZ
Dial	Dial Corporation	Office Building	Scottsdale, AZ
Metris Tulsa	Metris Direct, Inc.	Office Building	Tulsa, OK
Cinemark	Cinemark USA, Inc. and The Coca-Cola Company	Office Building	Plano, TX
Videojet Technologies Chicago	Videojet Technologies, Inc.	Office, Assembly and Manufacturing Building	Wood Dale, IL
Alstom Power Richmond	Alstom Power, Inc.	Office Building	Midlothian, VA
Matsushita	Matsushita Avionics Systems Corporation	Office Building	Lake Forest, CA
PwC	PricewaterhouseCoopers	Office Building	Tampa, FL

We own interests in the following real estate properties through joint ventures with affiliates:

Property Name	Tenant	Building Type	Location
ADIC	Advanced Digital Information Corporation	Office Buildings	Parker, CO [1]/8
AmeriCredit	AmeriCredit Financial Services Corporation	Office Building	Orange Park, FL
Comdata	Comdata Network, Inc.	Office Building	Brentwood, TN
AT&T Oklahoma	AT&T Corp. and Jordan Associates	Office Buildings	Oklahoma City, OK
Quest	Quest Software, Inc.	Office Building	Irvine, CA
Siemens	Siemens Automotive Corporation	Office Building	Troy, MI
Gartner	Gartner Group, Inc.	Office Building	Fort Myers, FL
Johnson Matthey	Johnson Matthey, Inc.	Research and Development, Office and Warehouse Building	Wayne, PA
Sprint	Sprint Communications Company L.P.	Office Building	Leawood, KS
EYBL CarTex	EYBL CarTex, Inc.	Manufacturing and Office Building	Fountain Inn, SC
Cort Furniture	Cort Furniture Rental Corporation	Office and Warehouse Building	Fountain Valley, CA
Fairchild	Fairchild Technologies U.S.A., Inc.	Manufacturing and Office Building	Fremont, CA
Avaya	Avaya, Inc.	Office Building	Oklahoma City, OK
Iomega	Iomega Corporation	Office and Warehouse Building	Ogden, UT
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Office Building	Broomfield, CO
Ohmeda	Ohmeda, Inc.	Office Building	Louisville, CO
Alstom Power Knoxville	Alstom Power, Inc.	Office Building	Knoxville, TN

If you want to read more detailed information about each of these properties, see the "Description of Real Estate Investments" section of this prospectus.

Q: Why do you acquire properties in joint ventures?

A: We acquire some of our properties in joint ventures in order to diversify our portfolio of properties in terms of geographic region, property type and industry group of our tenants.

Q: What steps do you take to make sure you purchase environmentally compliant property?

A: We always obtain a Phase I environmental assessment of each property purchased. In addition, we generally obtain a representation from the seller that, to its knowledge, the property is not contaminated with hazardous materials.

Q: What are the terms of your leases?

A: We seek to secure leases with creditworthy tenants prior to or at the time of the acquisition of a property. Our leases are generally economically "triple-net" leases, which means that the tenant is responsible for the cost of repairs, maintenance, property taxes, utilities, insurance and other operating costs. In most of our leases, we are responsible for replacement of specific structural components of a property such as the roof of the building or the parking lot. Our leases generally have terms of eight to 10 years, many of which have renewal options for additional five-year terms.

Q: How does the Wells REIT own its real estate properties?

A: We own all of our real estate properties through an "UPREIT" called Wells Operating Partnership, L.P. (Wells OP). Wells OP was organized to own, operate and manage real properties on our behalf. The Wells REIT is the sole general partner of Wells OP.

Q: What is an "UPREIT"?

A: UPREIT stands for "Umbrella Partnership Real Estate Investment Trust." The UPREIT structure is used because a sale of property directly to the REIT is generally a taxable transaction to the selling property owner. In an UPREIT structure, a seller of a property who desires to defer taxable gain on the sale of his property may transfer the property to the UPREIT in exchange for limited partnership units in the UPREIT and defer taxation of gain until the seller later exchanges his UPREIT units on a one-for-one basis for REIT shares. If the REIT shares are publicly traded, the former property owner will achieve liquidity for his investment. Using an UPREIT structure gives us an advantage in acquiring desired properties from persons who may not otherwise sell their properties because of unfavorable tax results.

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

A: We have been making and intend to continue to make dividend distributions on a quarterly basis to our stockholders. The amount of each dividend distribution is determined by our board of directors and typically depends on the amount of distributable funds, current and projected cash

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requirements, tax considerations and other factors. However, in order to remain qualified as a REIT, we must make distributions of at least 90% of our REIT taxable income.

Q: How do you calculate the payment of dividends to stockholders?

A: We calculate our quarterly dividends on a daily basis to stockholders of record so your dividend benefits will begin to accrue immediately upon becoming a stockholder.

Q: What have your dividend payments been since you began operations on June 5, 1998?

A: We have paid the following dividends since we began operations:

Quarter	Approximate Amount (Rounded)	Annualized Percentage Return on an Investment of $10 per Share
3rd Qtr. 1998	$0.150 per share	6.00%
4th Qtr. 1998	$0.163 per share	6.50%
1st Qtr. 1999	$0.175 per share	7.00%
2nd Qtr. 1999	$0.175 per share	7.00%
3rd Qtr. 1999	$0.175 per share	7.00%
4th Qtr. 1999	$0.175 per share	7.00%
1st Qtr. 2000	$0.175 per share	7.00%
2nd Qtr. 2000	$0.181 per share	7.25%
3rd Qtr. 2000	$0.188 per share	7.50%
4th Qtr. 2000	$0.188 per share	7.50%
1st Qtr. 2001	$0.188 per share	7.50%
2nd Qtr. 2001	$0.188 per share	7.50%
3rd Qtr. 2001	$0.188 per share	7.50%
4th Qtr. 2001	$0.194 per share	7.75%
1st Qtr. 2002	$0.194 per share	7.75%
2nd Qtr. 2002	$0.194 per share	7.75%
3rd Qtr. 2002	$0.194 per share	7.75%

Q: May I reinvest my dividends in shares of the Wells REIT?

A: Yes. You may participate in our dividend reinvestment plan by checking the appropriate box on the Subscription Agreement or by filling out an enrollment form we will provide to you at your request. The purchase price for shares purchased under the dividend reinvestment plan is currently $10 per share.

Q: Will the dividends I receive be taxable as ordinary income?

A: Yes and No. Generally, dividends that you receive, including dividends that are reinvested pursuant to our dividend reinvestment plan, will be taxed as ordinary income to the extent they are from current or accumulated earnings and profits. We expect that some portion of your dividends will not be subject to tax in the year in which they are received because depreciation expenses reduce the amount of taxable income but do not reduce cash available for distribution. The portion of your distribution which is not subject to tax immediately is considered a return of capital for tax purposes and will reduce the tax basis of your investment. This, in effect, defers a portion of your tax until your investment is sold or the Wells REIT is liquidated, at which time you will be taxed at capital gains rates. However, because each investor's tax considerations are different, we suggest that you consult with your tax advisor. You should also review the section of the prospectus entitled "Federal Income Tax Considerations."

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

A: We will use your investment proceeds to purchase high-grade commercial office and industrial buildings. We intend to invest a minimum of 84% of the proceeds from this offering to acquire real estate properties, and the remaining proceeds will be used to pay fees and expenses of this offering and acquisition-related expenses. The payment of these fees and expenses will not reduce your invested capital. Your initial invested capital amount will remain $10 per share, and your dividend yield will be based on your $10 per share investment.

Until we invest the proceeds of this offering in real estate, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments will not earn as high of a return as we expect to earn on our real estate investments, and we cannot guarantee how long it will take to fully invest the proceeds in real estate.

We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares of common stock in our initial public offering, which commenced on January 30, 1998 and was terminated on December 19, 1999. Of the $132,181,919 raised in the initial offering, we invested a total of $111,032,812 in real estate properties. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,920 shares of common stock in our second public offering, which commenced on December 20, 1999 and was terminated on December 19, 2000. Of the $175,229,193 raised in the second offering, we invested a total of $147,192,522 in real estate properties. As of June 30, 2002, we had received approximately $1,148,480,414 in gross offering proceeds from the sale of 114,895,413 shares of common stock in our third offering, which commenced on December 20, 2000. Of this additional $1,148,480,414 raised in the third offering, we have invested $627,067,589 in real estate properties and, as of June 30, 2002, we have $344,269,118 available for investment in properties.

Q: What kind of offering is this?

A: We are offering the public up to 300,000,000 shares of common stock on a "best efforts" basis.

Q: How does a "best efforts" offering work?

A: When shares are offered to the public on a "best efforts" basis, the brokers participating in the offering are only required to use their best efforts to sell the shares and have no firm commitment or obligation to purchase any of the shares.

Q: How long will this offering last?

A: The offering will not last beyond July 25, 2004.

Q: Who can buy shares?

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

Q: Is there any minimum investment required?

A: Yes. Generally, you must invest at least $1,000. Except in Maine, Minnesota, Nebraska and Washington, investors who already own our shares or who have purchased units from an affiliated Wells public real estate program can make purchases for less than the minimum investment. These minimum investment levels may be higher in certain states, so you should carefully read the more detailed description of the minimum investment requirements appearing later in the "Suitability Standards" section of this prospectus.

Q: How do I subscribe for shares?

A: If you choose to purchase shares in this offering, you will need to fill out a Subscription Agreement, like the one contained in this prospectus as Exhibit A, for a specific number of shares and pay for the shares at the time you subscribe.

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

A: At the time you purchase the shares, they will not be listed for trading on any national securities exchange or over-the-counter market. In fact, we expect that there will not be any public market for the shares when you purchase them, and we cannot be sure if one will ever develop. As a result, you may find it difficult to find a buyer for your shares and realize a return on your investment. You may sell your shares to any buyer unless such sale would cause the buyer to own more than 9.8% of our outstanding stock. See "Description of Shares—Restriction on Ownership of Shares."

In addition, after you have held your shares for at least one year, you may be able to have your shares repurchased by the Wells REIT pursuant to our share redemption program. See the “Description of Shares—Share Redemption Program” section of the prospectus.

If we have not listed the shares on a national securities exchange or over-the-counter market by January 30, 2008, our articles of incorporation require us to begin selling our properties and other assets and return the net proceeds from these sales to our stockholders through distributions.

Q: What is the experience of your officers and directors?

A: Our management team has extensive previous experience investing in and managing commercial real estate. Below is a short description of the background of each of our directors. See the “Management—Executive Officers and Directors” section on page 34 of this prospectus for a more detailed description of the background and experience of each of our directors.

- Leo F. Wells, III—President of the Wells REIT and founder of Wells Real Estate Funds and has been involved in real estate sales, management and brokerage services for over 30 years
- Douglas P. Williams—Executive Vice President, Secretary and Treasurer of the Wells REIT and former accounting executive at OneSource, Inc., a supplier of janitorial and landscape services
- John L. Bell—Former owner and Chairman of Bell-Mann, Inc., the largest flooring contractor in the Southeast
- Michael R. Buchanan—Former Managing Director of the Real Estate Banking Group of Bank of America
- Richard W. Carpenter—Former President and Chairman of the Board of Southmark Properties, an Atlanta-based REIT investing in commercial properties
- Bud Carter—Former broadcast news director and anchorman and current Senior Vice President for The Executive Committee, an organization established to aid corporate presidents and CEOs
- William H. Keogler, Jr.—Founder and former executive officer and director of Keogler, Morgan & Company, Inc., a full service brokerage firm
- Donald S. Moss—Former executive officer of Avon Products, Inc.
- Walter W. Sessoms—Former executive officer of BellSouth Telecommunications, Inc.
- Neil H. Strickland—Founder of Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers

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

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

- Four detailed quarterly dividend reports;
- An annual report;
- An annual IRS Form 1099;
- Supplements to the prospectus;
- A quarterly investor newsletter; and
- Regular acquisition reports detailing our latest property acquisitions.

Q: When will I get my detailed tax information?

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

Q: Who can help answer my questions?

A: If you have more questions about the offering or if you would like additional copies of this prospectus, you should contact your registered representative or contact:

Client Services Department
Wells Real Estate Funds, Inc.
Suite 250
6200 The Corners Parkway
Atlanta, Georgia 30092
(800) 557-4830 or (770) 243-8282
www.wellsref.com

PROSPECTUS SUMMARY

This prospectus summary highlights selected information contained elsewhere in this prospectus. It is not complete and does not contain all of the information that is important to your decision whether to invest in the Wells REIT. To understand this offering fully, you should read the entire prospectus carefully, including the "Risk Factors" section and the financial statements.

Wells Real Estate Investment Trust, Inc.

Wells Real Estate Investment Trust, Inc. is a REIT that owns net leased commercial real estate properties. As of July 1, 2002, we owned interests in 53 commercial real estate properties located in 19 states. Our office is located at 6200 The Corners Parkway, Suite 250, Atlanta, Georgia 30092. Our telephone number outside the State of Georgia is 800-557-4830 (770-243-8282 in Georgia). We refer to Wells Real Estate Investment Trust, Inc. as the Wells REIT in this prospectus.

Our Advisor

Our advisor is Wells Capital, Inc., which is responsible for managing our affairs on a day-to-day basis and for identifying and making acquisitions on our behalf. We refer to Wells Capital, Inc. as Wells Capital in this prospectus.

Our Management

Our board of directors must approve each real property acquisition proposed by Wells Capital, as well as certain other matters set forth in our articles of incorporation. We have ten members on our board of directors. Eight of our directors are independent of Wells Capital and have responsibility for reviewing its performance. Our directors are elected annually by the stockholders.

Our REIT Status

As a REIT, we generally are not subject to federal income tax on income that we distribute to our stockholders. Under the Internal Revenue Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute at least 90% of their taxable income to their stockholders. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, and we may be precluded from qualifying for treatment as a REIT for the four-year period following our failure to qualify. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

Summary Risk Factors

Following are the most significant risks relating to your investment:

- There is no public trading market for the shares, and we cannot assure you that one will ever develop. Until the shares are publicly traded, you will have a difficult time trying to sell your shares.
- You must rely on Wells Capital, our advisor, for the day-to-day management of our business and the selection of our real estate properties.

- To ensure that we continue to qualify as a REIT, our articles of incorporation prohibit any stockholder from owning more than 9.8% of our outstanding shares.
- We may not remain qualified as a REIT for federal income tax purposes, which would subject us to the payment of tax on our income at corporate rates and reduce the amount of funds available for payment of dividends to our stockholders.
- You will not have preemptive rights as a stockholder, so any shares we issue in the future may dilute your interest in the Wells REIT.
- We will pay significant fees to Wells Capital and its affiliates.
- Real estate investments are subject to cyclical trends that are out of our control.
- You will not have an opportunity to evaluate all of the properties that will be in our portfolio prior to investing.
- Loans we obtain will be secured by some of our properties, which will put those properties at risk of forfeiture if we are unable to pay our debts.
- Our investment in vacant land to be developed may create risks relating to the builder's ability to control construction costs, failure to perform or failure to build in conformity with plans, specifications and timetables.
- The vote of stockholders owning at least a majority of our shares will bind all of the stockholders as to certain matters such as the election of our directors and amendment of our articles of incorporation.
- If we do not obtain listing of the shares on a national exchange by January 30, 2008, our articles of incorporation provide that we must begin to sell all of our properties and distribute the net proceeds to our stockholders.
- Our advisor will face various conflicts of interest resulting from its activities with affiliated entities.

Before you invest in the Wells REIT, you should see the complete discussion of the "Risk Factors" beginning on page 17 of this prospectus.

Description of Real Estate Investments

Please refer to the "Description of Real Estate Investments" section of this prospectus for a description of the real estate properties we have purchased to date and the various real estate loans we have outstanding. Wells Capital is currently evaluating additional potential property acquisitions. As we acquire new properties, we will provide supplements to this prospectus to describe these properties.

Estimated Use of Proceeds of Offering

We anticipate that we will invest at least 84% of the proceeds of this offering in real estate properties. We will use the remainder of the offering proceeds to pay selling commissions, fees and expenses relating to the selection and acquisition of properties and the costs of the offering.

Investment Objectives

Our investment objectives are:

- to maximize cash dividends paid to you;
- to preserve, protect and return your capital contribution;
- to realize growth in the value of our properties upon our ultimate sale of such properties; and
- to provide you with liquidity of your investment by listing the shares on a national exchange or, if we do not obtain listing of the shares by January 30, 2008, by selling our properties and distributing the cash to you.

We may only change these investment objectives by a vote of our stockholders holding a majority of our outstanding shares. See the "Investment Objectives and Criteria" section of this prospectus for a more complete description of our business and objectives.

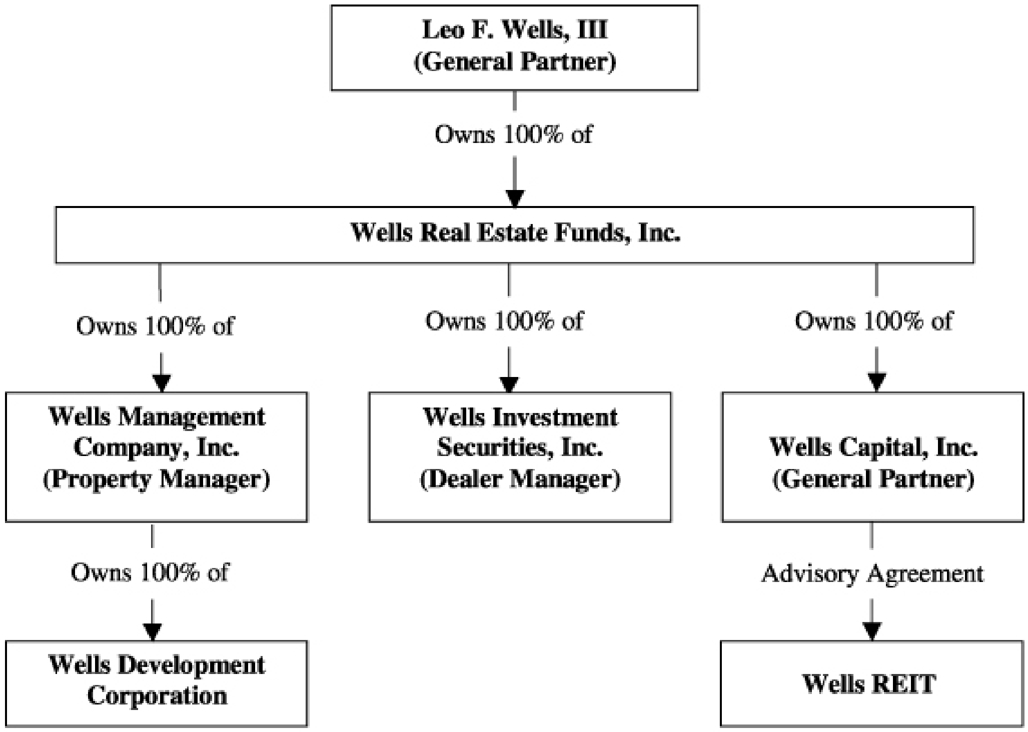
Conflicts of Interest

Wells Capital, as our advisor, will experience conflicts of interest in connection with the management of our business affairs, including the following:

- Wells Capital will have to allocate its time between the Wells REIT and other real estate programs and activities in which it is involved;
- Wells Capital must determine which properties the Wells REIT or another Wells program or joint venture should acquire and which Wells program or other entity should enter into a joint venture with the Wells REIT for the acquisition and operation of specific properties;
- Wells Capital may compete with other Wells programs for the same tenants in negotiating leases or in selling similar properties at the same time; and
- Wells Capital and its affiliates will receive fees in connection with transactions involving the purchase, management and sale of our properties regardless of the quality of the property acquired or the services provided to us.

See the "Conflicts of Interest" section of this prospectus on page 54 for a detailed discussion of the various conflicts of interest relating to your investment, as well as the procedures that we have established to resolve a number of these potential conflicts.

The following chart shows the ownership structure of the various Wells entities that are affiliated with Wells Capital.



Prior Offering Summary

Wells Capital and its affiliates have previously sponsored 14 publicly offered real estate limited partnerships and the Wells REIT on an unspecified property or "blind pool" basis. As of June 30, 2002, they have raised approximately $1,795,000,000 from approximately 65,000 investors in these 15 public real estate programs. The "Prior Performance Summary" on page 108 of this prospectus contains a discussion of the Wells programs sponsored to date. Certain statistical data relating to the Wells programs with investment objectives similar to ours is also provided in the "Prior Performance Tables" included at the end of this prospectus.

The Offering

We are offering up to 300,000,000 shares to the public at $10 per share and up to 30,000,000 shares pursuant to our dividend reinvestment plan at $10 per share. We reserve the right in the future to reallocate additional dividend reinvestment shares out of the shares we are offering to the public, if necessary. We are also offering up to 6,600,000 shares to broker-dealers pursuant to warrants whereby participating broker-dealers will have the right to purchase one share for every 50 shares they sell in this offering. The exercise price for shares purchased pursuant to the warrants is $12 per share.

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Terms of the Offering

We will begin selling shares in this offering upon the effective date of this prospectus, and this offering will terminate on or before July 25, 2004. However, we may terminate this offering at any time prior to such termination date. We will hold your investment proceeds in our account until we withdraw funds for the acquisition of real estate properties or the payment of fees and expenses. We generally admit stockholders to the Wells REIT on a daily basis.

Compensation to Wells Capital

Wells Capital and its affiliates will receive compensation and fees for services relating to this offering and the investment and management of our assets. The most significant items of compensation are included in the following table:

Type of Compensation	Form of Compensation	Estimated $$ Amount for Maximum Offering (330,000,000 shares)
	Offering Stage	
Selling Commissions	7.0% of gross offering proceeds	$231,000,000
Dealer Manager Fee	2.5% of gross offering proceeds	$82,500,000
Organization and Offering Expenses	3.0% of gross offering proceeds	$49,500,000 (estimated)
	Acquisition and Development Stage	
Acquisition and Advisory Fees	3.0% of gross offering proceeds	$99,000,000
Acquisition Expenses	0.5% of gross offering proceeds	$16,500,000
	Operational Stage	
Property Management	4.5% of gross revenues	N/A
Initial Lease-Up Fee for Newly Constructed Property	Competitive fee for geographic location of property based on a survey of brokers and agents (customarily equal to the first month's rent)	N/A
Real Estate Commissions	3.0% of contract price for properties sold after investors receive a return of capital plus an 8.0% return on capital	N/A
Subordinated Participation In Net Sale Proceeds (Payable only if the Wells REIT is not listed on an exchange)	10.0% of remaining amounts of net sale proceeds after return of capital plus payment to investors of an 8.0% cumulative non-compounded return on the capital contributed by investors	N/A
Subordinated Incentive Listing Fee (Payable only if the Wells REIT is listed on an exchange)	10.0% of the amount by which the adjusted market value of the Wells REIT exceeds the aggregate capital contributions contributed by investors	N/A

There are many additional conditions and restrictions on the amount of compensation Wells Capital and its affiliates may receive. There are also some smaller items of compensation and expense reimbursements that Wells Capital may receive. For a more detailed explanation of these fees and expenses payable to Wells Capital and its affiliates, please see the "Management Compensation" section of this prospectus on page 49.

Dividend Policy

In order to remain qualified as a REIT, we are required to distribute 90% of our annual taxable income to our stockholders. We have paid dividends to our stockholders at least quarterly since the first quarter after we commenced operations on June 5, 1998. We calculate our quarterly dividends based upon daily record and dividend declaration dates so investors will be entitled to dividends immediately upon purchasing our shares. We expect to pay dividends to you on a quarterly basis.

Listing

Our articles of incorporation allow us to list our shares on a national securities exchange on or before January 30, 2008. In the event we do not obtain listing prior to that date, our articles of incorporation require us to begin selling our properties and liquidating our assets.

Dividend Reinvestment Plan

You may participate in our dividend reinvestment plan pursuant to which you may have the dividends you receive reinvested in shares of the Wells REIT. If you participate, you will be taxed on your share of our taxable income even though you will not receive the cash from your dividends. As a result, you may have a tax liability without receiving cash dividends to pay such liability. We may terminate the dividend reinvestment plan at our discretion at any time upon 10 days notice to you. (See "Description of Shares—Dividend Reinvestment Plan.")

Share Redemption Program

We may use proceeds received from the sale of shares pursuant to our dividend reinvestment plan to redeem your shares. After you have held your shares for a minimum of one year, our share redemption program provides an opportunity for you to redeem your shares, subject to certain restrictions and limitations, for the lesser of $10 per share or the price you actually paid for your shares. Our board of directors reserves the right to amend or terminate the share redemption program at any time. Our board of directors has delegated to our officers the right to (1) waive the one-year holding period in the event of the death or bankruptcy of a stockholder or other exigent circumstances, or (2) reject any request for redemption at any time and for any reason. You will have no right to request redemption of your shares should our shares become listed on a national exchange. (See "Description of Shares—Share Redemption Program.")

Wells Operating Partnership, L.P.

We own all of our real estate properties through Wells Operating Partnership, L.P. (Wells OP), our operating partnership. We are the sole general partner of Wells OP. Wells Capital is currently the only limited partner based on its initial contribution of $200,000. Our ownership of properties in Wells OP is referred to as an "UPREIT." The UPREIT structure allows us to acquire real estate properties in exchange for limited partnership units in Wells OP. This structure will also allow sellers of properties to transfer their properties to Wells OP in exchange for units of Wells OP and defer gain recognition for tax purposes with respect to such transfers of properties. At present, we have no plans to acquire any specific properties in exchange for units of Wells OP. The holders of units in Wells OP may have their units redeemed for cash under certain circumstances. (See “The Operating Partnership Agreement.”)

ERISA Considerations

The section of this prospectus entitled “ERISA Considerations” describes the effect the purchase of shares will have on individual retirement accounts (IRAs) and retirement plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), and/or the Internal Revenue Code. ERISA is a federal law that regulates the operation of certain tax-advantaged retirement plans. Any retirement plan trustee or individual considering purchasing shares for a retirement plan or an IRA should read this section of the prospectus very carefully.

Description of Shares

General

Your investment will be recorded on our books only. We will not issue stock certificates. If you wish to transfer your shares, you are required to send us an executed transfer form. We will provide you the required form upon request.

Stockholder Voting Rights and Limitations

We hold annual meetings of our stockholders for the purpose of electing our directors or conducting other business matters that may be presented at such meetings. We may also call a special meeting of stockholders from time to time for the purpose of conducting certain matters. You are entitled to one vote for each share you own at any of these meetings.

Restriction on Share Ownership

Our articles of incorporation contain restrictions on ownership of the shares that prevents one person from owning more than 9.8% of our outstanding shares. These restrictions are designed to enable us to comply with share accumulation restrictions imposed on REITs by the Internal Revenue Code. (See “Description of Shares—Restriction on Ownership of Shares.”)

For a more complete description of the shares, including restrictions on the ownership of shares, please see the “Description of Shares” section of this prospectus on page 137.

RISK FACTORS

Your purchase of shares involves a number of risks. In addition to other risks discussed in this prospectus, you should specifically consider the following:

Investment Risks

Marketability Risk

There is no public trading market for your shares.

There is no current public market for the shares and, therefore, it will be difficult for you to sell your shares promptly. In addition, the price received for any shares sold is likely to be less than the proportionate value of the real estate we own. Therefore, you should purchase the shares only as a long-term investment. See "Description of Shares—Share Redemption Program" for a description of our share redemption program.

Management Risks

You must rely on Wells Capital for selection of properties.

Our ability to achieve our investment objectives and to pay dividends is dependent upon the performance of Wells Capital, our advisor, in the quality and timeliness of our acquisitions of real estate properties, the selection of tenants and the determination of any financing arrangements. Except for the investments described in this prospectus, you will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. You must rely entirely on the management ability of Wells Capital and the oversight of our board of directors.

We depend on key personnel.

Our success depends to a significant degree upon the continued contributions of certain key personnel, including Leo F. Wells, III, Douglas P. Williams, M. Scott Meadows, David H. Steinwedell, and John G. Oliver, each of whom would be difficult to replace. None of our key personnel are currently subject to employment agreements, nor do we maintain any key person life insurance on our key personnel. If any of our key personnel were to cease employment with us, our operating results could suffer. We also believe that our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such skilled personnel.

Conflicts of Interest Risks

Wells Capital will face conflicts of interest relating to time management.

Wells Capital, our advisor, and its affiliates are general partners and sponsors of other real estate programs having investment objectives and legal and financial obligations similar to the Wells REIT. Because Wells Capital and its affiliates have interests in other real estate programs and also engage in other business activities, they may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and resources to our business than is necessary or appropriate. (See "Conflicts of Interest.") If Wells Capital, for any reason, is not able to provide investment opportunities to us consistent with our investment objectives in a timely manner, we may have lower returns on our investments.

Wells Capital will face conflicts of interest relating to the purchase and leasing of properties.

We may be buying properties at the same time as one or more of the other Wells programs are buying properties. There is a risk that Wells Capital will choose a property that provides lower returns to us than a property purchased by another Wells program. We may acquire properties in geographic areas where other Wells programs own properties. If one of the Wells programs attracts a tenant that we are competing for, we could suffer a loss of revenue due to delays in locating another suitable tenant. (See "Conflicts of Interest.")

Certain of our officers and directors face conflicts of interest relating to the positions they hold with other entities.

Certain of our executive officers and directors are also officers and directors of Wells Capital, our advisor and the general partner of various other Wells programs, Wells Management Company, Inc., our Property Manager, and Wells Investment Securities, Inc., our Dealer Manager, and, as such, owe fiduciary duties to these various entities and their stockholders and limited partners. Such fiduciary duties may from time to time conflict with the fiduciary duties owed to the Wells REIT and its stockholders. (See "Conflicts of Interest.")

We will be subject to additional risks as a result of our joint ventures with affiliates.

We have entered in the past and are likely to continue in the future to enter into joint ventures with other Wells programs for the acquisition, development or improvement of properties. We may also purchase and develop properties in joint ventures or in partnerships, co-tenancies or other co-ownership arrangements with sellers of properties, affiliates of sellers, developers or other persons. Such investments may involve risks not otherwise present with an investment in real estate, including, for example:

- the possibility that our co-venturer, co-tenant or partner in an investment might become bankrupt;
- that such co-venturer, co-tenant or partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals; or
- that such co-venturer, co-tenant or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives.

Actions by such a co-venturer, co-tenant or partner might have the result of subjecting the property to liabilities in excess of those contemplated and may have the effect of reducing your returns.

Wells Capital will face conflicts of interest relating to joint ventures with affiliates.

Wells Capital, our advisor, is currently sponsoring a public offering on behalf of Wells Real Estate Fund XIII, L.P. (Wells Fund XIII), which is an unspecified property real estate program. (See "Prior Performance Summary.") In the event that we enter into a joint venture with Wells Fund XIII or any other Wells program or joint venture, we may face certain additional risks and potential conflicts of interest. For example, securities issued by Wells Fund XIII and the other Wells public limited partnerships will never have an active trading market. Therefore, if we were to become listed on a national exchange, we may no longer have similar goals and objectives with respect to the resale of properties in the future. In addition, in the event that the Wells REIT is not listed on a securities exchange by January 30, 2008, our organizational documents provide for an orderly liquidation of our assets. In the event of such liquidation, any joint venture between the Wells REIT and another Wells program may be required to sell its properties at such time. Our joint venture partners may not desire to sell the properties at that time. Although the terms of any joint venture agreement between the Wells REIT and another Wells program would grant the other Wells program a right of first refusal to buy such properties, it is unlikely that any such program would have sufficient funds to exercise its right of first refusal under these circumstances.

Agreements and transactions between the parties with respect to joint ventures between the Wells REIT and other Wells programs will not have the benefit of arm's length negotiation of the type normally conducted between unrelated co-venturers. Under these joint venture agreements, none of the co-venturers may have the power to control the venture, and an impasse could be reached regarding matters pertaining to the joint venture, which might have a negative impact on the joint venture and decrease potential returns to you. In the event that a co-venturer has a right of first refusal to buy out the other co-venturer, it may be unable to finance such buy-out at that time. It may also be difficult for us to sell our interest in any such joint venture or partnership or as a co-tenant in property. In addition, to the extent that our co-venturer, partner or co-tenant is an affiliate of Wells Capital, certain conflicts of interest will exist. (See "Conflicts of Interest—Joint Ventures with Affiliates of Wells Capital.")

General Investment Risks

A limit on the number of shares a person may own may discourage a takeover.

Our articles of incorporation restrict ownership by one person to no more than 9.8% of the outstanding shares. This restriction may discourage a change of control of the Wells REIT and may deter individuals or entities from making tender offers for shares, which offers might be financially attractive to stockholders or which may cause a change in the management of the Wells REIT. (See "Description of Shares—Restriction on Ownership of Shares.")

We will not be afforded the protection of Maryland Corporation Law relating to business combinations.

Provisions of Maryland Corporation Law prohibit business combinations, unless prior approval of the board of directors is obtained before the person became an interested stockholder, with:

- any person who beneficially owns 10% or more of the voting power of our outstanding shares;
- any of our affiliates who, at any time within the two year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our outstanding shares (interested stockholder); or
- an affiliate of an interested stockholder.

These prohibitions are intended to prevent a change of control by interested stockholders who do not have the support of our board of directors. Since our articles of incorporation contain limitations on ownership of 9.8% or more of our common stock, we opted out of the business combinations statute in our articles of incorporation. Therefore, we will not be afforded the protections of this statute and, accordingly, there is no guarantee that the ownership limitations in our articles of incorporation would provide the same measure of protection as the business combinations statute and prevent an undesired change of control by an interested stockholder. (See "Description of Shares—Restriction on Ownership of Shares" and "Description of Shares—Business Combinations.")

You are bound by the majority vote on matters on which you are entitled to vote.

You may vote on certain matters at any annual or special meeting of our stockholders, including the election of our directors or amendments to our articles of incorporation. However, you will be bound by the majority vote on matters requiring approval of a majority of our stockholders even if you do not vote with the majority on any such matter.

You are limited in your ability to sell your shares pursuant to our share redemption program.

Even though our share redemption program provides you with the opportunity to redeem your shares for $10 per share (or the price you paid for the shares, if lower than $10) after you have held them for a period of one year, you should be fully aware that our share redemption program contains certain restrictions and limitations. Shares will be redeemed on a first-come, first-served basis and will be limited to the lesser of (1) during any calendar year, three percent (3%) of the weighted average number of shares outstanding during the prior calendar year, or (2) the proceeds we receive from the sale of shares under our dividend reinvestment plan such that in no event shall the aggregate amount of redemptions under our share redemption program exceed aggregate proceeds received from the sale of shares pursuant to our dividend reinvestment plan. Our board of directors reserves the right to amend or terminate the share redemption program at any time. In addition, the board of directors has delegated authority to our officers to reject any request for redemption for any reason at any time. Therefore, in making a decision to purchase shares of the Wells REIT, you should not assume that you will be able to sell any of your shares back to us pursuant to our share redemption program. (See “Description of Shares—Share Redemption Program.”)

We established the offering price on an arbitrary basis.

Our board of directors has arbitrarily determined the selling price of the shares, and such price bears no relationship to any established criteria for valuing issued or outstanding shares.

Your interest in the Wells REIT may be diluted if we issue additional shares.

Existing stockholders and potential investors in this offering do not have preemptive rights to any shares issued by the Wells REIT in the future. Therefore, existing stockholders and investors purchasing shares in this offering may experience dilution of their equity investment in the Wells REIT in the event that we:

- sell shares in this offering or sell additional shares in the future, including those issued pursuant to the dividend reinvestment plan;
- sell securities that are convertible into shares;
- issue shares in a private offering of securities to institutional investors;
- issue shares of common stock upon the exercise of the options granted to our independent directors or employees of Wells Capital and Wells Management Company, Inc. (Wells Management) or the warrants issued and to be issued to participating broker-dealers or our independent directors; or
- issue shares to sellers of properties acquired by us in connection with an exchange of limited partnership units from Wells OP.

Payment of fees to Wells Capital and its affiliates will reduce cash available for investment and distribution.

Wells Capital and its affiliates will perform services for us in connection with the offer and sale of the shares, the selection and acquisition of our properties, and the management and leasing of our properties. They will be paid substantial fees for these services, which will reduce the amount of cash available for investment in properties or distribution to our stockholders. (See “Management Compensation.”)

The availability and timing of cash dividends is uncertain.

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

We are uncertain of our sources for funding of future capital needs.

Substantially all of the gross proceeds of the offering will be used for investment in properties and for payment of various fees and expenses. (See “Estimated Use of Proceeds.”) In addition, we do not anticipate that we will maintain any permanent working capital reserves. Accordingly, in the event that we develop a need for additional capital in the future for the improvement of our properties or for any other reason, we have not identified any sources for such funding, and we cannot assure you that such sources of funding will be available to us for potential capital needs in the future.

You will not have the benefit of independent due diligence review in connection with this offering.

Since Wells Investment Securities, our Dealer Manager, is an affiliate of Wells Capital, you will not have the benefit of independent due diligence review and investigation of the type normally performed by unaffiliated, independent underwriters in connection with securities offerings.

The conviction of Arthur Andersen LLP and recent events related thereto may adversely affect your ability to recover potential claims against Arthur Andersen in connection with their audits of our financials statements.

In June 2002, our former independent auditor, Arthur Andersen LLP (Andersen), was tried and convicted on federal obstruction of justice charges arising from its involvement as auditors for Enron Corporation. Events arising out of the conviction or other events relating to the financial condition of Andersen may adversely affect the ability of Andersen to satisfy any potential claims that may arise out of Andersen’s audits of the financial statements contained in this prospectus. In addition, Andersen has notified us that it will no longer be able to provide us with the necessary consents related to previously audited financial statements in our prospectus. Our inability to obtain such consents may also adversely affect your ability to pursue potential claims against Andersen.

Real Estate Risks

General Real Estate Risks

Your investment will be affected by adverse economic and regulatory changes.

We will be subject to risks generally incident to the ownership of real estate, including:

- changes in general economic or local conditions;
- changes in supply of or demand for similar or competing properties in an area;
- changes in interest rates and availability of permanent mortgage funds which may render the sale of a property difficult or unattractive;
- changes in tax, real estate, environmental and zoning laws; and
- periods of high interest rates and tight money supply.

For these and other reasons, we cannot assure you that we will be profitable or that we will realize growth in the value of our real estate properties.

A property that incurs a vacancy could be difficult to sell or re-lease.

A property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of one of our leases. A number of our properties may be specifically suited to the particular needs of our tenants. Therefore, we may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash dividends to be distributed to stockholders. In addition, the resale value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

We are dependent on tenants for our revenue.

Most of our properties are occupied by a single tenant and, therefore, the success of our investments are materially dependent on the financial stability of our tenants. Lease payment defaults by tenants would most likely cause us to reduce the amount of distributions to stockholders. A default of a tenant on its lease payments to us would cause us to lose the revenue from the property and cause us to have to find one or more additional tenants. If there are a substantial number of tenants that are in default at any one time, we could have difficulty making mortgage payments that could result in foreclosures of properties subject to a mortgage. In the event of a default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-letting our property. If a lease is terminated, we cannot assure you that we will be able to lease the property for the rent previously received or sell the property without incurring a loss.

We rely on certain tenants.

As of July 1, 2002, our most substantial tenants based on rental income are SSB Realty, LLC (approximately 6.3%), Metris Direct, Inc. (approximately 5.6%), Motorola, Inc. (approximately 4.7%), and Zurich American Insurance Company, Inc. (approximately 4.6%). The revenues generated by the properties these tenants occupy are substantially reliant upon the financial condition of these tenants and, accordingly, any event of bankruptcy, insolvency or a general downturn in the business of any of these tenants may result in the failure or delay of such tenant’s rental payments which may have a substantial adverse effect on our financial performance. (See “Description of Real Estate Investments” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”)

We may not have funding for future tenant improvements.

When a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract one or more new tenants, we will be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. Substantially all of our net offering proceeds will be invested in real estate properties, and we do not anticipate that we will maintain permanent working capital reserves. We also have no identified funding source to provide funds which may be required in the future for tenant improvements and tenant refurbishments in order to attract new tenants. We cannot assure you that we will have any sources of funding available to us for such purposes in the future.

Uninsured losses relating to real property may adversely affect your returns.

In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by any such uninsured loss. In addition, we have no current source of funding to repair or reconstruct the damaged property and cannot assure you that any such source of funding will be available to us for such purposes in the future.

Development and construction of properties may result in delays and increased costs and risks.

We may invest some or all of the proceeds available for investment in the acquisition and development of properties upon which we will develop and construct improvements at a fixed contract price. We will be subject to risks relating to the builder’s ability to control construction costs or to build in conformity with plans, specifications and timetables. The builder’s failure to perform may necessitate legal action by us to rescind the purchase or the construction contract or to compel performance. Performance may also be affected or delayed by conditions beyond the builder’s control. Delays in completion of construction could also give tenants the right to terminate preconstruction leases for space at a newly developed project. We may incur additional risks when we make periodic progress payments or other advances to such builders prior to completion of construction. Factors such as those discussed above can result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. Furthermore, we must rely upon projections of rental income and expenses and estimates of the fair market value of property upon completion of construction when agreeing upon a price to be paid for the property at the time of acquisition of the property. If our projections are inaccurate, we may pay too much for a property.

Competition for investments may increase costs and reduce returns.

We will experience competition for real property investments from individuals, corporations and bank and insurance company investment accounts, as well as other real estate investment trusts, real estate limited partnerships, and other entities engaged in real estate investment activities. Competition for investments may have the effect of increasing costs and reducing your returns.

Delays in acquisitions of properties may have an adverse effect on your investment.

Delays we encounter in the selection, acquisition and development of properties could adversely affect your returns. Where we acquire properties prior to the start of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. Therefore, you could suffer delays in the distribution of cash dividends attributable to those particular properties. In addition, if we are unable to invest our offering proceeds in income producing real properties in a timely manner, we may not be able to continue to pay the dividend rates we are currently paying to our stockholders.

We may not be able to immediately invest proceeds in real estate.

Until we invest the proceeds of this offering in real estate investments, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments are not likely to earn as high a return as we expect to earn on our real estate investments, and we cannot guarantee how long it will take us to fully invest the proceeds of this offering in real estate investments.

Uncertain market conditions and Wells Capital's broad discretion relating to the future disposition of properties could adversely affect the return on your investment.

We generally will hold the various real properties in which we invest until such time as Wells Capital determines that a sale or other disposition appears to be advantageous to achieve our investment objectives or until it appears that such objectives will not be met. Otherwise, Wells Capital, subject to the approval of our board of directors, may exercise its discretion as to whether and when to sell a property, and we will have no obligation to sell properties at any particular time, except upon a liquidation of the Wells REIT if we do not list the shares by January 30, 2008. We cannot predict with any certainty the various market conditions affecting real estate investments that will exist at any particular time in the future. Due to the uncertainty of market conditions that may affect the future disposition of our properties, we cannot assure you that we will be able to sell our properties at a profit in the future. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions.

Discovery of previously undetected environmentally hazardous conditions may adversely affect our operating results.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which properties may be used or businesses may be operated, and these restrictions may require expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. We may be potentially liable for such costs in connection with the acquisition and ownership of our properties. The cost of defending against claims of liability, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect the business, assets or results of operations of the Wells REIT and, consequently, amounts available for distribution to you.

Financing Risks

If we fail to make our debt payments, we could lose our investment in a property.

We generally secure the loans we obtain to fund property acquisitions with first priority mortgages on some of our properties. If we are unable to make our debt payments as required, a lender could foreclose on the property or properties securing its debt. This could cause us to lose part or all of our investment which in turn could cause a reduction in the value of the shares and the dividends payable to our stockholders. (See "Description of Real Estate Investments —Real Estate Loans.")

Lenders may require us to enter into restrictive covenants relating to our operations.

In connection with obtaining certain financing, a lender could impose restrictions on us that would affect our ability to incur additional debt and our distribution and operating policies. Loan documents we enter into may contain customary negative covenants which may limit our ability to further mortgage the property, to discontinue insurance coverage, replace Wells Capital as our advisor or impose other limitations.

If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to pay dividends.

Some of our financing arrangements may require us to make a lump-sum or "balloon" payment at maturity. We may finance more properties in this manner. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. A refinancing or sale under these circumstances could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

Section 1031 Exchange Program Risks

We may have increased exposure to liabilities from litigation as a result of our participation in the Section 1031 Exchange Program.

Wells Development Corporation, an affiliate of Wells Capital, our advisor, is forming a series of single member limited liability companies (each of which is referred to in this prospectus as Wells Exchange) for the purpose of facilitating the acquisition of real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are looking to invest proceeds from a sale of real estate to qualify for like-kind exchange treatment under Section 1031 of the Internal Revenue Code (Section 1031 Exchange Program). There will be significant tax and securities disclosure risks associated with the private placement offerings of co-tenancy interests by Wells Exchange to 1031 Participants. For example, in the event that the Internal Revenue Service conducts an audit of the purchasers of co-tenancy interests and successfully challenges the qualification of the transaction as a like-kind exchange under Section 1031 of the Internal Revenue Code, even though it is anticipated that this tax risk will be fully disclosed to investors, purchasers of co-tenancy interests may file a lawsuit against Wells Exchange and its sponsors. In such event, even though Wells OP is not acting as a sponsor of the offering, is not commonly controlled with Wells Exchange, and is not recommending that 1031 Participants buy co-tenancy interests from Wells Exchange, as a result of our participation in the Section 1031 Exchange Program, and since Wells OP will be receiving fees in connection with the Section 1031 Exchange Program, we may be named in or otherwise required to defend against lawsuits brought by 1031 Participants. Any amounts we are required to expend for any such litigation claims may reduce the amount of funds available for distribution to stockholders of the Wells REIT. In addition, disclosure of any such litigation may adversely affect our ability to raise additional capital in the future through the sale of stock. (See "Investment Objectives and Criteria—Section 1031 Exchange Program.")

We will be subject to risks associated with co-tenancy arrangements that are not otherwise present in a real estate investment.

At the closing of each property Wells Exchange acquires pursuant to the Section 1031 Exchange Program, we anticipate that Wells OP will enter into a contractual arrangement providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property by the completion of its private placement offering, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold. Accordingly, in the event that Wells Exchange is unable to sell all co-tenancy interests in one or more of its properties, Wells OP will be required to purchase the unsold co-tenancy interests in such property or properties and, thus, will be subject to the risks of ownership of properties in a co-tenancy arrangement with unrelated third parties. (See "Investment Objectives and Criteria—Section 1031 Exchange Program. ")

Ownership of co-tenancy interests involves risks not otherwise present with an investment in real estate such as the following:

- the risk that a co-tenant may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals;
- the risk that a co-tenant may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives; or
- the possibility that a co-tenant might become insolvent or bankrupt, which may be an event of default under mortgage loan financing documents or allow the bankruptcy court to reject the tenants in common agreement or management agreement entered into by the co-tenants owning interests in the property.

Actions by a co-tenant may subject the property to liabilities in excess of those contemplated and may have the effect of reducing your returns.

In the event that our interests become adverse to those of the other co-tenants, we will not have the contractual right to purchase the co-tenancy interests from the other co-tenants. Even if we are given the opportunity to purchase such co-tenancy interests in the future, we cannot guarantee that we will have sufficient funds available at the time to purchase co-tenancy interests from the 1031 Participants.

We might want to sell our co-tenancy interests in a given property at a time when the other co-tenants in such property do not desire to sell their interests. Therefore, we may not be able to sell our interest in a property at the time we would like to sell. In addition, we anticipate that it will be much more difficult to find a willing buyer for our co-tenancy interests in a property than it would be to find a buyer for a property we owned outright.

Our participation in the Section 1031 Exchange Program may limit our ability to borrow funds in the future.

Institutional lenders may view our obligations under agreements to acquire unsold co-tenancy interests in properties as a contingent liability against our cash or other assets, which may limit our ability to borrow funds in the future. Further, such obligations may be viewed by our lenders in such a manner as to limit our ability to borrow funds based on regulatory restrictions on lenders limiting the amount of loans they can make to any one borrower. (See "Investment Objectives and Criteria—Section 1031 Exchange Program.")

Federal Income Tax Risks

Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions.

In order for us to qualify as a REIT, we must satisfy certain requirements set forth in the Internal Revenue Code and Treasury Regulations and various factual matters and circumstances which are not entirely within our control. We have and will continue to structure our activities in a manner designed to satisfy all of these requirements, however, if certain of our operations were to be recharacterized by the Internal Revenue Service, such recharacterization could jeopardize our ability to satisfy all of the requirements for qualification as a REIT. In addition, new legislation, regulations, administrative interpretations or court decisions could change the tax laws relating to our qualification as a REIT or the federal income tax consequences of our being a REIT.

If we fail to qualify as a REIT for any taxable year, we will be subject to federal income tax on our taxable income at corporate rates with no offsetting deductions for distributions made to stockholders. Further, in such event, we would generally be disqualified from treatment as a REIT for the four taxable years following the year in which we lose our REIT status. Accordingly, the loss of our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the substantial tax liabilities that would be imposed on us. We might also be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Certain fees paid to Wells OP may affect our REIT status.

In connection with the Section 1031 Exchange Program, Wells OP will enter into a number of contractual arrangements with Wells Exchange that will, in effect, guarantee the sale of the co-tenancy interests being offered by Wells Exchange. (See "Investment Objectives and Criteria—Section 1031 Exchange Program.") In consideration for entering into these agreements, Wells OP will be paid fees which could be characterized by the IRS as non-qualifying income for purposes of satisfying the "income tests" required for REIT qualification. (See "Federal Income Tax Consequences—Operational Requirements—Gross Income Tests.") If this fee income were, in fact, treated as non-qualifying, and if the aggregate of such fee income and any other non-qualifying income in any taxable year ever exceeded 5.0% of our gross revenues for such year, we could lose our REIT status for that taxable year and the four ensuing taxable years. As set forth above, we will use all reasonable efforts to structure our activities in a manner intended to satisfy the requirements for our continued qualification as a REIT.

Recharacterization of the Section 1031 Exchange Program may result in taxation of income from a prohibited transaction.

In the event that the Internal Revenue Service were to recharacterize the Section 1031 Exchange Program such that Wells OP, rather than Wells Exchange, is treated as the bona fide owner, for tax purposes, of properties acquired and resold by Wells Exchange in connection with the Section 1031 Exchange Program, such characterization could result in the fees paid to Wells OP by Wells Exchange as being deemed income from a prohibited transaction, in which event all such fee income paid to us in connection with the Section 1031 Exchange Program would be subject to a 100% tax. (See "Investment Objectives and Criteria—Section 1031 Exchange Program.")

Legislative or regulatory action could adversely affect investors.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of the federal income tax laws applicable to investments similar to an investment in shares of the Wells REIT. Additional changes to tax laws are likely to continue to occur in the future, and we cannot assure you that any such changes will not adversely affect the taxation of our stockholders. Any such changes could have an adverse effect on an investment in shares or on the market value or the resale potential of our properties. You are urged to consult with your own tax advisor with respect to the impact of recent legislation on your investment in shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares.

Retirement Plan Risks

There are special considerations that apply to pension or profit sharing trusts or IRAs investing in shares.

If you are investing the assets of a pension, profit sharing, 401(k), Keogh or other qualified retirement plan or the assets of an IRA in the Wells REIT, you should satisfy yourself that:

- your investment is consistent with your fiduciary obligations under ERISA and the Internal Revenue Code;
- your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan's investment policy;
- your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;
- your investment will not impair the liquidity of the plan or IRA;
- your investment will not produce "unrelated business taxable income" for the plan or IRA;
- you will be able to value the assets of the plan annually in accordance with ERISA requirements; and
- your investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

For a more complete discussion of the foregoing issues and other risks associated with an investment in shares by retirement plans, please see the "ERISA Considerations" section of this prospectus on page 132.

SUITABILITY STANDARDS

The shares we are offering are suitable only as a long-term investment for persons of adequate financial means. Initially, we do not expect to have a public market for the shares, which means that you may have difficulty selling your shares. You should not buy these shares if you need to sell them immediately or will need to sell them quickly in the future. In consideration of these factors, we have established suitability standards for initial stockholders and subsequent transferees. These suitability standards require that a purchaser of shares have either:

- a net worth of at least $150,000; or
- gross annual income of at least $45,000 and a net worth of at least $45,000.

The minimum purchase is 100 shares ($1,000), except in certain states as described below. You may not transfer fewer shares than the minimum purchase requirement. In addition, you may not transfer, fractionalize or subdivide your shares so as to retain less than the number of shares required for the minimum purchase. In order to satisfy the minimum purchase requirements for retirement plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of $100. You should note that an investment in shares of the Wells REIT will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code.

The minimum purchase for Maine, New York and North Carolina residents is 250 shares ($2,500), except for IRAs which must purchase a minimum of 100 shares ($1,000). The minimum purchase for Minnesota residents is 250 shares ($2,500), except for IRAs and other qualified retirement plans which must purchase a minimum of 200 shares ($2,000).

Except in the states of Maine, Minnesota, Nebraska and Washington, if you have satisfied the minimum purchase requirements and have purchased units in other Wells programs or units or shares in other public real estate programs, you may purchase less than the minimum number of shares set forth above, but in no event less than 2.5 shares ($25). After you have purchased the minimum investment, any additional purchase must be in increments of at least 2.5 shares ($25), except for (1) purchases made by residents of Maine and Minnesota, who must still meet the minimum investment requirements set forth above, and (2) purchases of shares pursuant to the dividend reinvestment plan of the Wells REIT or reinvestment plans of other public real estate programs, which may be in lesser amounts.

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

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

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

Iowa, Missouri, Ohio and Pennsylvania—In addition to our suitability requirements, investors must have a net worth of at least 10 times their investment in the Wells REIT.

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

In the case of sales to fiduciary accounts, these suitability standards must be met by the fiduciary account, by the person who directly or indirectly supplied the funds for the purchase of the shares or by the beneficiary of the account. These suitability standards are intended to help ensure that, given the long-term nature of an investment in our shares, our investment objectives and the relative illiquidity of our shares, shares of the Wells REIT are an appropriate investment for those of you desiring to become stockholders. Each participating broker-dealer must make every reasonable effort to determine that the purchase of shares is a suitable and appropriate investment for each stockholder based on information provided by the stockholder in the Subscription Agreement or otherwise. Each participating broker-dealer is required to maintain records of the information used to determine that an investment in shares is suitable and appropriate for each stockholder for a period of six years.

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ESTIMATED USE OF PROCEEDS

The following tables set forth information about how we intend to use the proceeds raised in this offering assuming that we sell 165,000,000 shares and 330,000,000 shares, respectively, pursuant to this offering. Many of the figures set forth below represent management's best estimate since they cannot be precisely calculated at this time. We expect that at least 84.0% of the money you invest will be used to buy real estate, while the remaining up to 16.0% will be used for working capital and to pay expenses and fees, including the payment of fees to Wells Capital, our advisor, and Wells Investment Securities, our Dealer Manager.

	165,000,000 Shares		330,000,000 Shares	
	Amount(1)	Percent	Amount(2)	Percent
Gross Offering Proceeds	$ 1,650,000,000	100%	$ 3,300,000,000	100.0%
Less Public Offering Expenses:				
Selling Commissions and Dealer Manager Fee(3)	156,750,000	9.5%	313,500,000	9.5%
Organization and Offering Expenses(4)	49,500,000	3.0%	49,500,000	1.5%
Amount Available for Investment(5)	$ 1,443,750,000	87.5%	$ 2,937,000,000	89.0%
Acquisition and Development:				
Acquisition and Advisory Fees(6)	49,500,000	3.0%	99,000,000	3.0%
Acquisition Expenses(7)	8,250,000	0.5%	16,500,000	0.5%
Initial Working Capital Reserve(8)	(8)	—	(8)	—
Amount Invested in Properties(5)(9)	$ 1,386,000,000	84.0%	$ 2,821,500,000	85.5%

(Footnotes to "Estimated Use of Proceeds")

1. Assumes that an aggregate of $1,650,000,000 will be raised in this offering for purposes of illustrating the percentage of estimated organization and offering expenses at two different sales levels. See Note 4 below.
2. Assumes the maximum offering is sold which includes 300,000,000 shares offered to the public at $10 per share and 30,000,000 shares offered pursuant to our dividend reinvestment plan at $10 per share. Excludes 6,600,000 shares to be issued upon exercise of the soliciting dealer warrants.
3. Includes *selling commissions* equal to 7.0% of aggregate gross offering proceeds which commissions may be reduced under certain circumstances and a *dealer manager fee* equal to 2.5% of aggregate gross offering proceeds, both of which are payable to the Dealer Manager, an affiliate of our advisor. The Dealer Manager, in its sole discretion, may reallow selling commissions of up to 7.0% of gross offering proceeds to other broker-dealers participating in this offering (Participating Dealers) attributable to the amount of shares sold by them. In addition, the Dealer Manager may reallow a portion of its dealer manager fee to Participating Dealers in the aggregate amount of up to 1.5% of gross offering proceeds to be paid to such Participating Dealers as marketing fees, or to reimburse representatives of such Participating Dealers the costs and expenses of attending our educational conferences and seminars. The amount of selling commissions may often be reduced under certain circumstances for volume discounts. See the "Plan of Distribution" section of this prospectus for a description of such provisions.
4. *Organization and offering expenses* consist of reimbursement of actual legal, accounting, printing and other accountable offering expenses, other than selling commissions and the dealer manager fee, including amounts to reimburse Wells Capital, our advisor, for all marketing related costs and expenses, including, but not limited to, salaries and direct expenses of our advisor's employees while engaged in registering and marketing the shares and other marketing and organization costs, technology costs and expenses attributable to the offering, costs and expenses of conducting our

educational conferences and seminars, payment or reimbursement of bona fide due diligence expenses, and costs and expenses we incur for attending retail seminars conducted by broker-dealers. Wells Capital and its affiliates will be responsible for the payment of organization and offering expenses, other than selling commissions and the dealer manager fee, to the extent they exceed 3.0% of aggregate gross offering proceeds from all of our offerings without recourse against or reimbursement by the Wells REIT. We currently estimate that approximately $49,500,000 of organization and offering costs will be incurred if the maximum offering of 330,000,000 shares is sold. Notwithstanding the above, in no event shall organization and offering expenses, including selling commissions, the dealer manager fee and all other underwriting compensation, exceed 15% of gross offering proceeds.

5. Until required in connection with the acquisition and development of properties, substantially all of the net proceeds of the offering and, thereafter, the working capital reserves of the Wells REIT, may be invested in short-term, highly-liquid investments including government obligations, bank certificates of deposit, short-term debt obligations and interest-bearing accounts or other authorized investments as determined by our board of directors.
6. *Acquisition and advisory fees* are defined generally as fees and commissions paid by any party to any person in connection with the purchase, development or construction of properties. We will pay Wells Capital, as our advisor, acquisition and advisory fees up to a maximum amount of 3.0% of gross offering proceeds in connection with the acquisition of the real estate properties. Acquisition and advisory fees do not include acquisition expenses.
7. *Acquisition expenses* include legal fees and expenses, travel expenses, costs of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses, title insurance premiums and other closing costs and miscellaneous expenses relating to the selection, acquisition and development of real estate properties. We will pay Wells Capital, our advisor, acquisition expenses up to a maximum of 0.5% of gross offering proceeds as reimbursement for the payment of such expenses.
8. Because the vast majority of leases for the properties acquired by the Wells REIT will provide for tenant reimbursement of operating expenses, we do not anticipate that a permanent reserve for maintenance and repairs of real estate properties will be established. However, to the extent that we have insufficient funds for such purposes, we may apply an amount of up to 1.0% of gross offering proceeds for maintenance and repairs of real estate properties. We also may, but are not required to, establish reserves from gross offering proceeds, out of cash flow generated by operating properties or out of nonliquidating net sale proceeds, defined generally to mean the net cash proceeds received by the Wells REIT from any sale or exchange of properties.
9. Includes amounts anticipated to be invested in properties net of fees and expenses. We estimate that at least 84.0% of the proceeds received from the sale of shares will be used to acquire properties.

MANAGEMENT

General

We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. The board is responsible for the management and control of our affairs. The board has retained Wells Capital to manage our day-to-day affairs and the acquisition and disposition of our investments, subject to the board’s supervision. Our articles of incorporation were reviewed and ratified by our board of directors, including the independent directors, at their initial meeting. This ratification by our board of directors was required by the NASAA Guidelines.

Our articles of incorporation and bylaws provide that the number of directors of the Wells REIT may be established by a majority of the entire board of directors but may not be fewer than three nor more than 15. We currently have a total of ten directors. Our articles of incorporation also provide that a majority of the directors must be independent directors. An "independent director" is a person who is not an officer or employee of the Wells REIT, Wells Capital or their affiliates and has not otherwise been affiliated with such entities for the previous two years. Of the ten current directors, eight of our directors are considered independent directors.

Proposed transactions are often discussed before being brought to a final board vote. During these discussions, independent directors often offer ideas for ways in which deals can be changed to make them acceptable and these suggestions are taken into consideration when structuring transactions. Each director will serve until the next annual meeting of stockholders or until his successor has been duly elected and qualified. Although the number of directors may be increased or decreased, a decrease shall not have the effect of shortening the term of any incumbent director.

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

Unless filled by a vote of the stockholders as permitted by Maryland Corporation Law, a vacancy created by an increase in the number of directors or the death, resignation, removal, adjudicated incompetence or other incapacity of a director shall be filled by a vote of a majority of the remaining directors and,

- in the case of a director who is not an independent director (affiliated director), by a vote of a majority of the remaining affiliated directors, or
- in the case of an independent director, by a vote of a majority of the remaining independent directors,

unless there are no remaining affiliated directors or independent directors, as the case may be. In such case a majority vote of the remaining directors shall be sufficient. If at any time there are no independent or affiliated directors in office, successor directors shall be elected by the stockholders. Each director will be bound by our articles of incorporation and bylaws.

Our directors are not required to devote all of their time to our business and are only required to devote the time to our affairs as their duties may require. Our directors will meet quarterly or more frequently if necessary in order to discharge their duties as directors. We do not expect that our directors will be required to devote a substantial portion of their time in discharging such duties. Consequently, in the exercise of their fiduciary responsibilities, our directors will be relying heavily on Wells Capital. Our board is empowered to fix the compensation of all officers that it selects and may pay compensation to directors for services rendered to us in any other capacity.

Our general investment and borrowing policies are set forth in this prospectus. Our directors may establish further written policies on investments and borrowings and shall monitor our administrative procedures, investment operations and performance to ensure that the policies are fulfilled and are in the best interest of the stockholders. We will follow the policies on investments and borrowings set forth in this prospectus unless and until they are modified by our directors.

Our board is responsible for reviewing our fees and expenses on at least an annual basis and with sufficient frequency to determine that the expenses incurred are in the best interest of the stockholders. In addition, a majority of the independent directors, and a majority of directors not otherwise interested in the transaction, must approve all transactions with Wells Capital or its affiliates. The independent directors will also be responsible for reviewing the performance of Wells Capital and Wells Management and determining that the compensation to be paid to Wells Capital and Wells Management is reasonable in relation to the nature and quality of services to be performed and that the provisions of the advisory agreement and the property management agreement are being carried out. Specifically, the independent directors will consider factors such as:

- the amount of the fee paid to Wells Capital and Wells Management in relation to the size, composition and performance of our investments;
- the success of Wells Capital in generating appropriate investment opportunities;
- rates charged to other REITs and other investors by advisors performing similar services;
- additional revenues realized by Wells Capital and Wells Management through their relationship with us, whether we pay them or they are paid by others with whom we do business;
- the quality and extent of service and advice furnished by Wells Capital and Wells Management and the performance of our investment portfolio; and
- the quality of our portfolio relative to the investments generated by Wells Capital and managed by Wells Management for their other clients.

Neither our directors nor their affiliates will vote or consent to the voting of shares they now own or hereafter acquire on matters submitted to the stockholders regarding either (1) the removal of Wells Capital, any director or any affiliate, or (2) any transaction between us and Wells Capital, any director or any affiliate.

Committees of the Board of Directors

Our entire board of directors considers all major decisions concerning our business, including all property acquisitions. However, our board has established an Audit Committee, a Compensation Committee and various advisory committees so that important items within the purview of these committees can be addressed in more depth than may be possible at a full board meeting.

Audit Committee

Under our Audit Committee Charter, our Audit Committee's primary function is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls which management has established, and the audit and financial reporting process. The members of our Audit Committee are Messrs. Bell, Carpenter, Carter, Keogler, Moss, Sessoms and Strickland.

Compensation Committee

Our board of directors has established a Compensation Committee to administer the 2000 Employee Stock Option Plan, as described below, which was approved by the stockholders at our annual stockholders meeting held June 28, 2000. The Compensation Committee is comprised of Messrs. Bell, Carpenter, Carter, Keogler, Moss, Sessoms and Strickland. The primary function of the Compensation Committee is to administer the granting of stock options to selected employees of Wells Capital and

Wells Management based upon recommendations from Wells Capital, and to set the terms and conditions of such options in accordance with the 2000 Employee Stock Option Plan. To date, we have not issued any stock options under our 2000 Employee Stock Option Plan.

Advisory Committees

The board of directors has established various advisory committees in which certain members of the board sit on these advisory committees to assist Wells Capital and its affiliates in the following areas which have a direct impact on the operations of the Wells REIT: asset management; new business development; personnel supervision; and budgeting.

Executive Officers and Directors

We have provided below certain information about our executive officers and directors.

Name	Position(s)	Age
Leo F. Wells, III	President and Director	58
Douglas P. Williams	Executive Vice President, Secretary, Treasurer and Director	51
John L. Bell	Director	62
Michael R. Buchanan	Director	55
Richard W. Carpenter	Director	65
Bud Carter	Director	63
William H. Keogler, Jr.	Director	57
Donald S. Moss	Director	66
Walter W. Sessoms	Director	68
Neil H. Strickland	Director	66

Leo F. Wells, III is the President and a director of the Wells REIT and the President, Treasurer and sole director of Wells Capital, our advisor. He is also the sole stockholder and sole director of Wells Real Estate Funds, Inc., the parent corporation of Wells Capital. Mr. Wells is President of Wells & Associates, Inc., a real estate brokerage and investment company formed in 1976 and incorporated in 1978, for which he serves as principal broker. He is also the President, Treasurer and sole director of:

- Wells Management Company, Inc., our Property Manager;
- Wells Investment Securities, Inc., our Dealer Manager;
- Wells Advisors, Inc., a company he organized in 1991 to act as a non-bank custodian for IRAs; and
- Wells Development Corporation, a company he organized in 1997 to develop real properties. (See “Conflicts of Interest.”)

Mr. Wells was a real estate salesman and property manager from 1970 to 1973 for Roy D. Warren & Company, an Atlanta-based real estate company, and he was associated from 1973 to 1976 with Sax Gaskin Real Estate Company, during which time he became a Life Member of the Atlanta Board of Realtors Million Dollar Club. From 1980 to February 1985 he served as Vice President of Hill-Johnson, Inc., a Georgia corporation engaged in the construction business. Mr. Wells holds a Bachelor of Business Administration degree in economics from the University of Georgia. Mr. Wells is a member of the International Association for Financial Planning (IAFP) and a registered NASD principal.

Mr. Wells has over 30 years of experience in real estate sales, management and brokerage services. In addition to being the President and a director of the Wells REIT, he is currently a co-general

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partner in a total of 27 real estate limited partnerships formed for the purpose of acquiring, developing and operating office buildings and other commercial properties. As of June 30, 2002, these 27 real estate limited partnerships represented investments totaling approximately $347,154,000 from approximately 28,000 investors.

Douglas P. Williams is the Executive Vice President, Secretary, Treasurer and a director of the Wells REIT. He is also a Senior Vice President of Wells Capital, our advisor, and is also a Vice President of:

- Wells Investment Securities, Inc., our Dealer Manager;
- Wells Real Estate Funds, Inc.; and
- Wells Advisors, Inc. (See “Conflicts of Interest.”)

Mr. Williams previously served as Vice President, Controller of OneSource, Inc., a leading supplier of janitorial and landscape services, from 1996 to 1999 where he was responsible for corporate-wide accounting activities and financial analysis. Mr. Williams was employed by ECC International Inc. (ECC), a supplier to the paper industry and to the paint, rubber and plastic industries, from 1982 to 1995. While at ECC, Mr. Williams served in a number of key accounting positions, including: Corporate Accounting Manager, U.S. Operations; Division Controller, Americas Region; and Corporate Controller, America/Pacific Division. Prior to joining ECC and for one year after leaving ECC, Mr. Williams was employed by Lithonia Lighting, a manufacturer of lighting fixtures, as a Cost and General Accounting Manager and Director of Planning and Control. Mr. Williams started his professional career as an auditor for KPMG Peat Marwick LLP.

Mr. Williams is a member of the American Institute of Certified Public Accountants and the Georgia Society of Certified Public Accountants and is licensed with the NASD as a financial and operations principal. Mr. Williams received a Bachelor of Arts degree from Dartmouth College and a Masters of Business Administration degree from the Amos Tuck School of Graduate Business Administration at Dartmouth College.

John L. Bell was the owner and Chairman of Bell-Mann, Inc., the largest commercial flooring contractor in the Southeast from February 1971 to February 1996. Mr. Bell also served on the board of directors of Realty South Investors, a REIT traded on the American Stock Exchange, and was the founder and served as a director of both the Chattahoochee Bank and the Buckhead Bank. In 1997, Mr. Bell initiated and implemented a “Dealer Acquisition Plan” for Shaw Industries, Inc., a floor covering manufacturer and distributor, which plan included the acquisition of Bell-Mann.

Mr. Bell currently serves on the Board of Directors of Electronic Commerce Systems, Inc. and the Cullasaja Club of Highlands, North Carolina. Mr. Bell is also extensively involved in buying and selling real estate both individually and in partnership with others. Mr. Bell graduated from Florida State University majoring in accounting and marketing.

Michael R. Buchanan was employed by Bank of America, N.A. and its predecessor banks, NationsBank and C&S National Bank, from 1972 until his retirement in March 2002. Mr. Buchanan has over 30 years of real estate banking and financial experience and, while at Bank of America, he held several key positions including Managing Director of the Real Estate Banking Group from 1998 until his retirement where he managed approximately 1,100 associates in 90 offices. This group was responsible for providing real estate loans including construction, acquisition, development and bridge financing for the commercial and residential real estate industry, as well as providing structured financing for REITs.

Mr. Buchanan is a graduate of the University of Kentucky where he earned a Bachelor of Economics degree and a Masters of Business Administration degree. He also attended Harvard University in the graduate program for management development.

Richard W. Carpenter served as General Vice President of Real Estate Finance of The Citizens and Southern National Bank from 1975 to 1979, during which time his duties included the establishment and supervision of the United Kingdom Pension Fund, U.K.-American Properties, Inc. which was established primarily for investment in commercial real estate within the United States.

Mr. Carpenter is a managing partner of Carpenter Properties, L.P., a real estate limited partnership. He is also President and director of Commonwealth Oil Refining Company, Inc., a position he has held since 1984.

Mr. Carpenter previously served as Vice Chairman of the board of directors of both First Liberty Financial Corp. and Liberty Savings Bank, F.S.B. and Chairman of the Audit Committee of First Liberty Financial Corp. He has been a member of The National Association of Real Estate Investment Trusts and formerly served as President and Chairman of the Board of Southmark Properties, an Atlanta-based REIT which invested in commercial properties. Mr. Carpenter is a past Chairman of the American Bankers Association Housing and Real Estate Finance Division Executive Committee. Mr. Carpenter holds a Bachelor of Science degree from Florida State University, where he was named the outstanding alumnus of the School of Business in 1973.

Bud Carter was an award-winning broadcast news director and anchorman for several radio and television stations in the Midwest for over 20 years. From 1975 to 1980, Mr. Carter served as General Manager of WTAZ-FM, a radio station in Peoria, Illinois and served as editor and publisher of The Peoria Press, a weekly business and political journal in Peoria, Illinois. From 1981 until 1989, Mr. Carter was also an owner and General Manager of Transitions, Inc., a corporate outplacement company in Atlanta, Georgia.

Mr. Carter currently serves as Senior Vice President for The Executive Committee, an international organization established to aid presidents and CEOs to share ideas on ways to improve the management and profitability of their respective companies. The Executive Committee operates in numerous large cities throughout the United States, Canada, Australia, France, Italy, Malaysia, Brazil, the United Kingdom and Japan. The Executive Committee has more than 7,000 presidents and CEOs who are members. In addition, Mr. Carter was the first Chairman of the organization recruited in Atlanta and still serves as Chairman of the first two groups formed in Atlanta, each comprised of 16 noncompeting CEOs and presidents. Mr. Carter serves on the board of directors of Creative Storage Systems, Inc., DiversiTech Coporation and Wavebase9. He is a graduate of the University of Missouri where he earned degrees in journalism and social psychology.

William H. Keogler, Jr. was employed by Brooke Bond Foods, Inc. as a Sales Manager from June 1965 to September 1968. From July 1968 to December 1974, Mr. Keogler was employed by Kidder Peabody & Company, Inc. and Dupont, Glore, Forgan as a corporate bond salesman responsible for managing the industrial corporate bond desk and the utility bond area. From December 1974 to July 1982, Mr. Keogler was employed by Robinson-Humphrey, Inc. as the Director of Fixed Income Trading Departments responsible for all municipal bond trading and municipal research, corporate and government bond trading, unit trusts and SBA/FHA loans, as well as the oversight of the publishing of the Robinson-Humphrey Southeast Unit Trust, a quarterly newsletter. Mr. Keogler was elected to the Board of Directors of Robinson-Humphrey, Inc. in 1982. From July 1982 to October 1984, Mr. Keogler was Executive Vice President, Chief Operating Officer, Chairman of the Executive Investment Committee and member of the board of directors and Chairman of the MFA Advisory Board for the Financial Service

Corporation. He was responsible for the creation of a full service trading department specializing in general securities with emphasis on municipal bonds and municipal trusts. Under his leadership, Financial Service Corporation grew to over 1,000 registered representatives and over 650 branch offices. In March 1985, Mr. Keogler founded Keogler, Morgan & Company, Inc., a full service brokerage firm, and Keogler Investment Advisory, Inc., in which he served as Chairman of the Board, President and Chief Executive Officer. In January 1997, both companies were sold to SunAmerica, Inc., a publicly traded New York Stock Exchange company. Mr. Keogler continued to serve as President and Chief Executive Officer of these companies until his retirement in January 1998.

Mr. Keogler serves on the Board of Trustees of Senior Citizens Services of Atlanta. He graduated from Adelphi University in New York where he earned a degree in psychology.

Donald S. Moss was employed by Avon Products, Inc. from 1957 until his retirement in 1986. While at Avon, Mr. Moss served in a number of key positions, including Vice President and Controller from 1973 to 1976, Group Vice President of Operations-Worldwide from 1976 to 1979, Group Vice President of Sales-Worldwide from 1979 to 1980, Senior Vice President-International from 1980 to 1983 and Group Vice President-Human Resources and Administration from 1983 until his retirement in 1986. Mr. Moss was also a member of the board of directors of Avon Canada, Avon Japan, Avon Thailand, and Avon Malaysia from 1980-1983.

Mr. Moss is currently a director of The Atlanta Athletic Club. He formerly was the National Treasurer and a director of the Girls Clubs of America from 1973 to 1976. Mr. Moss graduated from the University of Illinois where he received a degree in business.

Walter W. Sessoms was employed by Southern Bell and its successor company, BellSouth, from 1956 until his retirement in June 1997. While at BellSouth, Mr. Sessoms served in a number of key positions, including Vice President-Residence for the State of Georgia from June 1979 to July 1981, Vice President-Transitional Planning Officer from July 1981 to February 1982, Vice President-Georgia from February 1982 to June 1989, Senior Vice President-Regulatory and External Affairs from June 1989 to November 1991, and Group President-Services from December 1991 until his retirement on June 30, 1997.

Mr. Sessoms currently serves as a director of the Georgia Chamber of Commerce for which he is a past Chairman of the Board, the Atlanta Civic Enterprises and the Salvation Army's Board of Visitors of the Southeast Region. Mr. Sessoms is also a past executive advisory council member for the University of Georgia College of Business Administration and past member of the executive committee of the Atlanta Chamber of Commerce. Mr. Sessoms is a graduate of Wofford College where he earned a degree in economics and business administration, and is currently a member of the Wofford College Board of Trustees. He is a member of the Governor's Education Reform Commission. In addition, Mr. Sessoms is a member of the Board of Trustees of the Southern Center for International Studies and is currently President of the Atlanta Rotary Club.

Neil H. Strickland was employed by Loyalty Group Insurance (which subsequently merged with America Fore Loyalty Group and is now known as The Continental Group) as an automobile insurance underwriter. From 1957 to 1961, Mr. Strickland served as Assistant Supervisor of the Casualty Large Lines Retrospective Rating Department. From 1961 to 1964, Mr. Strickland served as Branch Manager of Wolverine Insurance Company, a full service property and casualty service company, where he had full responsibility for underwriting of insurance and office administration in the State of Georgia. In 1964, Mr. Strickland and a non-active partner started Superior Insurance Service, Inc., a property and casualty wholesale general insurance agency. Mr. Strickland served as President and was responsible for the underwriting and all other operations of the agency. In 1967, Mr. Strickland sold his interest in

Superior Insurance Service, Inc. and started Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers. Mr. Strickland is currently the Senior Operation Executive of Strickland General Agency, Inc. and devotes most of his time to long-term planning, policy development and senior administration.

Mr. Strickland is a past President of the Norcross Kiwanis Club and served as both Vice President and President of the Georgia Surplus Lines Association. He also served as President and a director of the National Association of Professional Surplus Lines Offices. Mr. Strickland currently serves as a director of First Capital Bank, a community bank located in the State of Georgia. Mr. Strickland attended Georgia State University where he majored in business administration. He received his L.L.B. degree from Atlanta Law School.

Compensation of Directors

We pay each of our independent directors $3,000 per regularly scheduled quarterly board meeting attended, $1,000 per regularly scheduled advisory committee meeting attended and $250 per special board meeting attended whether held in person or by telephone conference. In addition, we have reserved 100,000 shares of common stock for future issuance upon the exercise of stock options granted to the independent directors pursuant to our Independent Director Stock Option Plan and 500,000 shares for future issuance upon the exercise of warrants to be granted to the independent directors pursuant to our Independent Director Warrant Plan. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. If a director also is an officer of the Wells REIT, we do not pay separate compensation for services rendered as a director.

Independent Director Stock Option Plan

Our Independent Director Stock Option Plan (Director Option Plan) was approved by our stockholders at the annual stockholders meeting held June 16, 1999. We issued non-qualified stock options to purchase 2,500 shares (Initial Options) to each independent director pursuant to our Director Option Plan. In addition, we issued options to purchase 1,000 shares to each independent director then in office in connection with the 2000, 2001 and 2002 annual meeting of stockholders and will continue to issue options to purchase 1,000 shares (Subsequent Options) to each independent director then in office on the date of each annual stockholders' meeting. The Initial Options and the Subsequent Options are collectively referred to as the "Director Options." Director Options may not be granted at any time when the grant, along with grants to other independent directors, would exceed 10% of our issued and outstanding shares. As of the date of this prospectus, each independent director (except for Michael R. Buchanan, who was recently appointed as an independent director and will be awarded 2,500 Initial Options) had been granted options to purchase a total of 5,500 shares under the Director Option Plan, of which 3,000 of those options were exercisable.

The exercise price for the Initial Options is $12.00 per share. The exercise price for the Subsequent Options is the greater of (1) $12.00 per share or (2) the fair market value of the shares on the date they are granted. Fair market value is defined generally to mean:

- the average closing price for the five consecutive trading days ending on such date if the shares are traded on a national exchange;
- the average of the high bid and low asked prices if the shares are quoted on NASDAQ;
- the average of the last 10 sales made pursuant to a public offering if there is a current public offering and no market maker for the shares;

- the average of the last 10 purchases (or fewer if less than 10 purchases) under our share redemption program if there is no current public offering; or
- the price per share under the dividend reinvestment plan if there are no purchases under the share redemption program.

One-fifth of the Initial Options were exercisable beginning on the date we granted them, one-fifth of the Initial Options became exercisable beginning in July 2000, one-fifth of the Initial Options became exercisable beginning in July 2001, one fifth of the Initial Options became exercisable beginning in July 2002 and the remaining one-fifth of the Initial Options will become exercisable beginning in July 2003. The Subsequent Options granted in connection with the 2000 annual stockholders' meeting became exercisable in June 2002. The remaining Subsequent Options granted under the Director Option Plan will become exercisable on the second anniversary of the date we grant them.

A total of 100,000 shares have been authorized and reserved for issuance under the Director Option Plan. If the number of outstanding shares is changed into a different number or kind of shares or securities through a reorganization or merger in which the Wells REIT is the surviving entity, or through a combination, recapitalization or otherwise, an appropriate adjustment will be made in the number and kind of shares that may be issued pursuant to exercise of the Director Options. A corresponding adjustment to the exercise price of the Director Options granted prior to any change will also be made. Any such adjustment, however, will not change the total payment, if any, applicable to the portion of the Director Options not exercised, but will change only the exercise price for each share.

Options granted under the Director Option Plan shall lapse on the first to occur of (1) the tenth anniversary of the date we grant them, (2) the removal for cause of the independent director as a member of the board of directors, or (3) three months following the date the independent director ceases to be a director for any reason other than death or disability, and may be exercised by payment of cash or through the delivery of common stock. Director Options granted under the Director Option Plan are generally exercisable in the case of death or disability for a period of one year after death or the disabling event. No Director Option issued may be exercised if such exercise would jeopardize our status as a REIT under the Internal Revenue Code.

The independent directors may not sell, pledge, assign or transfer their options other than by will or the laws of descent or distribution.

Upon the dissolution or liquidation of the Wells REIT, upon our reorganization, merger or consolidation with one or more corporations as a result of which we are not the surviving corporation or upon sale of all or substantially all of our properties, the Director Option Plan will terminate, and any outstanding Director Options will terminate and be forfeited. The board of directors may provide in writing in connection with any such transaction for any or all of the following alternatives:

- for the assumption by the successor corporation of the Director Options granted or the replacement of the Director Options with options covering the stock of the successor corporation, or a parent or subsidiary of such corporation, with appropriate adjustments as to the number and kind of shares and exercise prices;
- for the continuance of the Director Option Plan and the Director Options by such successor corporation under the original terms; or
- for the payment in cash or shares of common stock in lieu of and in complete satisfaction of such options.

Independent Director Warrant Plan

Our Independent Director Warrant Plan (Director Warrant Plan) was approved by our stockholders at the annual stockholders meeting held June 28, 2000. Our Director Warrant Plan provides for the issuance of warrants to purchase shares of our common stock (Warrants) to independent directors based on the number of shares of common stock that they purchase. The purpose of the Director Warrant Plan is to encourage our independent directors to purchase shares of our common stock. Beginning on the effective date of the Director Warrant Plan and continuing until the earlier to occur of (1) the termination of the Director Warrant Plan by action of the board of directors or otherwise, or (2) 5:00 p.m. EST on the date of listing of our shares on a national securities exchange, each independent director will receive one Warrant for every 25 shares of common stock he purchases. The exercise price of the Warrants will be $12.00 per share.

A total of 500,000 Warrants have been authorized and reserved for issuance under the Director Warrant Plan, each of which will be redeemable for one share of our common stock. Upon our dissolution or liquidation, or upon a reorganization, merger or consolidation, where we are not the surviving corporation, or upon our sale of all or substantially all of our properties, the Director Warrant Plan shall terminate, and any outstanding Warrants shall terminate and be forfeited; provided, however, that holders of Warrants may exercise any Warrants that are otherwise exercisable immediately prior to the effective date of the dissolution, liquidation, consolidation or merger. Notwithstanding the above, our board of directors may provide in writing in connection with any such transaction for any or all of the following alternatives: (1) for the assumption by the successor corporation of the Warrants theretofore granted or the substitution by such corporation for such Warrants of awards covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; (2) for the continuance of the Director Warrant Plan by such successor corporation in which event the Director Warrant Plan and the Warrants shall continue in the manner and under the terms so provided; or (3) for the payment in cash or shares in lieu of and in complete satisfaction of such Warrants.

No Warrant may be sold, pledged, assigned or transferred by an independent director in any manner other than by will or the laws of descent or distribution. All Warrants exercised during the independent director’s lifetime shall be exercised only by the independent director or his legal representative. Any transfer contrary to the Director Warrant Plan will nullify and render void the Warrant. Notwithstanding any other provisions of the Director Warrant Plan, Warrants granted under the Director Warrant Plan shall continue to be exercisable in the case of death or disability of the independent director for a period of one year after the death or disabling event, provided that the death or disabling event occurs while the person is an independent director. No Warrant issued may be exercised if such exercise would jeopardize our status as a REIT under the Internal Revenue Code.

Employee Stock Option Plan

Our 2000 Employee Stock Option Plan (Employee Option Plan) was approved by our stockholders at the annual stockholders meeting held June 28, 2000. Our Employee Option Plan is designed to enable Wells Capital and Wells Management to obtain or retain the services of employees considered essential to our long range success and the success of Wells Capital and Wells Management by offering such employees an opportunity to participate in the growth of the Wells REIT through ownership of our common stock.

Our Employee Option Plan provides for the formation of a Compensation Committee consisting of two or more of our independent directors. (See “Committees of the Board of Directors.”) The Compensation Committee shall conduct the general administration of the Employee Option Plan. The

Compensation Committee is authorized to grant “non-qualified” stock options (Employee Options) to selected employees of Wells Capital and Wells Management based upon the recommendation of Wells Capital and subject to the absolute discretion of the Compensation Committee and applicable limitations of the Employee Option Plan. The exercise price for the Employee Options shall be the greater of (1) $11.00 per share, or (2) the fair market value of the shares on the date the option is granted. A total of 750,000 shares have been authorized and reserved for issuance under our Employee Option Plan. To date, we have not issued any stock options under our Employee Option Plan.

The Compensation Committee shall set the term of the Employee Options in its discretion, although no Employee Option shall have a term greater than five years from the later of (1) the date our shares become listed on a national securities exchange, or (2) the date the Employee Option is granted. The employee receiving Employee Options shall agree to remain in employment with his employer for a period of one year after the Employee Option is granted. The Compensation Committee shall set the period during which the right to exercise an option vests in the holder of the option. No Employee Option issued may be exercised, however, if such exercise would jeopardize our status as a REIT under the Internal Revenue Code. In addition, no option may be sold, pledged, assigned or transferred by an employee in any manner other than by will or the laws of descent or distribution.

In the event that the Compensation Committee determines that any dividend or other distribution, recapitalization, stock split, reorganization, merger, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of our assets, or other similar corporate transaction or event, affects the shares such that an adjustment is determined by the Compensation Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Employee Option Plan or with respect to an Employee Option, then the Compensation Committee shall, in such manner as it may deem equitable, adjust the number and kind of shares or the exercise price with respect to any option.

Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents

Our organizational documents limit the personal liability of our stockholders, directors and officers for monetary damages to the fullest extent permitted under current Maryland Corporation Law. We also maintain a directors and officers liability insurance policy. Maryland Corporation Law allows directors and officers to be indemnified against judgments, penalties, fines, settlements and expenses actually incurred in a proceeding unless the following can be established:

- an act or omission of the director or officer was material to the cause of action adjudicated in the proceeding, and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his act or omission was unlawful.

Any indemnification or any agreement to hold harmless is recoverable only out of our assets and not from our stockholders. Indemnification could reduce the legal remedies available to us and our stockholders against the indemnified individuals, however.

This provision does not reduce the exposure of our directors and officers to liability under federal or state securities laws, nor does it limit our stockholder’s ability to obtain injunctive relief or other equitable remedies for a violation of a director's or an officer's duties to us or our stockholders, although the equitable remedies may not be an effective remedy in some circumstances.

In spite of the above provisions of Maryland Corporation Law, our articles of incorporation provide that our directors, Wells Capital and its affiliates will be indemnified by us for losses arising from our operation only if all of the following conditions are met:

- our directors, Wells Capital or its affiliates have determined, in good faith, that the course of conduct which caused the loss or liability was in our best interests;
- our directors, Wells Capital or its affiliates were acting on our behalf or performing services for us;
- in the case of affiliated directors, Wells Capital or its affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking indemnification;
- in the case of independent directors, the liability or loss was not the result of gross negligence or willful misconduct by the party seeking indemnification; and
- the indemnification or agreement to hold harmless is recoverable only out of our net assets and not from the stockholders.

We have agreed to indemnify and hold harmless Wells Capital and its affiliates performing services for us from specific claims and liabilities arising out of the performance of its obligations under the advisory agreement. As a result, we and our stockholders may be entitled to a more limited right of action than they would otherwise have if these indemnification rights were not included in the advisory agreement.

The general effect to investors of any arrangement under which any of our controlling persons, directors or officers are insured or indemnified against liability is a potential reduction in distributions resulting from our payment of premiums associated with insurance. In addition, indemnification could reduce the legal remedies available to the Wells REIT and our stockholders against the officers and directors.

The Securities and Exchange Commission takes the position that indemnification against liabilities arising under the Securities Act of 1933 is against public policy and unenforceable. Indemnification of our directors, officers, Wells Capital or its affiliates will not be allowed for liabilities arising from or out of a violation of state or federal securities laws, unless one or more of the following conditions are met:

- there has been a successful adjudication on the merits of each count involving alleged securities law violations;
- such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or
- a court of competent jurisdiction approves a settlement of the claims against the indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the Securities and Exchange Commission and of the published position of any state securities regulatory authority in which the securities were offered as to indemnification for violations of securities laws.

Indemnification will be allowed for settlements and related expenses of lawsuits alleging securities laws violations and for expenses incurred in successfully defending any lawsuits, provided that a court either:

- approves the settlement and finds that indemnification of the settlement and related costs should be made; or
- dismisses with prejudice or there is a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee and a court approves the indemnification.

The Advisor

The advisor of the Wells REIT is Wells Capital. Wells Capital has contractual responsibilities to the Wells REIT and its stockholders pursuant to the advisory agreement. Some of our officers and directors are also officers and directors of Wells Capital. (See "Conflicts of Interest.")

The directors and executive officers of Wells Capital are as follows:

Name	Age	Positions
Leo F. Wells, III	58	President, Treasurer and sole director
Douglas P. Williams	51	Senior Vice President and Assistant Secretary
Stephen G. Franklin	54	Senior Vice President
Kim R. Comer	48	Vice President
Claire C. Janssen	39	Vice President
David H. Steinwedell	42	Vice President

The backgrounds of Messrs. Wells and Williams are described in the "Management—Executive Officers and Directors" section of this prospectus. Below is a brief description of the other executive officers of Wells Capital.

Stephen G. Franklin, Ph.D. is a Senior Vice President of Wells Capital. Mr. Franklin is responsible for marketing, sales and coordination of broker-dealer relations. Mr. Franklin also serves as Vice President of Wells Real Estate Funds, Inc. Prior to joining Wells Capital in 1999, Mr. Franklin served as President of Global Access Learning, an international executive education and management development firm. From 1997 to 1999, Mr. Franklin served as President, Chief Academic Officer and Director of EduTrek International, a publicly traded provider of international post-secondary education that owns the American InterContinental University, with campuses in Atlanta, Ft. Lauderdale, Los Angeles, Washington, D.C., London and Dubai. While at EduTrek, he was instrumental in developing the Masters and Bachelors of Information Technology, International MBA and Adult Evening BBA programs. Prior to joining EduTrek, Mr. Franklin was Associate Dean of the Goizueta Business School at Emory University and a former tenured Associate Professor of Business Administration. He served on the founding Executive MBA faculty, and has taught graduate, undergraduate and executive courses in management and organizational behavior, human resources management and entrepreneurship. He is also co-founder and Director of the Center for Healthcare Leadership in the Emory University School of Medicine. Mr. Franklin was a frequent guest lecturer at universities throughout North America, Europe and South Africa.

In 1984, Mr. Franklin took a sabbatical from Emory University and became Executive Vice President and a principal stockholder of Financial Service Corporation (FSC), an independent financial planning broker-dealer. Mr. Franklin and the other stockholders of FSC later sold their interests in FSC to Mutual of New York Life Insurance Company.

Kim R. Comer is a Vice President of Wells Capital. He is primarily responsible for developing, implementing and monitoring initiatives to further the strategic objectives of Wells Capital. He rejoined Wells Capital as National Vice President of Marketing in April 1997 after working for Wells Capital in similar capacities from January 1992 through September 1995. In prior positions with Wells Capital, he served as both Vice President and Director of Customer Care Services and Vice President of Marketing for the southeast and northeast regions. Mr. Comer has over 10 years experience in the securities industry and is a registered representative and financial principal with the NASD. Additionally, he has substantial financial experience including experience as controller and chief financial officer of two regional broker-dealers. In 1976, Mr. Comer graduated with honors from Georgia State University with a BBA degree in accounting.

Claire C. Janssen is a Vice President of Wells Capital. She is primarily responsible for managing the corporate, real estate, investment and investor accounting areas of the company. Ms. Janssen also serves as a Vice President of Wells Management Company, Inc., our Property Manager. Prior to joining Wells Capital in 2001, Ms. Janssen served as a Vice President of Lend Lease Real Estate (formerly, Equitable Real Estate). From 1990 to 2000, she held various management positions, including Vice President of Institutional Accounting, Vice President of Business/Credit Analysis and Director of Tax/Corporate Accounting. From 1985 to 1990, Ms. Janssen served in management positions for Beers and Cutler, a Washington, D.C. based accounting firm, where she provided both audit and tax services for clients.

Ms. Janssen received a B.S. in business administration with a major in accounting from George Mason University. She is a Certified Public Accountant and a member of American Institute of Certified Public Accountants, Georgia Society of Certified Public Accountants and National Association of Real Estate Companies.

David H. Steinwedell is a Vice President of Wells Capital. He is primarily responsible for the acquisition of real estate properties. Prior to joining Wells Capital in 2001, Mr. Steinwedell served as a principal in Steinwedell and Associates, a capital markets advisory firm specializing in transactions and strategic planning for commercial real estate firms. His background also includes experience as the Executive Vice President of Investment Banking at Jones Lang LaSalle and as Managing Director for Real Estate Investments at Aetna Life and Casualty. He graduated from Hamilton College with a B.S. in Economics. Mr. Steinwedell is a licensed real estate broker in Georgia and is a member of the Urban Land Institute and NAIOP.

Wells Capital employs personnel, in addition to the directors and executive officers listed above, who have extensive experience in selecting and managing commercial properties similar to the properties sought to be acquired by the Wells REIT.

The Advisory Agreement

Many of the services to be performed by Wells Capital in managing our day-to-day activities are summarized below. This summary is provided to illustrate the material functions which Wells Capital will perform for us as our advisor, and it is not intended to include all of the services which may be provided to us by Wells Capital or by third parties. Under the terms of the advisory agreement, Wells Capital undertakes to use its best efforts to present to us investment opportunities consistent with our investment policies and objectives as adopted by our board of directors. In its performance of this undertaking, Wells Capital, either directly or indirectly by engaging an affiliate, shall, subject to the authority of the board:

- find, present and recommend to us real estate investment opportunities consistent with our investment policies and objectives;
- structure the terms and conditions of transactions pursuant to which acquisitions of properties will be made;
- acquire properties on our behalf in compliance with our investment objectives and policies;
- arrange for financing and refinancing of properties; and
- enter into leases and service contracts for the properties acquired.

The term of the current advisory agreement ends on January 30, 2003 and may be renewed for an unlimited number of successive one-year periods. Additionally, the advisory agreement may be terminated:

- immediately by us for “cause” or upon the bankruptcy of Wells Capital or a material breach of the advisory agreement by Wells Capital;
- without cause by a majority of the independent directors of the Wells REIT or a majority of the directors of Wells Capital upon 60 days’ written notice; or
- immediately with “good reason” by Wells Capital.

“Good reason” is defined in the advisory agreement to mean either:

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

“Cause” is defined in the advisory agreement to mean fraud, criminal conduct, willful misconduct or willful or negligent breach of fiduciary duty by Wells Capital or a breach of the advisory agreement by Wells Capital.

Wells Capital and its affiliates expect to engage in other business ventures and, as a result, their resources will not be dedicated exclusively to our business. However, pursuant to the advisory agreement, Wells Capital must devote sufficient resources to the administration of the Wells REIT to discharge its obligations. Wells Capital may assign the advisory agreement to an affiliate upon approval of a majority of the independent directors. We may assign or transfer the advisory agreement to a successor entity.

Wells Capital may not make any acquisition of property or financing of such acquisition on our behalf without the prior approval of a majority of our board of directors. The actual terms and conditions of transactions involving investments in properties shall be determined in the sole discretion of Wells Capital, subject at all times to such board approval.

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

- organization and offering expenses in an amount up to 3.0% of gross offering proceeds, which include actual legal, accounting, printing and expenses attributable to preparing the SEC registration statement, qualification of the shares for sale in the states and filing fees incurred by Wells Capital, as well as reimbursements for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares and other marketing and organization costs, other than selling commissions and the dealer manager fee;

- the annual cost of goods and materials used by us and obtained from entities not affiliated with Wells Capital, including brokerage fees paid in connection with the purchase and sale of securities;
- administrative services including personnel costs, provided, however, that no reimbursement shall be made for costs of personnel to the extent that personnel are used in transactions for which Wells Capital receives a separate fee; and
- acquisition expenses, which are defined to include expenses related to the selection and acquisition of properties.

Wells Capital must reimburse us at least annually for amounts paid to Wells Capital in any year to the extent that such payments cause our operating expenses to exceed the greater of (1) 2% of our average invested assets, which consists of the average book value of our real estate properties, both equity interests in and loans secured by real estate, before reserves for depreciation or bad debts or other similar non-cash reserves, or (2) 25% of our net income, which is defined as our total revenues less total operating expenses for any given period. Operating expenses includes all expenses paid or incurred by the Wells REIT as determined by generally accepted accounting principles, such as (1) real estate operating costs, net of reimbursements, (2) management and leasing fees, (3) general and administrative expenses, and (4) legal and accounting expenses, but excludes (A) expenses of raising capital such as organizational and offering expenses, (B) interest payments, (C) taxes, (D) non-cash expenditures such as depreciation, amortization and bad debt reserves, and (E) amounts payable out of capital contributions which are not treated as operating expenses under generally accepted accounting principles such as the acquisition and advisory fees payable to Wells Capital. To the extent that operating expenses payable or reimbursable by us exceed this limit and the independent directors determine that the excess expenses were justified based on unusual and nonrecurring factors which they deem sufficient, Wells Capital may be reimbursed in future years for the full amount of the excess expenses, or any portion thereof, but only to the extent the reimbursement would not cause our operating expenses to exceed the limitation in any year. Within 60 days after the end of any of our fiscal quarters for which total operating expenses for the 12 months then ended exceed the limitation, there shall be sent to the stockholders a written disclosure, together with an explanation of the factors the independent directors considered in arriving at the conclusion that the excess expenses were justified.

Wells Capital and its affiliates will be paid fees in connection with services provided to us. (See “Management Compensation.”) In the event the advisory agreement is terminated, Wells Capital will be paid all accrued and unpaid fees and expense reimbursements, and any subordinated acquisition fees earned prior to the termination. We will not reimburse Wells Capital or its affiliates for services for which Wells Capital or its affiliates are entitled to compensation in the form of a separate fee.

Shareholdings

Wells Capital currently owns 20,000 limited partnership units of Wells OP, our operating partnership, for which it contributed $200,000 and which constitutes 100% of the limited partner units outstanding at this time. Wells Capital may not sell any of these units during the period it serves as our advisor. Any resale of shares that Wells Capital or its affiliates may acquire in the future will be subject to the provisions of Rule 144 promulgated under the Securities Act of 1933, which rule limits the number of shares that may be sold at any one time and the manner of such resale. Although Wells Capital and its affiliates are not prohibited from acquiring shares of the Wells REIT, Wells Capital currently has no options or warrants to acquire any shares and has no current plans to acquire shares. Wells Capital has agreed to abstain from voting any shares it acquires in any vote for the election of directors or any vote regarding the approval or termination of any contract with Wells Capital or any of its affiliates.

Affiliated Companies

Property Manager

Our properties will be managed and leased initially by Wells Management Company, Inc. (Wells Management), our Property Manager. Wells Management is a wholly owned subsidiary of Wells Real Estate Funds, Inc., and Mr. Wells is the sole director of Wells Management. (See "Conflicts of Interest.") The principal officers of Wells Management are as follows:

Name	Age	Positions
Leo F. Wells, III	58	President and Treasurer
M. Scott Meadows	38	Senior Vice President and Secretary
John G. Oliver	53	Vice President
Michael L. Watson	59	Vice President

The background of Mr. Wells is described in the "Management—Executive Officers and Directors" section of this prospectus. Below is a brief description of the other executive officers of Wells Management.

M. Scott Meadows is a Senior Vice President and Secretary of Wells Management. He is primarily responsible for the acquisition, operation, management and disposition of real estate investments. Prior to joining Wells Management in 1996, Mr. Meadows served as Senior Property Manager for The Griffin Company, a full-service commercial real estate firm in Atlanta, where he was responsible for managing a 500,000 square foot office and retail portfolio. Mr. Meadows previously managed real estate as a Property Manager for Sea Pines Plantation Company. He graduated from University of Georgia with a B.B.A. in management. Mr. Meadows is a Georgia real estate broker and holds a Real Property Administrator (RPA) designation from the Building Owners and Managers Institute International and a Certified Property Manager (CPM) designation from the Institute of Real Estate Management.

John G. Oliver is a Vice President of Wells Management. He is primarily responsible for operation and management of real estate properties. Prior to joining Wells Management in July 2000, Mr. Oliver served as Vice President with C.B. Richard Ellis where he was responsible for the management of properties occupied by Delta Airlines. Mr. Oliver previously was the Vice President of Property Management for Grubb and Ellis for their southeast region and served on their Executive Property Management Council. He graduated from Georgia State University with a B.S. in real estate. Mr. Oliver is a past President of the Atlanta chapter of BOMA (Building Owners and Managers Association) and holds a Certified Property Manager (CPM) designation from the Institute of Real Estate Management.

Michael L. Watson is a Vice President of Wells Management. He is primarily responsible for performing due diligence investigations on our properties and overseeing construction and tenant improvement projects including design, engineering, and progress-monitoring functions. Prior to joining Wells Management in 1995, Mr. Watson was Senior Project Manager with Abrams Construction in Atlanta from 1982 to 1995. His primary responsibilities included supervising a variety of projects consisting of high-rise office buildings, military bases, state projects and neighborhood shopping centers. He graduated from the University of Miami with a B.S. in civil engineering.

Wells Management is engaged in the business of real estate management. It was organized and commenced active operations in 1983 to lease and manage real estate projects that Wells Capital and its affiliates operate or in which they own an interest. As of June 30, 2002, Wells Management was managing in excess of 8,800,000 square feet of office and industrial buildings and shopping centers. We will pay Wells Management property management and leasing fees not exceeding the lesser of: (A) 4.5% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent). Wells Management will also retain third-party property managers or subcontract manager services to third-party property managers as it deems appropriate for certain of our properties.

In the event that Wells Management assists a tenant with tenant improvements, a separate fee may be charged to the tenant and paid by the tenant. This fee will not exceed 5.0% of the cost of the tenant improvements.

Wells Management will hire, direct and establish policies for employees who will have direct responsibility for each property's operations, including resident managers and assistant managers, as well as building and maintenance personnel. Some or all of the other employees may be employed on a part-time basis and may also be employed by one or more of the following:

- Wells Capital;
- Wells Management;
- partnerships organized by Wells Management and its affiliates; and
- other persons or entities owning properties managed by Wells Management.

Wells Management will direct the purchase of equipment and supplies and will supervise all maintenance activity.

The management fees to be paid to Wells Management will cover, without additional expense to the Wells REIT, the property manager's general overhead costs such as its expenses for rent and utilities.

The principal office of Wells Management is located at 6200 The Corners Parkway, Suite 250, Atlanta, Georgia 30092.

Dealer Manager

Wells Investment Securities, Inc. (Wells Investment Securities), our Dealer Manager, is a member firm of the NASD, Inc. (NASD). Wells Investment Securities was organized in May 1984 for the purpose of participating in and facilitating the distribution of securities of Wells programs.

Wells Investment Securities will provide certain wholesaling, sales promotional and marketing assistance services to the Wells REIT in connection with the distribution of the shares offered pursuant to this prospectus. It may also sell shares at the retail level. (See "Plan of Distribution" and "Management Compensation.")

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Wells Real Estate Funds, Inc. is the sole stockholder and Mr. Wells is the President, Treasurer and sole director of Wells Investment Securities. (See “Conflicts of Interest.”)

IRA Custodian

Wells Advisors, Inc. (Wells Advisors) was organized in 1991 for the purpose of acting as a non-bank custodian for IRAs investing in the securities of Wells real estate programs. Wells Advisors currently charges no fees for such services. Wells Advisors was approved by the Internal Revenue Service to act as a qualified non-bank custodian for IRAs on March 20, 1992. In circumstances where Wells Advisors acts as an IRA custodian, the authority of Wells Advisors is limited to holding limited partnership units or REIT shares on behalf of the beneficiary of the IRA and making distributions or reinvestments in such units or shares solely at the direction of the beneficiary of the IRA. Well Advisors is not authorized to vote any of such units or shares held in any IRA except in accordance with the written instructions of the beneficiary of the IRA. Mr. Wells is the President and sole director and owns 50% of the common stock and all of the preferred stock of Wells Advisors. As of June 30, 2002, Wells Advisors was acting as the IRA custodian for in excess of $373,442,000 in Wells real estate program investments.

Management Decisions

The primary responsibility for the management decisions of Wells Capital and its affiliates, including the selection of investment properties to be recommended to our board of directors, the negotiation for these investments, and the property management and leasing of these investment properties, will reside in Leo F. Wells, III, Douglas P. Williams, M. Scott Meadows, David H. Steinwedell and John G. Oliver. Wells Capital seeks to invest in commercial properties that satisfy our investment objectives, typically office and industrial buildings located in densely populated metropolitan markets in which the major tenant is a company with a net worth of in excess of $100,000,000. Our board of directors must approve all acquisitions of real estate properties.

MANAGEMENT COMPENSATION

The following table summarizes and discloses all of the compensation and fees, including reimbursement of expenses, to be paid by the Wells REIT to Wells Capital and its affiliates.

Form of Compensation and Entity Receiving	Determination of Amount	Estimated Maximum Dollar Amount(1)
	Organizational and Offering Stage	
Selling Commissions —Wells Investment Securities	Up to 7.0% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. Wells Investment Securities, our Dealer Manager, intends to reallow 100% of commissions earned for those transactions that involve participating broker-dealers.	$ 231,000,000
Dealer Manager Fee —Wells Investment Securities	Up to 2.5% of gross offering proceeds before reallowance to participating broker-dealers. Wells Investment Securities, in its sole discretion, may reallow a portion of its dealer manager fee of up to 1.5% of the gross offering proceeds to be paid to such participating broker-dealers.	$ 82,500,000

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Form of Compensation and Entity Receiving	Determination of Amount	Estimated Maximum Dollar Amount(1)
Reimbursement of Organization and Offering Expenses—Wells Capital or its Affiliates(2)	Up to 3.0% of gross offering proceeds. All organization and offering expenses (excluding selling commissions and the dealer manager fee) will be advanced by Wells Capital or its affiliates and reimbursed by the Wells REIT up to 3.0% of aggregate gross offering proceeds. We currently estimate that approximately $49,500,000 of organization and offering costs will be incurred if the maximum offering of 330,000,000 shares is sold.	$ 49,500,000 (estimated)
	Acquisition and Development Stage	
Acquisition and Advisory Fees—Wells Capital or its Affiliates(3)	Up to 3.0% of gross offering proceeds for the review and evaluation of potential real property acquisitions.	$ 99,000,000
Reimbursement of Acquisition Expenses—Wells Capital or its Affiliates(3)	Up to 0.5% of gross offering proceeds for reimbursement of expenses related to real property acquisitions, such as legal fees, travel expenses, property appraisals, title insurance premium expenses and other closing costs.	$ 16,500,000
	Operational Stage	
Property Management and Leasing Fees—Wells Management	For the management and leasing of our properties, we will pay Wells Management, our Property Manager, property management and leasing fees of up to 4.5% of gross revenues; provided, however, that aggregate property management and leasing fees payable to Wells Management may not exceed the lesser of: (A) 4.5% of gross revenues; or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent).	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

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Form of Compensation and Entity Receiving	Determination of Amount	Estimated Maximum Dollar Amount(1)
Real Estate Commissions—Wells Capital or its Affiliates	In connection with the sale of properties, an amount not exceeding the lesser of: (A) 50% of the reasonable, customary and competitive real estate brokerage commissions customarily paid for the sale of a comparable property in light of the size, type and location of the property; or (B) 3.0% of the contract price of each property sold, subordinated to distributions to investors from sale proceeds of an amount which, together with prior distributions to the investors, will equal (1) 100% of their capital contributions, plus (2) an 8.0% annual cumulative, noncompounded return on their net capital contributions; provided however, in no event will the amounts paid under (A) or (B) exceed an amount equal to 6.0% of the contract sales price when combined with real estate commissions paid to unaffiliated third parties.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.
Subordinated Participation in Net Sale Proceeds—Wells Capital(4)	After investors have received a return of their net capital contributions and an 8.0% per year cumulative, noncompounded return, then Wells Capital is entitled to receive 10.0% of remaining net sale proceeds.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.
Subordinated Incentive Listing Fee—Wells Capital(5)(6)	Upon listing, a fee equal to 10.0% of the amount by which (1) the market value of the outstanding stock of the Wells REIT plus distributions paid by the Wells REIT prior to listing, exceeds (2) the sum of the total amount of capital raised from investors and the amount of cash flow necessary to generate an 8.0% per year cumulative, noncompounded return to investors.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

The Wells REIT may not reimburse any entity for operating expenses in excess of the greater of 2% of our average invested assets or 25% of our net income for the year.

(Footnotes to "Management Compensation")

(1) The estimated maximum dollar amounts are based on the sale of a maximum of 300,000,000 shares to the public at $10 per share and the sale of 30,000,000 shares at $10 per share pursuant to our dividend reinvestment plan.

(2) These reimbursements will include organization and offering expenses previously advanced by Wells Capital with regards to prior offerings of our shares, to the extent not reimbursed out of proceeds from prior offerings, and subject for the 3.0% of gross offering proceeds overall limitation.

(3) Notwithstanding the method by which we calculate the payment of acquisition fees and expenses, as described in the table, the total of all such acquisition fees and acquisition expenses shall not exceed, in the aggregate, an amount equal to 6.0% of the contract price of all of the properties which we will purchase, as required by the NASAA Guidelines.

(4) The subordinated participation in net sale proceeds and the subordinated incentive listing fee to be received by Wells Capital are mutually exclusive of each other. In the event that the Wells REIT becomes listed and Wells Capital receives the subordinated incentive listing fee prior to its

receipt of the subordinated participation in net sale proceeds, Wells Capital shall not be entitled to any such participation in net sale proceeds.

(5) If at any time the shares become listed on a national securities exchange or included for quotation on NASDAQ, we will negotiate in good faith with Wells Capital a fee structure appropriate for an entity with a perpetual life. A majority of the independent directors must approve the new fee structure negotiated with Wells Capital. In negotiating a new fee structure, the independent directors shall consider all of the factors they deem relevant, including but not limited to:

- the size of the advisory fee in relation to the size, composition and profitability of our portfolio;
- the success of Wells Capital in generating opportunities that meet our investment objectives;
- the rates charged to other REITs and to investors other than REITs by advisors performing similar services;
- additional revenues realized by Wells Capital through their relationship with us;
- the quality and extent of service and advice furnished by Wells Capital;
- the performance of our investment portfolio, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and
- the quality of our portfolio in relationship to the investments generated by Wells Capital for the account of other clients.

Our board of directors, including a majority of the independent directors, may not approve a new fee structure that is, in its judgment, more favorable to Wells Capital than the current fee structure.

(6) The market value of the outstanding stock of the Wells REIT will be calculated based on the average market value of the shares issued and outstanding at listing over the 30 trading days beginning 180 days after the shares are first listed on a stock exchange.

We have the option to pay the listing fee in the form of stock, cash, a promissory note or any combination thereof. In the event the subordinated incentive listing fee is paid to Wells Capital as a result of the listing of the shares, we will not be required to pay Wells Capital any further subordinated participation in net sale proceeds.

In addition, Wells Capital and its affiliates will be reimbursed only for the actual cost of goods, services and materials used for or by the Wells REIT. Wells Capital may be reimbursed for the administrative services necessary to the prudent operation of the Wells REIT provided that the reimbursement shall not be for services for which it is entitled to compensation by way of a separate fee.

Since Wells Capital and its affiliates are entitled to differing levels of compensation for undertaking different transactions on behalf of the Wells REIT such as the property management fees for operating the properties and the subordinated participation in net sale proceeds, Wells Capital has the ability to affect the nature of the compensation it receives by undertaking different transactions. However, Wells Capital is obligated to exercise good faith and integrity in all its dealings with respect to our affairs pursuant to the advisory agreement. (See “Management—The Advisory Agreement.”) Because these fees or expenses are payable only with respect to certain transactions or services, they may not be recovered by Wells Capital or its affiliates by reclassifying them under a different category.

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STOCK OWNERSHIP

The following table shows, as of June 30, 2002, the amount of our common stock beneficially owned (unless otherwise indicated) by (1) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (2) our directors, (3) our executive officers, and (4) all of our directors and executive officers as a group.

	Shares Beneficially Owned	
Name and Address of Beneficial Owner	**Shares**	**Percentage**
Leo F. Wells, III 6200 The Corners Parkway, Suite 250 Atlanta, GA 30092	698	*
Douglas P. Williams 6200 The Corners Parkway, Suite 250 Atlanta, GA 30092	None	N/A
John L. Bell(1) 800 Mt. Vernon Highway, Suite 230 Atlanta, GA 30328	3,000	*
Michael R. Buchanan 1630 Misty Oaks Drive Atlanta, GA 30350	None	N/A
Richard W. Carpenter(1) Realmark Holdings Corporation P.O. Box 421669 (30342) 5570 Glenridge Drive Atlanta, GA 30342	3,000	*
Bud Carter(1) The Executive Committee 100 Mount Shasta Lane Alpharetta, GA 30022-5440	8,373	*
William H. Keogler, Jr.(1) 469 Atlanta Country Club Drive Marietta, GA 30067	3,000	*
Donald S. Moss(1) 114 Summerour Vale Duluth, GA 30097	80,717	*
Walter W. Sessoms(1) 5995 River Chase Circle NW Atlanta, GA 30328	40,243	*
Neil H. Strickland(1) Strickland General Agency, Inc. 3109 Crossing Park P.O. Box 129 Norcross, GA 30091	3,285	*
All directors and executive officers as a group(2)	142,316	*

* Less than 1% of the outstanding common stock.

(1) Includes options to purchase up to 3,000 shares of common stock, which are exercisable within 60 days of June 30, 2002.

(2) Includes options to purchase an aggregate of up to 21,000 shares of common stock, which are exercisable within 60 days of June 30, 2002.

CONFLICTS OF INTEREST

We are subject to various conflicts of interest arising out of our relationship with Wells Capital, our advisor, and its affiliates, including conflicts related to the arrangements pursuant to which Wells Capital and its affiliates will be compensated by the Wells REIT. (See “Management Compensation.”)

The independent directors have an obligation to function on our behalf in all situations in which a conflict of interest may arise and have a statutory obligation to act in the best interest of the stockholders. (See “Management—Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents.”) These conflicts include, but are not limited to, the following:

Interests in Other Real Estate Programs

Wells Capital and its affiliates are general partners of other Wells programs, including partnerships which have investment objectives similar to those of the Wells REIT, and we expect that they will organize other such partnerships and programs in the future. Wells Capital and such affiliates have legal and financial obligations with respect to these partnerships that are similar to their obligations to the Wells REIT. As general partners, they may have contingent liability for the obligations of such partnerships as well as those of the Wells REIT that, if such obligations were enforced against them, could result in substantial reduction of their net worth.

Wells Capital and its affiliates are currently sponsoring a real estate program known as Wells Real Estate Fund XIII, L.P. (Wells Fund XIII). The registration statement of Wells Fund XIII was declared effective by the Securities and Exchange Commission (SEC) on March 29, 2001 for the offer and sale to the public of up to 4,500,000 units of limited partnership interest at a price of $10.00 per unit.

As described in the “Prior Performance Summary,” Wells Capital and its affiliates have sponsored the following 14 public real estate programs with substantially identical investment objectives as those of the Wells REIT:

1. Wells Real Estate Fund I (Wells Fund I),
2. Wells Real Estate Fund II (Wells Fund II),
3. Wells Real Estate Fund II-OW (Wells Fund II-OW),
4. Wells Real Estate Fund III, L.P. (Wells Fund III),
5. Wells Real Estate Fund IV, L.P. (Wells Fund IV),
6. Wells Real Estate Fund V, L.P. (Wells Fund V),
7. Wells Real Estate Fund VI, L.P. (Wells Fund VI),
8. Wells Real Estate Fund VII, L.P. (Wells Fund VII),
9. Wells Real Estate Fund VIII, L.P. (Wells Fund VIII),
10. Wells Real Estate Fund IX, L.P. (Wells Fund IX),
11. Wells Real Estate Fund X, L.P. (Wells Fund X),
12. Wells Real Estate Fund XI, L.P. (Wells Fund XI),
13. Wells Real Estate Fund XII, L.P. (Wells Fund XII), and
14. Wells Real Estate Fund XIII, L.P. (Wells Fund XIII).

In the event that the Wells REIT, or any other Wells program or other entity formed or managed by Wells Capital or its affiliates is in the market for similar properties, Wells Capital will review the investment portfolio of each such affiliated entity prior to making a decision as to which Wells program will purchase such properties. (See “Certain Conflict Resolution Procedures.”)

Wells Capital or one of its affiliates may acquire, for its own account or for private placement, properties which it deems not suitable for purchase by the Wells REIT, whether because of the greater degree of risk, the complexity of structuring inherent in such transactions, financing considerations or for other reasons, including properties with potential for attractive investment returns.

Other Activities of Wells Capital and its Affiliates

We rely on Wells Capital for the day-to-day operation of our business. As a result of its interests in other Wells programs and the fact that it has also engaged and will continue to engage in other business activities, Wells Capital and its affiliates will have conflicts of interest in allocating their time between the Wells REIT and other Wells programs and activities in which they are involved. (See “Risk Factors—Investment Risks.”) However, Wells Capital believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to all of the Wells programs and ventures in which they are involved.

In addition, certain of our executive officers and directors are also officers and directors of Wells Capital, our advisor and the general partner of the various real estate programs sponsored by Wells Capital and its affiliates described above, Wells Management, our Property Manager, and Wells Investment Securities, our Dealer Manager, and as such, owe fiduciary duties to these various entities and their stockholders and limited partners. Such fiduciary duties may from time to time conflict with the fiduciary duties owed to the Wells REIT and its stockholders. (See “Risk Factors—Investment Risks.”)

In addition to the real estate programs sponsored by Wells Capital and its affiliates described above, Wells Capital and its affiliates are also sponsoring an index mutual fund that invests in various REIT stocks known as the Wells S&P REIT Index Fund (REIT Index Fund). The REIT Index Fund is a mutual fund which seeks to provide investment results corresponding to the performance of the S&P REIT Index by investing in the REIT stocks included in the S&P REIT Index.

We may purchase or lease a property from Wells Capital or its affiliates upon a finding by a majority of our board of directors, including a majority of the independent directors, not otherwise interested in the transaction, that such transaction is competitive and commercially reasonable to the Wells REIT and at a price no greater than the cost of the property; provided, however, if the price is in excess of the cost of such property, that substantial justification for such excess exists and such excess is reasonable and the acquisition is disclosed. In no event may the Wells REIT:

- loan funds to Wells Capital or any of its affiliates; or
- enter into agreements with Wells Capital or its affiliates for the provision of insurance covering the Wells REIT or any of our properties.

Competition

Conflicts of interest will exist to the extent that we may acquire properties in the same geographic areas where other Wells programs own properties. In such a case, a conflict could arise in the leasing of properties in the event that the Wells REIT and another Wells program were to compete for the same tenants in negotiating leases, or a conflict could arise in connection with the resale of properties in the event that the Wells REIT and another Wells program were to attempt to sell similar properties at the same time. (See “Risk Factors—Investment Risks”). Conflicts of interest may also exist at such time as the Wells REIT or our affiliates managing property on our behalf seek to employ developers, contractors or building managers as well as under other circumstances. Wells Capital will seek to reduce conflicts relating to the employment of developers, contractors or building managers by making prospective employees aware of all such properties seeking to employ such persons. In addition, Wells Capital will seek to reduce conflicts which may arise with respect to properties available for sale or rent by making prospective purchasers or tenants aware of all such properties. However, these conflicts cannot be fully avoided in that Wells Capital may establish differing compensation arrangements for employees at different properties or differing terms for resales or leasing of the various properties.

Affiliated Dealer Manager

Since Wells Investment Securities, our Dealer Manager, is an affiliate of Wells Capital, we will not have the benefit of an independent due diligence review and investigation of the type normally performed by an unaffiliated, independent underwriter in connection with the offering of securities. (See "Plan of Distribution.")

Affiliated Property Manager

Since we anticipate that properties we acquire will be managed and leased by Wells Management, our Property Manager, we will not have the benefit of independent property management. (See "Management—Affiliated Companies.")

Lack of Separate Representation

Holland & Knight LLP is counsel to the Wells REIT, Wells Capital, Wells Investment Securities and their affiliates in connection with this offering and may in the future act as counsel to the Wells REIT, Wells Capital, Wells Investment Securities and their various affiliates. There is a possibility that in the future the interests of the various parties may become adverse. In the event that a dispute were to arise between the Wells REIT and Wells Capital, Wells Investment Securities or any of their affiliates, separate counsel for such matters will be retained as and when appropriate.

Joint Ventures with Affiliates of Wells Capital

We have entered into joint ventures with other Wells programs to acquire and own properties and are likely to enter into one or more joint venture agreements with other Wells programs for the acquisition, development or improvement of properties. (See "Investment Objectives and Criteria—Joint Venture Investments.") Wells Capital and its affiliates may have conflicts of interest in determining which Wells program should enter into any particular joint venture agreement. The co-venturer may have economic or business interests or goals which are or which may become inconsistent with our business interests or goals. In addition, should any such joint venture be consummated, Wells Capital may face a conflict in structuring the terms of the relationship between our interests and the interest of the affiliated co-venturer and in managing the joint venture. Since Wells Capital and its affiliates will control both the affiliated co-venturer and, to a certain extent, the Wells REIT, agreements and transactions between the co-venturers with respect to any such joint venture will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers. (See "Risk Factors—Investment Risks.")

Receipt of Fees and Other Compensation by Wells Capital and its Affiliates

A transaction involving the purchase and sale of properties may result in the receipt of commissions, fees and other compensation by Wells Capital and its affiliates, including acquisition and advisory fees, the dealer manager fee, property management and leasing fees, real estate brokerage commissions, and participation in nonliquidating net sale proceeds. However, the fees and compensation payable to Wells Capital and its affiliates relating to the sale of properties are subordinated to the return to the stockholders of their capital contributions plus cumulative returns on such capital. Subject to oversight by our board of directors, Wells Capital has considerable discretion with respect to all decisions relating to the terms and timing of all transactions. Therefore, Wells Capital may have conflicts of interest concerning certain actions taken on our behalf, particularly due to the fact that such fees will generally be payable to Wells Capital and its affiliates regardless of the quality of the properties acquired or the services provided to the Wells REIT. (See “Management Compensation.”)

Every transaction we enter into with Wells Capital or its affiliates is subject to an inherent conflict of interest. The board may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by or disagreement with an affiliate or in invoking powers, rights or options pursuant to any agreement between us and any affiliate. A majority of the independent directors who are otherwise disinterested in the transaction must approve each transaction between us and Wells Capital or any of its affiliates as being fair and reasonable to us and on terms and conditions no less favorable to us than those available from unaffiliated third parties.

Certain Conflict Resolution Procedures

In order to reduce or eliminate certain potential conflicts of interest, our articles of incorporation contain a number of restrictions relating to (1) transactions we enter into with Wells Capital and its affiliates, (2) certain future offerings, and (3) allocation of properties among affiliated entities. These restrictions include, among others, the following:

- Except as otherwise described in this prospectus, we will not accept goods or services from Wells Capital or its affiliates unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transactions, approve such transactions as fair and reasonable to the Wells REIT and on terms and conditions not less favorable to the Wells REIT than those available from unaffiliated third parties.
- We will not purchase or lease properties in which Wells Capital or its affiliates has an interest without a determination by a majority of our directors, including a majority of the independent directors, not otherwise interested in such transaction, that such transaction is competitive and commercially reasonable to the Wells REIT and at a price to the Wells REIT no greater than the cost of the property to Wells Capital or its affiliates, unless there is substantial justification for any amount that exceeds such cost and such excess amount is determined to be reasonable. In no event will we acquire any such property at an amount in excess of its appraised value. We will not sell or lease properties to Wells Capital or its affiliates or to our directors unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, determine the transaction is fair and reasonable to the Wells REIT.
- We will not make any loans to Wells Capital or its affiliates or to our directors. In addition, Wells Capital and its affiliates will not make loans to us or to joint ventures in which we are a joint venture partner for the purpose of acquiring properties. Any loans made to us by Wells Capital or its affiliates or our directors for other purposes must be approved by a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, as fair, competitive and commercially reasonable, and no less favorable to the Wells REIT than comparable loans between unaffiliated parties. Wells Capital and its affiliates shall be entitled to reimbursement, at cost, for actual expenses incurred by them on behalf of the Wells REIT or joint ventures in which we are a joint venture partner, subject to the limitation on reimbursement of operating expenses to the extent that they exceed the greater of 2% of our average invested assets or 25% of our net income, as described in the “Management—The Advisory Agreement” section of this prospectus.

- In the event that an investment opportunity becomes available which is suitable, under all of the factors considered by Wells Capital, for the Wells REIT and one or more other public or private entities affiliated with Wells Capital and its affiliates, then the entity which has had the longest period of time elapse since it was offered an investment opportunity will first be offered such investment opportunity. In determining whether or not an investment opportunity is suitable for more than one program, Wells Capital, subject to approval by our board of directors, shall examine, among others, the following factors:
  - the cash requirements of each program;
  - the effect of the acquisition both on diversification of each program's investments by type of commercial property and geographic area, and on diversification of the tenants of its properties;
  - the policy of each program relating to leverage of properties;
  - the anticipated cash flow of each program;
  - the income tax effects of the purchase of each program;
  - the size of the investment; and
  - the amount of funds available to each program and the length of time such funds have been available for investment.

If a subsequent event or development, such as a delay in the closing of a property or a delay in the construction of a property, causes any such investment, in the opinion of our board of directors and Wells Capital, to be more appropriate for a program other than the program that committed to make the investment, Wells Capital may determine that another program affiliated with Wells Capital or its affiliates will make the investment. Our board of directors has a duty to ensure that the method used by Wells Capital for the allocation of the acquisition of properties by two or more affiliated programs seeking to acquire similar types of properties shall be reasonable.

INVESTMENT OBJECTIVES AND CRITERIA

General

We invest in commercial real estate properties, including properties that are under development or construction, are newly constructed or have been constructed and have operating histories. Our investment objectives are:

- to maximize cash dividends paid to you;
- to preserve, protect and return your capital contributions;
- to realize growth in the value of our properties upon our ultimate sale of such properties; and
- to provide you with liquidity of your investment by listing the shares on a national exchange or, if we do not obtain listing of the shares by January 30, 2008, our articles of incorporation require us to begin the process of selling our properties and distributing the net proceeds from such sales to you.

We cannot assure you that we will attain these objectives or that our capital will not decrease. We may not change our investment objectives, except upon approval of stockholders holding a majority of our outstanding shares. (See “Description of Shares.”)

Decisions relating to the purchase or sale of properties will be made by Wells Capital, as our advisor, subject to approval by our board of directors. See “Management” for a description of the background and experience of our directors and executive officers.

Acquisition and Investment Policies

We will seek to invest substantially all of the offering proceeds available for investment after the payment of fees and expenses in the acquisition of high-grade commercial office and industrial buildings located in densely populated metropolitan markets, which are newly constructed, under construction, or which have been previously constructed and have operating histories. We are not limited to such investments, however. We may invest in other real estate investments, including, but not limited to, warehouse and distribution facilities, shopping centers, business and industrial parks, manufacturing facilities and other types of real estate properties. To date, we have invested primarily in office and industrial buildings located in densely populated suburban markets. (See “Description of Real Estate Investments” and “Prior Performance Summary.”) We will primarily attempt to acquire commercial properties that are less than five years old, the space in which has been leased or preleased to one or more large corporate tenants who satisfy our standards of creditworthiness. (See “Terms of Leases and Tenant Creditworthiness.”)

We will seek to invest in properties that will satisfy the primary objective of providing cash dividends to our stockholders. However, because a significant factor in the valuation of income-producing real properties is their potential for future income, we anticipate that the majority of properties we acquire will have both the potential for growth in value and providing cash dividends to our stockholders. To the extent feasible, we will strive to invest in a diversified portfolio of properties in terms of geography, type of property and industry group of our tenants, that will satisfy our investment objectives of maximizing cash available for payment of dividends, preserving our capital and realizing growth in value upon the ultimate sale of our properties.

We anticipate that a minimum of 84% of the proceeds from the sale of shares will be used to acquire real estate properties and the balance will be used to pay various fees and expenses. (See “Estimated Use of Proceeds.”)

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

Although we are not limited as to the form our investments may take, our investments in real estate will generally take the form of holding fee title or a long-term leasehold estate in the properties we acquire. We will acquire such interests either directly in Wells OP (See “The Operating Partnership Agreement”) or indirectly by acquiring membership interests in or acquisitions of property through limited liability companies or through investments in joint ventures, partnerships, co-tenancies or other co-ownership arrangements with developers of properties, affiliates of Wells Capital or other persons. (See “Joint Venture Investments” below.) We may invest in or make mortgage loans, junior debt or subordinated mortgage loans or combinations of debt and equity, subject to the limitations contained in our articles of incorporation. In addition, we may purchase properties and lease them back to the sellers of such properties. While we will use our best efforts to structure any such sale-leaseback transaction such that the lease will be characterized as a "true lease" so that we will be treated as the owner of the property for federal income tax purposes, we cannot assure you that the IRS will not challenge such characterization. In the event that any such sale-leaseback transaction is recharacterized as a financing transaction for federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed. (See "Federal Income Tax Considerations—Sale-Leaseback Transactions.")

Although we are not limited as to the geographic area where we may conduct our operations, we currently intend to invest in properties located in the United States.

We are not specifically limited in the number or size of properties we may acquire or on the percentage of net proceeds of this offering that we may invest in a single property. The number and mix of properties we acquire will depend upon real estate and market conditions and other circumstances existing at the time we are acquiring our properties and the amount of proceeds we raise in this offering.

In making investment decisions for us, Wells Capital will consider relevant real estate property and financial factors, including the creditworthiness of major tenants, the location of the property, its suitability for any development contemplated or in progress, its income-producing capacity, the prospects for long-range appreciation, its liquidity and income tax considerations. In this regard, Wells Capital will have substantial discretion with respect to the selection of specific investments.

Our obligation to close the purchase of any investment will generally be conditioned upon the delivery and verification of certain documents from the seller or developer, including, where appropriate:

- plans and specifications;
- environmental reports;
- surveys;
- evidence of marketable title subject to such liens and encumbrances as are acceptable to Wells Capital;
- title and liability insurance policies; and
- audited financial statements covering recent operations of properties having operating histories unless such statements are not required to be filed with the Securities and Exchange Commission.

We will not close the purchase of any property unless and until we obtain an environmental assessment, a minimum of a Phase I review, for each property purchased and are generally satisfied with the environmental status of the property.

We may also enter into arrangements with the seller or developer of a property whereby the seller or developer agrees that if during a stated period the property does not generate a specified cash flow, the seller or developer will pay in cash to the Wells REIT a sum necessary to reach the specified cash flow level, subject in some cases to negotiated dollar limitations.

In determining whether to purchase a particular property, we may, in accordance with customary practices, obtain an option on such property. The amount paid for an option, if any, is normally surrendered if the property is not purchased and is normally credited against the purchase price if the property is purchased.

In purchasing, leasing and developing real estate properties, we will be subject to risks generally incident to the ownership of real estate, including:

- changes in general economic or local conditions;
- changes in supply of or demand for similar or competing properties in an area;
- changes in interest rates and availability of permanent mortgage funds which may render the sale of a property difficult or unattractive;
- changes in tax, real estate, environmental and zoning laws;
- periods of high interest rates and tight money supply which may make the sale of properties more difficult;
- tenant turnover; and
- general overbuilding or excess supply in the market area.

Development and Construction of Properties

We may invest substantially all of the proceeds available for investment in properties on which improvements are to be constructed or completed although we may not invest in excess of 10% of the offering proceeds available for investment in properties with respect to which construction is not planned in good faith to commence within one year from the date of their acquisition. To help ensure performance by the builders of properties that are under construction, completion of properties under construction may be guaranteed at the price contracted either by an adequate completion bond or performance bond. We may rely, however, upon the substantial net worth of the contractor or developer or a personal guarantee accompanied by financial statements showing a substantial net worth provided by an affiliate of the person entering into the construction or development contract as an alternative to a completion bond or performance bond. Development of real estate properties is subject to risks relating to a builder's ability to control construction costs or to build in conformity with plans, specifications and timetables. (See "Risk Factors—Real Estate Risks.")

We may directly employ one or more project managers to plan, supervise and implement the development of any unimproved properties that we may acquire. In such event, such persons would be compensated directly by the Wells REIT.

Terms of Leases and Tenant Creditworthiness

The terms and conditions of any lease we enter into with our tenants may vary substantially from those we describe in this prospectus. However, we expect that a majority of our leases will be economically what is generally referred to as "triple net" leases. A "triple net" lease provides that in addition to making its lease payments, the tenant will be required to pay or reimburse the Wells REIT for all real estate taxes, sales and use taxes, special assessments, utilities, insurance and building repairs, and other building operation and management costs.

Wells Capital has developed specific standards for determining the creditworthiness of potential tenants of our properties. While authorized to enter into leases with any type of tenant, we anticipate that a majority of our tenants will be large corporations or other entities which have a net worth in excess of

$100,000,000 or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of $100,000,000. As of June 30, 2002, approximately 95% of the aggregate gross rental income of the Wells REIT was derived from tenants which are corporations, each of which at the time of lease execution had a net worth of at least $100,000,000 or whose lease obligations were guaranteed by another corporation having a net worth of at least $100,000,000.

In an attempt to limit or avoid speculative purchases, to the extent possible, Wells Capital will seek to secure, on our behalf, leases with tenants at or prior to the closing of our acquisitions of properties.

We anticipate that tenant improvements required to be funded by the landlord in connection with newly acquired properties will be funded from our offering proceeds. However, at such time as a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract new tenants, we will be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. Since we do not anticipate maintaining permanent working capital reserves, we may not have access to funds required in the future for tenant improvements and tenant refurbishments in order to attract new tenants to lease vacated space. (See “Risk Factors—Real Estate Risks.”)

Joint Venture Investments

We have entered into joint ventures in the past, and are likely to enter into joint ventures in the future, with affiliated entities for the acquisition, development or improvement of properties for the purpose of diversifying our portfolio of assets. (See “Description of Real Estate Investments—Joint Ventures with Affiliates.”) In this connection, we will likely enter into joint ventures with Wells Fund XIII or other Wells programs. We may also enter into joint ventures, partnerships, co-tenancies and other co-ownership arrangements or participations with real estate developers, owners and other affiliated third-parties for the purpose of developing, owning and operating real properties. (See “Conflicts of Interest.”) In determining whether to invest in a particular joint venture, Wells Capital will evaluate the real property that such joint venture owns or is being formed to own under the same criteria described elsewhere in this prospectus for the selection of real estate property investments of the Wells REIT. (See generally “Investment Objectives and Criteria.”)

At such time as Wells Capital enters into a joint venture with another Wells program for the acquisition or development of a specific property, this prospectus will be supplemented to disclose the terms of such investment transaction. We may only enter into joint ventures with other Wells programs for the acquisition of properties if:

- a majority of our directors, including a majority of the independent directors, approve the transaction as being fair and reasonable to the Wells REIT;
- the investment by the Wells REIT and such affiliate are on substantially the same terms and conditions; and
- we will have a right of first refusal to buy if such co-venturer elects to sell its interest in the property held by the joint venture.

In the event that the co-venturer were to elect to sell property held in any such joint venture, however, we may not have sufficient funds to exercise our right of first refusal to buy the other co-venturer’s interest in the property held by the joint venture. In the event that any joint venture with an affiliated entity holds interests in more than one property, the interest in each such property may be specially allocated based upon the respective proportion of funds invested by each co-venturer in each such property. Our entering into joint ventures with other Wells programs will result in certain conflicts of interest. (See “Conflicts of Interest—Joint Ventures with Affiliates of Wells Capital.”)

Section 1031 Exchange Program

Wells Development Corporation (Wells Development), an affiliate of Wells Management, our Property Manager, and Wells Capital, our advisor, intends to form a series of single member limited liability companies (each of which is referred to in this prospectus as Wells Exchange) for the purpose of facilitating the acquisition of real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. We anticipate that Wells Development will sponsor a series of private placement offerings of interests in limited liability companies owning co-tenancy interests in various properties to 1031 Participants.

Wells Development anticipates that properties acquired in connection with the Section 1031 Exchange Program will be financed by obtaining a new first mortgage secured by the property acquired. In order to finance the remainder of the purchase price for properties to be acquired by Wells Exchange, it is anticipated that Wells Exchange will obtain a short-term loan from an institutional lender for each property. Following its acquisition of a property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the short-term loan. At the closing of each property to be acquired by Wells Exchange, we anticipate that Wells OP, our operating partnership, will enter into a contractual arrangement providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange’s cost, any co-tenancy interests remaining unsold. (See “Risk Factors—Section 1031 Exchange Program.”) In addition, Wells OP may enter into one or more additional contractual arrangements obligating it to purchase co-tenancy interests in a particular property directly from the 1031 Participants. In consideration for such obligations, Wells Exchange will pay Wells OP a fee (Take Out Fee) in an amount currently anticipated to range between 1.0% and 1.5% of the amount of the short-term loan being obtained by Wells Exchange. (See “Risk Factors—Federal Income Tax Risks.”)

Our board of directors, including a majority of our independent directors, will be required to approve each property acquired pursuant to the Section 1031 Exchange Program in the event that Wells OP has any obligation to potentially acquire any interest in the property. Accordingly, Wells Exchange intends to purchase only real estate properties which otherwise meet the investment objectives of the Wells REIT. Wells OP may execute an agreement providing for the potential purchase of the unsold co-tenancy interests from Wells Exchange only after a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction, approve of the transaction as being fair, competitive and commercially reasonable to Wells OP and at a price to Wells OP no greater than the cost of the co-tenancy interests to Wells Exchange. If the price to Wells OP is in excess of such cost, our directors must find substantial justification for such excess and that such excess is reasonable. In addition, a fair market value appraisal for each property must be obtained from an independent expert selected by our independent directors, and in no event may Wells OP purchase co-tenancy interests at a price that exceeds the current appraised value for the property interests.

As set forth above, pursuant to the terms of these contractual arrangements, Wells OP may be obligated to purchase co-tenancy interests in certain properties offered to 1031 Participants to the extent co-tenancy interests remain unsold at the end of the offering. All purchasers of co-tenancy interests, including Wells OP in the event that it is required to purchase co-tenancy interests, will be required to execute a tenants in common agreement with the other purchasers of co-tenancy interests in that particular property and a property management agreement providing for the property management and leasing of the property by Wells Management and the payment of property management and leasing fees to Wells Management equal to 4.5% of gross revenues. Accordingly, in the event that Wells OP is required to purchase co-tenancy interests pursuant to one or more of these contractual arrangements, we will be subject to various risks associated with co-tenancy arrangements which are not otherwise present in real estate investments such as the risk that the interests of the 1031 Participants will become adverse to our interests. (See "Risk Factors—Section 1031 Exchange Program.")

Borrowing Policies

While we strive for diversification, the number of different properties we can acquire will be affected by the amount of funds available to us. See "Description of Real Estate Investments—Real Estate Loans" for a description of our existing loans and the outstanding loan balances.

Our ability to increase our diversification through borrowing could be adversely impacted by banks and other lending institutions reducing the amount of funds available for loans secured by real estate. When interest rates on mortgage loans are high or financing is otherwise unavailable on a timely basis, we may purchase certain properties for cash with the intention of obtaining a mortgage loan for a portion of the purchase price at a later time.

There is no limitation on the amount we may invest in any single improved property or on the amount we can borrow for the purchase of any property. The NASAA Guidelines only limit our borrowing to 75% of the value of all properties unless any excess borrowing is approved by a majority of the independent directors and is disclosed to stockholders in our next quarterly report. However, under our articles of incorporation, we have a self-imposed limitation on borrowing which precludes us from borrowing in the aggregate in excess of 50% of the value of all of our properties. As of June 30, 2002, we had an aggregate debt leverage ratio of 1.76% of the value of our properties.

By operating on a leveraged basis, we will have more funds available for investment in properties. This will allow us to make more investments than would otherwise be possible, resulting in a more diversified portfolio. Although our liability for the repayment of indebtedness is expected to be limited to the value of the property securing the liability and the rents or profits derived therefrom, our use of leveraging increases the risk of default on the mortgage payments and a resulting foreclosure of a particular property. (See "Risk Factors—Real Estate Risks.") To the extent that we do not obtain mortgage loans on our properties, our ability to acquire additional properties will be restricted. Wells Capital will use its best efforts to obtain financing on our behalf on the most favorable terms available. Lenders may have recourse to assets not securing the repayment of the indebtedness.

Wells Capital will refinance properties during the term of a loan only in limited circumstances, such as when a decline in interest rates makes it beneficial to prepay an existing mortgage, when an existing mortgage matures or if an attractive investment becomes available and the proceeds from the refinancing can be used to purchase such investment. The benefits of the refinancing may include an increased cash flow resulting from reduced debt service requirements, an increase in dividend distributions from proceeds of the refinancing, if any, and/or an increase in property ownership if some refinancing proceeds are reinvested in real estate.

We may not borrow money from any of our directors or from Wells Capital and its affiliates for the purpose of acquiring real properties. Any loans by such parties for other purposes must be approved by a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, as fair, competitive and commercially reasonable and no less favorable to the Wells REIT than comparable loans between unaffiliated parties.

Disposition Policies

We intend to hold each property we acquire for an extended period. However, circumstances might arise which could result in the early sale of some properties. We may sell a property before the end of the expected holding period if, among other reasons:

- the tenant has involuntarily liquidated;
- in the judgment of Wells Capital, the value of a property might decline substantially;
- an opportunity has arisen to improve other properties;
- we can increase cash flow through the disposition of the property;
- the tenant is in default under the lease; or
- in our judgment, the sale of the property is in the best interests of our stockholders.

The determination of whether a particular property should be sold or otherwise disposed of will be made after consideration of relevant factors, including prevailing economic conditions, with a view to achieving maximum capital appreciation. We cannot assure you that this objective will be realized. The selling price of a property that is net leased will be determined in large part by the amount of rent payable under the lease. If a tenant has a repurchase option at a formula price, we may be limited in realizing any appreciation. In connection with our sales of properties we may lend the purchaser all or a portion of the purchase price. In these instances, our taxable income may exceed the cash received in the sale. (See "Federal Income Tax Considerations—Failure to Qualify as a REIT.") The terms of payment will be affected by custom in the area in which the property being sold is located and the then-prevailing economic conditions.

If our shares are not listed for trading on a national securities exchange or included for quotation on NASDAQ by January 30, 2008, our articles of incorporation require us to begin the process of selling our properties and distributing the net sale proceeds to you in liquidation of the Wells REIT. In making the decision to apply for listing of our shares, our directors will try to determine whether listing our shares or liquidating our assets will result in greater value for the stockholders. We cannot determine at this time the circumstances, if any, under which our directors will agree to list our shares. Even if our shares are not listed or included for quotation, we are under no obligation to actually sell our portfolio within this time period since the precise timing will depend on real estate and financial markets, economic conditions of the areas in which the properties are located and federal income tax effects on stockholders which may be applicable in the future. Furthermore, we cannot assure you that we will be able to liquidate our assets, and it should be noted that we will continue in existence until all properties are sold and our other assets are liquidated. In addition, we may consider other business strategies such as reorganizations or mergers with other entities if our board of directors determines such strategies would be in the best interests of our stockholders. Any change in the investment objectives set forth in our articles of incorporation would require the vote of stockholders holding a majority of our outstanding shares.

Investment Limitations

Our articles of incorporation place numerous limitations on us with respect to the manner in which we may invest our funds, most of which are required by various provisions of the NASAA Guidelines. These limitations cannot be changed unless our articles of incorporation are amended, which requires approval of our stockholders. Unless our articles are amended, we will not:

- borrow in excess of 50% of the aggregate value of all properties owned by us, provided that we may borrow in excess of 50% of the value of an individual property;

- invest in equity securities unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, approve such investment as being fair, competitive and commercially reasonable;
- invest in commodities or commodity futures contracts, except for futures contracts when used solely for the purpose of hedging in connection with our ordinary business of investing in real estate assets and mortgages;
- invest in real estate contracts of sale, otherwise known as land sale contracts, unless the contract is in recordable form and is appropriately recorded in the chain of title;
- make or invest in mortgage loans except in connection with a sale or other disposition of a property;
- make or invest in mortgage loans unless an appraisal is obtained concerning the underlying property except for those mortgage loans insured or guaranteed by a government or government agency. Mortgage debt on any property shall not exceed such property's appraised value. In cases where our board of directors determines, and in all cases in which the transaction is with any of our directors or Wells Capital and its affiliates, such appraisal shall be obtained from an independent appraiser. We will maintain such appraisal in our records for at least five years and it will be available for your inspection and duplication. We will also obtain a mortgagee's or owner's title insurance policy as to the priority of the mortgage;
- make or invest in mortgage loans, including construction loans, on any one property if the aggregate amount of all mortgage loans on such property would exceed an amount equal to 85% of the appraised value of such property as determined by appraisal unless substantial justification exists for exceeding such limit because of the presence of other underwriting criteria;
- make or invest in mortgage loans that are subordinate to any mortgage or equity interest of any of our directors, Wells Capital or its affiliates;
- invest in junior debt secured by a mortgage on real property which is subordinate to the lien or other senior debt except where the amount of such junior debt plus any senior debt exceeds 90% of the appraised value of such property, if after giving effect thereto, the value of all such mortgage loans of the Wells REIT would not then exceed 25% of our net assets, which shall mean our total assets less our total liabilities;
- engage in any short sale or borrow on an unsecured basis, if the borrowing will result in asset coverage of less than 300%. "Asset coverage," for the purpose of this clause, means the ratio which the value of our total assets, less all liabilities and indebtedness for unsecured borrowings, bears to the aggregate amount of all of our unsecured borrowings;
- make investments in unimproved property or indebtedness secured by a deed of trust or mortgage loans on unimproved property in excess of 10% of our total assets;
- issue equity securities on a deferred payment basis or other similar arrangement;
- issue debt securities in the absence of adequate cash flow to cover debt service;
- issue equity securities which are non-voting or assessable;

- issue “redeemable securities,” as defined in Section 2(a)(32) of the Investment Company Act of 1940, except pursuant to our share redemption program;
- grant warrants or options to purchase shares to Wells Capital or its affiliates or to officers or directors affiliated with Wells Capital except on the same terms as the options or warrants are sold to the general public and the amount of the options or warrants does not exceed an amount equal to 10% of the outstanding shares on the date of grant of the warrants and options;
- engage in trading, as compared with investment activities, or engage in the business of underwriting or the agency distribution of securities issued by other persons;
- invest more than 5% of the value of our assets in the securities of any one issuer if the investment would cause us to fail to qualify as a REIT;
- invest in securities representing more than 10% of the outstanding voting securities of any one issuer if the investment would cause us to fail to qualify as a REIT; or
- lend money to our directors or to Wells Capital or its affiliates.

Wells Capital will continually review our investment activity to attempt to ensure that we do not come within the application of the Investment Company Act of 1940. Among other things, Wells Capital will attempt to monitor the proportion of our portfolio that is placed in various investments so that we do not come within the definition of an “investment company” under the Act. If at any time the character of our investments could cause us to be deemed an investment company for purposes of the Investment Company Act of 1940, we will take the necessary action to attempt to ensure that we are not deemed to be an “investment company.”

Change in Investment Objectives and Limitations

Our articles of incorporation require that the independent directors review our investment policies at least annually to determine that the policies we are following are in the best interests of our stockholders. Each determination and the basis therefore is required to be set forth in our minutes. The methods of implementing our investment policies also may vary as new investment techniques are developed. The methods of implementing our investment objectives and policies, except as otherwise provided in the organizational documents, may be altered by a majority of our directors, including a majority of the independent directors, without the approval of the stockholders. Our investment objectives themselves, however, may only be amended by a vote of the stockholders holding a majority of our outstanding shares.

DESCRIPTION OF REAL ESTATE INVESTMENTS

General

As of July 1, 2002, we had purchased interests in 53 real estate properties located in 19 states, most of which are leased to tenants on an economically triple-net basis. As of July 1, 2002, all of these properties were 100% leased to tenants. The cost of each of the properties will be depreciated for tax purposes over a 40-year period on a straight-line basis. We believe all of the properties are adequately covered by insurance and are suitable for their intended purposes. The following table provides certain additional information about these properties.

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Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	$ 40,500,000	238,600	$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc.	Alpharetta, GA	100%	$ 15,100,000	66,811	$ 1,344,905
	Koninklijke Philips Electronics N.V.				34,396	$ 692,391
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(1)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above) (1)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc.	Houston, TX	100%	$ 22,000,000	103,260	$ 2,110,035
	Newpark Drilling Fluids, Inc.				52,731	$ 1,153,227
Arthur Andersen	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc.	Schaumburg, IL	100%	$ 32,225,000(2)	129,157	$ 2,067,204
	The Apollo Group, Inc.				28,322	$ 477,226
	Global Knowledge Network				22,028	$ 393,776
	Various other tenants				8,884	$ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(2)	300,034	$ 5,091,577
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan (3)	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(4)	268,290	$ 4,225,860(5)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$ 2,458,638
AT&T Oklahoma	AT&T Corp.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500	$ 1,242,000
	Jordan Associates, Inc.				25,000	$ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc.	Houston, TX	100%	$ 44,970,000	206,048	$ 4,533,056
	SYSCO Corporation				106,516	$ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119

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Property Name	Tenant	Property Location	% Owned		Purchase Price	Square Feet		Annual Rent
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$	19,800,000	107,193	$	1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$	13,250,000	132,070	$	1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$	14,265,000	77,054	$	1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$	16,000,000	133,225	$	1,843,834
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$	17,355,000	95,133	$	1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$	14,250,000	129,689	$	1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$	12,700,000	101,100	$	1,187,925
Cinemark	Cinemark USA, Inc. The Coca-Cola Company	Plano, TX	100%	$	21,800,000	65,521 52,587	$ $	1,366,491 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$	8,320,000	62,400	$	830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$	32,630,940	250,354	$	3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$	8,000,000	130,000	$	854,748
Alstom Power Richmond (3)	Alstom Power, Inc.	Midlothian, VA	100%	$	11,400,000	99,057	$	1,213,324
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$	9,500,000	68,900	$	1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$	5,085,000	169,510	$	550,908
Matsushita (3)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$	18,431,206	144,906	$	2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$	12,291,200	81,859	$	1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$	21,127,854	130,091	$	2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$	6,400,000	52,000	$	834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$	8,900,000	58,424	$	920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$	5,504,276	57,186	$	536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$	5,025,000	108,250	$	659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$	8,275,000	51,975	$	1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$	10,325,000	106,750	$	1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$	7,900,000	84,404	$	1,106,520
TOTALS				**$**	**1,053,500,964**	**7,951,248**	**$**	**110,025,835**(5)

(1) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(2) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

(3) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(4) Includes estimated costs for the planning, design, development, construction and completion of the Nissan Property.

(5) Total annual rent does not include $4,225,860 annual rent for Nissan Property, which does not take effect until construction of the building is completed and the tenant is occupying the building.

As of July 1, 2002, no tenant leasing our properties accounted for more than 10% of our aggregate annual rental income. As of July 1, 2002, our most substantial tenants, based on annual rental income, were SSB Realty, LLC (approximately 6.3%), Metris Direct, Inc. (approximately 5.6%), Motorola, Inc. (approximately 4.7%), and Zurich American Insurance Company, Inc. (approximately 4.6%).

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Geographic Diversification Table

The following table shows a list of 53 real estate investments we owned as of July 1, 2002, grouped by the state where each of our investments is located.

State	No. of Properties	Aggregate Purchase Price	Approx. %	Aggregate Square Feet	Approx. %	Aggregate Annual Rent	Approx. %
Arizona	5	$ 86,655,000	8.2%	638,722	8.0%	$ 9,023,417	8.2%
California	4	$ 40,924,206	3.9%	320,336	4.0%	$ 5,047,615	4.6%
Colorado	5	$ 63,010,058	6.0%	483,334	6.1%	$ 7,180,677	6.5%
Florida	6	$ 83,452,854	7.9%	582,591	7.3%	$ 8,243,917	7.5%
Georgia	3	$ 70,600,000	6.7%	439,894	5.5%	$ 8,086,981	7.4%
Illinois	3	$ 121,905,940	11.6%	738,779	9.3%	$11,566,529	10.5%
Kansas	1	$ 9,500,000	0.9%	68,900	0.9%	$ 1,102,404	1.0%
Massachusetts	2	$ 81,305,274	7.7%	409,253	5.1%	$ 10,501,699	9.5%
Michigan	4	$ 76,015,000	7.2%	443,731	5.6%	$ 7,503,567	6.8%
Minnesota	1	$ 52,800,000	5.0%	300,633	3.8%	$ 4,960,445	4.5%
New Jersey	1	$ 33,648,156	3.0%	236,710	3.0%	$ 3,324,428	3.0%
North Carolina	1	$ 17,650,000	1.7%	120,000	1.5%	$ 1,800,000	1.6%
Oklahoma	3	$ 33,504,276	3.2%	286,786	3.6%	$ 3,261,402	3.0%
Pennsylvania	2	$ 20,291,200	1.9%	211,859	2.7%	$ 2,296,864	2.1%
South Carolina	1	$ 5,085,000	0.5%	169,510	2.1%	$ 550,908	0.5%
Tennessee	3	$ 53,900,000	5.1%	987,460	12.4%	$ 5,600,433	5.1%
Texas	6	$ 186,829,000	17.7%	1,305,443	16.4%	$ 18,101,357*	16.5%
Utah	1	$ 5,025,000	0.5%	108,250	1.4%	$ 659,868	0.6%
Virginia	1	$ 11,400,000	1.1%	99,057	1.2%	$ 1,213,324	1.1%
Total	**53**	**$ 1,053,500,964**	**100%**	**7,951,248**	**100%**	**$ 110,025,835***	**100%**

* Does not include $4,225,860 annual rent from the Nissan Project, located in Irving, Texas, which is not yet completed.

Lease Expiration Table

The following table shows lease expirations during each of the next ten years for all our leases as of July 1, 2002, assuming no exercise of renewal options or termination rights:

Year of Lease Expiration	Square Feet Expiring	Percentage of Total Square Feet Expiring	Annualized Base Base Rent Expiring(1)	Percentage of Total Annualized Base Rent	Wells REIT Share of Annualized Base Rent Expiring(1)	Percentage of Wells REIT Share of Total Annualized Base Rent
2002	8,074	0.10%	$ 104,408	$ 0.09%	$ 3,874	0.00%
2003	64,223	0.81%	1,040,723	0.95%	372,232	0.37%
2004	123,430	1.55%	2,207,263	2.01%	916,348	0.92%
2005	280,537	3.53%	3,768,626	3.43%	2,069,308	2.08%
2006	52,587	0.66%	1,354,184	1.23%	1,354,184	1.36%
2007	742,700	9.34%	11,108,693	10.10%	9,197,835	9.26%
2008	837,973	10.54%	10,490,790	9.53%	9,244,256	9.30%
2009	513,359	6.46%	7,235,244	6.58%	6,599,857	6.64%
2010	1,329,000	16.71%	19,026,036	17.29%	17,847,500	17.96%
2011	2,868,456	36.08%	39,494,347	35.90%	38,680,622	38.92%
2012-2021	1,130,909	14.22%	14,195,521	12.89%	13,088,150	13.17%
Total	7,951,248	100%	$ 110,025,835	100%	$99,374,066	100%

(1) Average monthly gross rent over the life of the lease, annualized.

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Joint Ventures with Affiliates

Wells OP owns some of its properties through ownership interests in the seven joint ventures listed below. Wells OP does not have control over the operations of the joint ventures; however, it does exercise significant influence. Accordingly, investments in joint ventures are recorded for accounting purposes using the equity method.

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit Building ADIC Buildings
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens Building AT&T Oklahoma Buildings Comdata Building
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Building Sprint Building Johnson Matthey Building Gartner Building
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Building Ohmeda Building Interlocken Building Avaya Building Iomega Building
Wells/Freemont Associates Joint Venture (Freemont Joint Venture)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild Building
Wells/Orange County Associates Joint Venture (Orange County Joint Venture)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture Building
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest Building

The Wells Fund XIII—REIT Joint Venture

Wells OP and Wells Fund XIII entered into a joint venture partnership known as the Wells Fund XIII-REIT Joint Venture Partnership (XIII-REIT Joint Venture). The investment objectives of Wells Fund XIII are substantially identical to our investment objectives. As of December 31, 2001, the joint venture partners of the XIII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 17,359,875	68.2%
Wells Fund XIII	$ 8,491,069	31.8%

The Wells Fund XII-REIT Joint Venture

Wells OP and Wells Fund XII entered into a joint venture partnership known as the Wells Fund XII-REIT Joint Venture Partnership (XII-REIT Joint Venture). The investment objectives of Wells Fund XII are substantially identical to our investment objectives. As of December 31, 2001, the joint venture partners of the XII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

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Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 29,950,668	55.0%
Wells Fund XII	$ 24,613,401	45.0%

The Wells Fund XI-Fund XII-REIT Joint Venture

Wells OP entered into a joint venture partnership with Wells Fund XI and Wells Fund XII known as The Wells Fund XI-Fund XII-REIT Joint Venture (XI-XII-REIT Joint Venture). The XI-XII-REIT Joint Venture was originally formed on May 1, 1999 between Wells OP and Wells Fund XI. On June 21, 1999, Wells Fund XII was admitted to the XI-XII-REIT Joint Venture as a joint venture partner. The investment objectives of Wells Fund XI and Wells Fund XII are substantially identical to our investment objectives. As of December 31, 2001, the joint venture partners of the XI-XII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 17,641,211	56.8%
Wells Fund XI	$ 8,131,351	26.1%
Wells Fund XII	$ 5,300,000	17.1%

The Fund IX, Fund X, Fund XI and REIT Joint Venture

Wells OP entered into a joint venture partnership with Wells Fund IX, Wells Fund X and Wells Fund XI, known as The Fund IX, Fund X, Fund XI and REIT Joint Venture (IX-X-XI-REIT Joint Venture). The IX-X-XI-REIT Joint Venture was originally formed on March 20, 1997 between Wells Fund IX and Wells Fund X. On June 11, 1998, Wells OP and Wells Fund XI were admitted as joint venture partners to the IX-X-XI-REIT Joint Venture. The investment objectives of Wells Fund IX, Wells Fund X and Wells Fund XI are substantially identical to our investment objectives. As of December 31, 2001, the joint venture partners of the IX-X-XI-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 1,421,466	3.7%
Wells Fund IX	$ 14,982,435	39.1%
Wells Fund X	$ 18,501,185	48.4%
Wells Fund XI	$ 3,357,436	8.8%

The Fremont Joint Venture

Wells OP entered into a joint venture partnership known as Wells/Fremont Associates (Fremont Joint Venture) with Fund X and Fund XI Associates (X-XI Joint Venture), a joint venture between Wells Fund X and Wells Fund XI. The purpose of the Fremont Joint Venture is the acquisition, ownership, leasing, operation, sale and management of the Fairchild Building. As of December 31, 2001, the joint venture partners of the Fremont Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 6,983,111	77.5%
X-XI Joint Venture	$ 2,000,000	22.5%

The Cort Joint Venture

Wells OP entered into a joint venture partnership with the X-XI Joint Venture known as Wells/Orange County Associates (Cort Joint Venture) for the purpose of the acquisition, ownership, leasing, operation, sale and management of the Cort Furniture Building. As of December 31, 2001, the joint venture partners of the Cort Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 2,871,430	43.7%
X-XI Joint Venture	$ 3,695,000	56.3%

The Wells Fund VIII-Fund IX-REIT Joint Venture

Wells OP entered into a joint venture partnership with the Fund VIII-IX Joint Venture known as the Wells Fund VIII-Fund IX-REIT Joint Venture (VIII-IX-REIT Joint Venture) for the purpose of the ownership, leasing, operation, sale and management of the Quest Building. The investment objectives of Wells Fund VIII and Wells Fund IX are substantially identical to our investment objectives. As of December 31, 2001, the joint venture partners of the VIII-IX-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 1,282,111	15.8%
Wells Fund VIII	$ 3,608,109	46.1%
Wells Fund IX	$ 3,620,316	38.1%

General Provisions of Joint Venture Agreements

Wells OP is acting as the initial Administrative Venturer of each of the joint ventures described above and, as such, is responsible for establishing policies and operating procedures with respect to the business and affairs of each of these joint ventures. However, approval of the other joint venture partners will be required for any major decision or any action that materially affects these joint ventures or their real property investments.

The XIII-REIT Joint Venture Agreement, the XII-REIT Joint Venture Agreement, the XI-XII-REIT Joint Venture Agreement and the IX-X-XI-REIT Joint Venture Agreement each allow any joint venture partner to make a buy/sell election upon receipt by any other joint venture partner of a bona fide third-party offer to purchase all or substantially all of the properties or the last remaining property of the respective joint venture. Upon receipt of notice of such third-party offer, each joint venture partner must elect within 30 days after receipt of the notice to either (1) purchase the entire interest of each venture partner that wishes to accept the offer on the same terms and conditions as the third-party offer to purchase, or (2) consent to the sale of the properties or last remaining property pursuant to such third-party offer.

Description of Properties

ISS Atlanta Buildings

Wells OP acquired the ISS Atlanta Buildings on July 1, 2002 for a purchase price of $40,500,000. The ISS Atlanta Buildings, which were built in 2001, consist of two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia and were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County (Development Authority). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds (Bonds) totaling $32,500,000 in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either upon a prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation (ISS). The ISS Atlanta lease is guaranteed by the parent of ISS, Internet Security Systems, Inc., a Delaware corporation (ISS, Inc.), whose shares are traded on NASDAQ. ISS, Inc. has operations throughout America, Asia, Australia, Europe and the Middle East. ISS, Inc. provides computer security solutions to networks, servers and desktop computers for organizational customers, including corporate customers and governmental units. ISS, Inc. reported a net worth, as of March 31, 2002, of approximately $435 million.

The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is $4,623,445. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate. In addition, ISS has obtained an $8,000,000 letter of credit from First Union National Bank to guarantee payments under the lease.

MFS Phoenix Building

Wells OP purchased the MFS Phoenix Building on June 5, 2002 for a purchase price of $25,800,000. The MFS Phoenix Building, which was built in 2000, is a three-story office building containing 148,605 rentable square feet located in Phoenix, Arizona.

The entire MFS Phoenix Building is leased to Massachusetts Financial Services Company (MFS). MFS is a Massachusetts corporation having its corporate headquarters in Boston, Massachusetts with offices in London, Tokyo and Singapore. MFS is an investment management firm which offers annuities, institutional products, insurance services, mutual funds and retirement products. MFS reported a net worth, as of December 31, 2001, of approximately $440 million.

The MFS Phoenix lease is a net lease that commenced in April 2001 and expires in July 2011. The current annual base rent payable under the MFS Phoenix lease is $2,347,959. MFS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

TRW Denver Building

Wells OP purchased the TRW Denver Building on May 29, 2002 for a purchase price of $21,060,000. The TRW Denver Building, which was built in 1997, is a three-story office building containing 108,240 rentable square feet located in Aurora, Colorado.

The entire TRW Denver Building is leased to TRW, Inc. (TRW), a global technology, manufacturing and service company that provides advanced technology, systems and services to customers worldwide. TRW reported a net worth, as of March 31, 2002, of approximately $2.24 billion.

The TRW Denver lease is a net lease that commenced in October 1997 and expires in September 2007. The current annual base rent payable under the TRW Denver lease is $2,870,709. TRW, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

Agilent Boston Building

Wells OP purchased the Agilent Boston Building on May 3, 2002 for a purchase price of $31,742,274. The Agilent Boston Building, which was built in 2002, is a three-story office building containing 174,585 rentable square feet located in Boxborough, Massachusetts. Wells OP assumed the obligation, as the landlord under the Agilent Boston lease described below, to provide Agilent $3,407,496 for tenant improvements.

The entire Agilent Boston Building is leased to Agilent Technologies, Inc. (Agilent). Agilent is a major producer of measuring and monitoring devices, semiconductor products and chemical analysis tools for communications and life sciences companies, such as Internet service providers and biopharmaceutical companies. Agilent reported a net worth, as of January 31, 2002, of approximately $5.4 billion.

The Agilent Boston lease is a net lease that commenced in September 2001 and expires in September 2011. The current annual base rent payable under the Agilent Boston lease is $3,578,993. Agilent, at its option, has the right to extend the initial term of its lease for one additional five-year period at a rate equal to the greater of (1) the then-current market rental rate, or (2) 75% of the annual base rent in the final year of the initial term of the Agilent Boston lease. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $4,190,000 termination fee.

Experian/TRW Buildings

Wells OP purchased the Experian/TRW Buildings on May 1, 2002 for a purchase price of $35,150,000. The Experian/TRW Buildings, which were built in 1982 and 1993, respectively, are two two-story office buildings containing a total of 292,700 rentable square feet located in Allen, Texas.

The Experian/TRW Buildings are both leased to Experian Information Solutions, Inc. (Experian). Experian is an information services company that uses decision-making software and comprehensive databases of information on consumers, businesses, motor vehicles and property to provide companies with information about their customers. TRW, the original tenant on the Experian/TRW lease, assigned its interest in the Experian/TRW lease to Experian in 1996 but remains as an obligor of the Experian/TRW lease.

The Experian/TRW lease is a net lease that commenced in April 1993 and expires in October 2010. The current annual base rent payable under the Experian lease is $3,438,277. Experian, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate.

BellSouth Ft. Lauderdale Building

Wells OP purchased the BellSouth Ft. Lauderdale Building on April 18, 2002 for a purchase price of $6,850,000. The BellSouth Ft. Lauderdale Building, which was built in 2001, is a one-story office building containing 47,400 rentable square feet located in Ft. Lauderdale, Florida.

The entire BellSouth Ft. Lauderdale Building is leased to BellSouth Advertising and Publishing Corporation (BellSouth Advertising). BellSouth Advertising is a major provider of print directories throughout the southeastern states and markets served by BellSouth Corporation, which is the parent company of BellSouth Advertising.

The BellSouth Advertising lease is a net lease that commenced in July 2001 and expires in July 2008. The current annual base rent payable under the BellSouth Advertising lease is $747,033. BellSouth Advertising, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

Agilent Atlanta Building

Wells OP purchased the Agilent Atlanta Building on April 18, 2002 for a purchase price of $15,100,000. The Agilent Atlanta Building, which was built in 2001, is a two-story office building containing 101,207 rentable square feet located in Alpharetta, Georgia.

Agilent leases 66,811 rentable square feet of the Agilent Atlanta Building (66%). The Agilent Atlanta lease commenced in September 2001 and expires in September 2011. The initial annual base rent payable under the Agilent Atlanta lease is $1,344,905. Agilent, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $763,650 termination fee.

Koninklijke Philips Electronics N.V. (Philips) leases the remaining 34,396 rentable square feet of the Agilent Atlanta Building (34%). Philips is one of the world's largest electronics companies and is a global leader in color television sets, lighting, electric shavers, medical diagnostic imaging, patient monitoring and one-chip TV products. Philips reported a net worth, as of March 31, 2002, of approximately $16.47 billion.

The Philips lease commenced in September 2001 and expires in September 2011. The current annual base rent payable under the Philips lease is $692,391. Philips, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Philips may terminate the lease at the end of the seventh lease year by paying a $393,146 termination fee.

Travelers Express Denver Buildings

Wells OP purchased the Travelers Express Denver Buildings on April 10, 2002 for a purchase price of $10,395,845. The Travelers Express Denver Buildings, which were built in 2002, are two connected one-story office buildings containing 68,165 rentable square feet located in Lakewood, Colorado.

The Travelers Express Denver Buildings are leased to Travelers Express Company, Inc. (Travelers). Travelers is the largest money order processor and second largest money-wire transfer company in the nation, processing more than 775 million transactions per year, including official checks and share drafts for financial institutions. Travelers is a wholly owned subsidiary of Viad Corporation, a public company whose shares are traded on the NYSE.

The Travelers lease commenced in April 2002 and expires in March 2012. The current annual base rent payable under the Travelers lease is $1,012,250. Travelers, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual base rent for the first three years of the first renewal term shall be $19 per rentable square foot and the annual base rent for the last two years shall be $20.50 per rentable square foot. The annual base rent for the second renewal term shall be at the then-current market rental rate for each year of the renewal term. In addition, Travelers may terminate the Travelers lease at the end of the seventh lease year by paying a termination fee of $1,040,880. Travelers also has the right to expand the Travelers Express Denver Buildings between 10% and 20% by providing notice on or before May 1, 2004, subject to certain limitations and potential acceleration.

Dana Corporation Buildings

Wells OP purchased the Dana Corporation Buildings on March 29, 2001 for a purchase price of $41,950,000. The Dana Kalamazoo Building, which was built in 1999, is a two-story office and industrial building containing 147,004 rentable square feet located in Kalamazoo, Michigan. The Dana Detroit Building, which was built in 1999, is a three-story office and research and development building containing 112,480 rentable square feet located in Farmington Hills, Michigan. Wells OP purchased the Dana Corporation Buildings by purchasing all of the membership interests in two Delaware limited liability companies each of which owned title to one of the buildings.

The Dana Corporation Buildings are leased to Dana Corporation (Dana). Dana is one of the world’s largest suppliers of components, modules and complete systems to global vehicle manufacturers and their related aftermarkets. Dana operates approximately 300 major facilities in 34 countries and employs approximately 70,000 people. Dana reported a net worth, as of December 31, 2001, of approximately $1.9 billion.

The Dana Kalamazoo lease commenced in October 2001 and expires in October 2021. The current annual base rent payable under the Dana Kalamazoo lease is $1,842,800. Dana, at its option, has the right to extend the initial term of its lease for six additional five-year periods at the then-current market rental rate. Dana may terminate the lease at any time during the initial lease term after the sixth lease year and before the 19th lease year, subject to certain conditions.

The Dana Detroit lease commenced in October 2001 and expires in October 2021. The current annual base rent payable under the Dana Detroit lease is $2,330,600. Dana, at its option, has the right to extend the initial term of its lease for six additional five-year periods at the then-current market rental rate. Dana may terminate the lease at any time during the initial lease term after the 11th lease year, subject to certain conditions.

Novartis Atlanta Building

Wells OP purchased the Novartis Atlanta Building on March 28, 2002 for a purchase price of $15,000,000. The Novartis Atlanta Building, which was built in 2001, is a four-story office building containing 100,087 rentable square feet located in Duluth, Georgia.

The Novartis Atlanta Building is leased to Novartis Opthalmics, Inc. (Novartis). The Novartis lease is guaranteed by Novartis' parent company, Novartis Corporation. Novartis Corporation, a public company whose shares are traded on the NYSE, is a world leader in healthcare with core businesses in pharmaceuticals, consumer health, generics, eye-care and animal health. Novartis Corporation reported a net worth, as of December 31, 2001, of approximately $28.1 billion.

The Novartis lease commenced in August 2001 and expires in July 2011. The current annual base rent payable under the Novartis lease is $1,426,240. Novartis, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate. In addition, Novartis may terminate the lease at the end of the fifth lease year by paying a $1,500,000 termination fee.

Transocean Houston Building

Wells OP purchased the Transocean Houston Building on March 15, 2002 for a purchase price of $22,000,000. The Transocean Houston Building, which was built in 1999, is a six-story office building containing 155,991 rentable square feet located in Houston, Texas.

Transocean Deepwater Offshore Drilling, Inc. (Transocean) leases 103,260 rentable square feet (67%) of the Transocean Houston Building. Transocean is an offshore drilling company specializing in technically demanding segments of the offshore drilling industry. The Transocean lease is guaranteed by Transocean Sedco Forex, Inc., one of the world's largest offshore drilling companies whose shares are traded on the NASDAQ. Transocean Sedco Forex, Inc. reported a net worth, as of September 30, 2001, of approximately $10.86 billion.

The Transocean lease commenced in December 2001 and expires in March 2011. Transocean, at its option, has the right to extend the initial term of its lease for either (1) two additional five-year periods, or (2) one additional ten-year period, at the then-current market rental rate. In addition, Transocean has an expansion option and a right of first refusal for up to an additional 52,731 rentable square feet. The current annual base rent payable under the Transocean lease is $2,110,035.

Newpark Drilling Fluids, Inc. (Newpark) leases the remaining 52,731 rentable square feet (33%) of the Transocean Houston Building. Newpark is a full service drilling fluids processing, management and waste disposal company. The Newpark lease is guaranteed by Newpark Resources, Inc., which provides drilling fluids services to the oil and gas production industry, primarily in North America. Newpark Resources, Inc. reported a net worth, as of December 31, 2001, of approximately $294 million.

The Newpark lease commenced in August 1999 and expires in October 2009. The current annual base rent payable for the Newpark lease is $1,153,227.

Arthur Andersen Building

Wells OP purchased the Arthur Andersen Building on January 11, 2002 for a purchase price of $21,400,000. The Arthur Andersen Building, which was built in 1999, is a three-story office building containing 157,700 rentable square feet located in Sarasota, Florida. Wells OP purchased the Arthur Andersen Building from Sarasota Haskell, LLC, which is not in any way affiliated with the Wells REIT, our advisor, Wells Capital, or Arthur Andersen, LLP, the tenant at the property.

The Arthur Andersen Building is leased to Arthur Andersen LLP (Andersen). In June 2002, Andersen was tried and convicted of federal obstruction of justice charges arising from its involvement as auditors for Enron Corporation. There may be a substantial risk that events arising out of this conviction or other events relating to the financial condition of Andersen could adversely affect the ability of Andersen to fulfill its obligations as tenant under the Andersen lease. The Andersen lease commenced in November 1998 and expires in October 2009. Andersen has the right to extend the initial 10-year term of this lease for two additional five-year periods at 90% of the then-current market rental rate. The current annual base rent payable under the Andersen lease is $1,988,454.

Andersen has the option to purchase the Arthur Andersen Building for a purchase price of $23,250,000 prior to the end of the fifth lease year. In addition, Andersen has the option to purchase the Arthur Andersen Building for a purchase price of $25,148,000 after the fifth lease year and prior to the expiration of the current lease term.

Windy Point Buildings

Wells OP purchased the Windy Point Buildings on December 31, 2001 for a purchase price of $89,275,000. The Windy Point Buildings, which were built in 1999 and 2001, respectively, consist of a seven-story office building containing 188,391 rentable square feet (Windy Point I) and an eleven-story office building containing 300,034 rentable square feet (Windy Point II) located in Schaumburg, Illinois.

The Windy Point Buildings are subject to a 20-year annexation agreement originally executed on December 12, 1995 with the Village of Schaumburg, Illinois (Annexation Agreement). The Annexation Agreement covers a 235-acre tract of land that includes a portion of the site of the Windy Point Buildings' parking facilities relating to the potential construction of a new eastbound on-ramp interchange for I-90. Wells OP issued a $382,556 letter of credit pursuant to the request of the Village of Schaumburg, Illinois, representing the estimated costs of demolition and restoration of constructed parking and landscaped areas and protecting pipelines in connection with the potential construction. The obligation to maintain the letter of credit will continue until the costs of demolition and restoration are paid if the project proceeds or until the Annexation Agreement expires in December 2015. If Wells OP is unable to restore the parking spaces due to structural issues related to the utilities underground, Wells OP would then be required to construct a new parking garage on the site to accommodate the parking needs of its tenants. The cost for this construction is currently estimated at approximately $3,581,000. In addition, if the interchange is constructed, Wells OP will be required to pay for its share of the costs for widening Meacham Road as part of the project, which potential obligation is currently estimated to be approximately $288,300.

Windy Point I building

The Windy Point I building is currently leased as follows:

Tenant	Rentable Sq. Ft.	Percentage of Building
TCI Great Lakes, Inc.	129,157	69%
The Apollo Group, Inc.	28,322	15%
Global Knowledge Network, Inc.	22,028	12%
Multiple Tenants	8,884	4%

TCI Great Lakes, Inc. (TCI) occupies 129,157 rentable square feet (69%) of the Windy Point I building. The TCI lease commenced in December 1999 and expires in November 2009. TCI has the right to extend the initial 10-year term of its lease for two additional five-year periods at 95% of the then-current market rental rate. TCI may terminate certain portions of the TCI lease on the last day of the seventh lease year by providing 12 months prior written notice and paying Wells OP a termination fee of approximately $4,119,500. The current annual base rent payable under the TCI lease is $2,067,204.

TCI is a wholly-owned subsidiary of AT&T Broadband. AT&T Broadband provides basic cable and digital television services, as well as high-speed Internet access and cable telephony, with video-on-demand and other advanced services.

The Apollo Group, Inc. (Apollo) leases28,322 rentable square feet (15%) of the Windy Point I building. The Apollo lease commenced in April 2002 and expires in June 2008. Apollo has the right to extend the initial term of its lease for one additional five-year period at 95% of the then-current market rental rate. The current annual base rent payable under the Apollo lease is $477,226.

Apollo is an Arizona corporation having its corporate headquarters in Phoenix, Arizona. Apollo provides higher education programs to working adults through its subsidiaries, the University of Phoenix, Inc., the Institute for Professional Development, the College for Financial Planning Institutes Corporation and Western International University, Inc. Apollo offers educational programs and services at 58 campuses and 102 learning centers in 36 states, Puerto Rico, and Vancouver, British Columbia. Apollo reported a net worth, as of February 28, 2002, of approximately $559 million.

Global Knowledge Network, Inc. (Global) leases 22,028 rentable square feet (12%) of the Windy Point I building. The Global lease commenced in May 2000 and expires in April 2010. Global has the right to extend the initial 10-year term of its lease for one additional five-year period at the then-current market rental rate. Wells OP has the right to terminate the Global lease on December 31, 2005 by giving Global written notice on or before April 30, 2005. The current annual base rent payable under the Global lease is $393,776.

Global is a privately held corporation with its corporate headquarters in Cary, North Carolina and international offices in Tokyo, London and Singapore. Global is owned by New York-based investment firm Welsh, Carson, Anderson and Stowe, a New York limited partnership which acts as a private equity investor in information services, telecommunications and healthcare. Global provides information technology education solutions and certification programs, offering more than 700 courses in more than 60 international locations and in 15 languages. Global has posted a $100,000 letter of credit as security for the Global lease.

Windy Point II building

Zurich American Insurance Company, Inc. (Zurich) leases the entire 300,034 rentable square feet of the Windy Point II building. The Zurich lease commenced in September 2001 and expires in August 2011. Zurich has the right to extend the initial 10-year term of its lease for two additional five-year periods at 95% of the then-current market rental rate. The current annual base rent payable under the Zurich lease is $5,091,577.

Zurich is headquartered in Schaumburg, Illinois and is a wholly-owned subsidiary of Zurich Financial Services Group (ZFSG). ZFSG, which has its corporate headquarters in Zurich, Switzerland, is a leading provider of financial protection and wealth accumulation solutions for some 35 million customers in over 60 countries. Zurich provides commercial property-casualty insurance and serves the multinational, middle market and small business sectors in the United States and Canada.

Zurich has the right to terminate the Zurich lease for up to 25% of the rentable square feet leased by Zurich at the end of the fifth lease year. If Zurich terminates a portion of the Zurich lease, it will be required to pay a termination fee to Wells OP equal to three months of the current monthly rent for the terminated space plus additional costs related to the space leased by Zurich. In addition, Zurich may terminate the entire Zurich lease at the end of the seventh lease year by providing Wells OP 18 months prior written notice and paying Wells OP a termination fee of approximately $8,625,000.

Convergys Building

Wells OP purchased the Convergys Building on December 21, 2001 for a purchase price of $13,255,000. The Convergys Building, which was built in 2001, is a two-story office building containing 100,000 rentable square feet located in Tamarac, Florida.

The Convergys Building is leased to Convergys Customer Management Group, Inc. (Convergys). The Convergys lease is guaranteed by Convergys' parent company, Convergys Corporation, which is an Ohio corporation whose shares are traded on the NYSE having its corporate headquarters in Cincinnati, Ohio. Convergys Corporation provides outsourced billing and customer care services in the United States, Canada, Latin America, Israel and Europe. Convergys Corporation reported a net worth, as of December 31, 2001, of approximately $1.23 billion.

The Convergys lease commenced in September 2001 and expires in September 2011. Convergys has the right to extend the initial 10-year term of this lease for three additional five-year periods at 95% of the then-current market rental rate. Convergys may terminate the Convergys lease at the end of the seventh lease year (September 30, 2008) by providing 12 months prior written notice and paying Wells OP a termination fee of approximately $1,341,000. The current annual base rent payable under the Convergys lease is $1,248,192.

ADIC Buildings

Wells Fund XIII-REIT Joint Venture purchased the ADIC Buildings and an undeveloped 3.43 acre tract of land adjacent to the ADIC Buildings (Additional ADIC Land) on December 21, 2001 for a purchase price of $12,954,213. The ADIC Buildings, which were built in 2001, consist of two connected one-story office and assembly buildings containing a total of 148,204 rentable square feet located in Parker, Colorado.

The ADIC Buildings are currently leased to Advanced Digital Information Corporation (ADIC), which lease does not include the Additional ADIC Land. ADIC is a Washington corporation whose shares are traded on NASDAQ having its corporate headquarters in Redmond, Washington and regional management centers in Englewood, Colorado; Böhmenkirch, Germany; and Paris, France. ADIC manufactures data storage systems and specialized storage management software and distributes these products through its relationships with original equipment manufacturers such as IBM, Sony, Fujitsu, Siemens and Hewlett-Packard. ADIC reported a net worth, as of January 31, 2002, of approximately $335 million.

The ADIC lease commenced in December 2001 and expires in December 2011. ADIC has the right to extend the term of its lease for two additional five-year periods at the then-current fair market rental rate for the first year of each five-year extension. The annual base rent will increase 2.5% for each subsequent year of each five-year extension. The current annual base rent payable under the ADIC lease is $1,222,683.

Lucent Building

Wells OP purchased the Lucent Building from Lucent Technologies, Inc. (Lucent Technologies) in a sale-lease back transaction on September 28, 2001 for a purchase price of $17,650,000. The Lucent Building, which was built in 1999, is a four-story office building with 120,000 rentable square feet, which includes a 17.34 acre undeveloped tract of land, located in Cary, North Carolina.

The Lucent Building is leased to Lucent Technologies, whose shares are traded on the NYSE and has its corporate headquarters in Murray Hill, New Jersey. Lucent Technologies designs, develops and manufactures communications systems, software and other products. Lucent Technologies reported a net worth, as of December 31, 2001, of approximately $10.6 billion.

The Lucent lease commenced in September 2001 and expires in September 2011. Lucent Technologies has the right to extend the term of this lease for three additional five-year periods at the then-current fair market rental rate. The current annual base rent payable under the Lucent lease is $1,800,000.

Ingram Micro Building

On September 27, 2001, Wells OP acquired a ground leasehold interest in a 701,819 square foot distribution facility located in Millington, Tennessee, pursuant to a Bond Real Property Lease dated as of December 20, 1995 (Bond Lease). The ground leasehold interest under the Bond Lease, along with the Bond and the Bond Deed of Trust, were purchased from Ingram Micro L.P. (Ingram) in a sale-lease back transaction for a purchase price of $21,050,000. The Bond Lease expires in December 2026. Construction of the Ingram Micro Building was completed in 1997.

Fee simple title to the land upon which the Ingram Micro Building is located is held by the Industrial Development Board of the City of Millington, Tennessee (Industrial Development Board), which originally entered into the Bond Lease with Lease Plan North America, Inc. (Lease Plan). The Industrial Development Board issued an Industrial Development Revenue Note Ingram Micro L.P. Series 1995 (Bond) in a principal amount of $22,000,000 to Lease Plan in order to finance the construction of the Ingram Micro Building. The Bond is secured by a Fee Construction Mortgage Deed of Trust and Assignment of Rents and Leases (Bond Deed of Trust) executed by the Industrial Development Board for the benefit of Lease Plan. Lease Plan assigned to Ingram its ground leasehold interest in the Ingram Micro Building under the Bond Lease. Lease Plan also assigned all of its rights and interest in the Bond and the Bond Deed of Trust to Ingram.

Wells OP also acquired the Bond and the Bond Deed of Trust from Ingram at closing. Beginning in 2006, Wells OP has the option under the Bond Lease to purchase the land underlying the Ingram Micro Building from the Industrial Development Board for $100 plus satisfaction of the indebtedness evidenced by the Bond which, as set forth above, was acquired and is currently held by Wells OP.

Ingram Micro, Inc. (Micro) is the general partner of Ingram and a guarantor on the Ingram lease. Micro, whose shares are traded on the NYSE, has its corporate headquarters in Santa Ana, California.

Micro provides technology products and supply chain management services through wholesale distribution. It targets three different market segments, including corporate resellers, direct and consumer marketers, and value-added resellers. Micro's worldwide business consists of approximately 14,000 associates and operations in 36 countries. Micro reported a net worth, as of December 29, 2001, of approximately $1.87 billion.

The Ingram lease has a current term of 10 years with two successive options to extend for 10 years each at an annual rate equal to the greater of (1) 95% of the then-current fair market rental rate, or (2) the annual rental payment effective for the final year of the term immediately prior to such extension. Annual rent, as determined for each extended term, is also increased by 15% beginning in the 61 st month of each extended term. The current annual base rent payable for the Ingram lease is $2,035,275.

Nissan Property

Purchase of the Nissan Property. The Nissan Property is a build-to-suit property located in Irving, Texas which we purchased on September 19, 2001 for a purchase price of $5,545,700. We commenced construction on a three-story office building containing approximately 268,000 rentable square feet (Nissan Project) in January 2002. Wells OP obtained a construction loan in the amount of $32,400,000 from Bank of America, N.A. (BOA), which is more particularly described in the "Real Estate Loans" section of the prospectus, to fund the construction of a building on the Nissan Project.

Wells OP entered into a development agreement, an architect agreement and a design and build agreement to construct the Nissan Project on the Nissan Property.

Development Agreement. Wells OP entered into a development agreement (Development Agreement) with Champion Partners, Ltd., a Texas limited partnership (Developer), as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the Nissan Project. As compensation for the services to be rendered by the Developer under the Development Agreement, Wells OP is paying a development fee of $1,250,000. The fee is due and payable ratably as the construction and development of the Nissan Project is completed.

We anticipate that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Nissan Property and the planning, design, development, construction and completion of the Nissan Project will total approximately $42,259,000. Under the terms of the Development Agreement, the Developer has agreed that in the event that the total of all such costs and expenses exceeds $42,258,600, subject to certain adjustments, the amount of fees payable to the Developer shall be reduced by the amount of any such excess.

Construction Agreement. Wells OP entered into a design and build construction agreement (Construction Agreement) with Thos. S. Byrne, Inc. (Contractor) for the construction of the Nissan Project. The Contractor is based in Ft. Worth, Texas and specializes in commercial, industrial and high-end residential buildings. The Contractor commenced operations in 1923 and has completed over 200 projects for a total of approximately 60 clients. The Contractor is presently engaged in the construction of over 20 projects with a total construction value of in excess of $235 million.

The Construction Agreement provides that Wells OP will pay the Contractor a maximum of $25,326,017 for the construction of the Nissan Project that includes all estimated fees and costs including the architect fees. The Contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the Nissan Project. In addition, the Contractor will be required to secure and pay for any additional business licenses, tap fees and building permits which may be necessary for construction of the Nissan Project.

Nissan Lease. The Nissan Property is leased to Nissan Motor Acceptance Corporation (Nissan), a California corporation with its corporate headquarters in Torrance, California. Nissan is a wholly-owned subsidiary of Nissan North America, Inc. (NNA), a guarantor of Nissan's lease. NNA is a California corporation, with headquarters in Gardenia, California. NNA handles the North American business sector of its Japanese parent, Nissan Motor Company, Ltd. NNA's business activities include design, development, manufacturing and marketing of Nissan vehicles in North America. As a subsidiary of NNA, Nissan purchases retail and lease contracts from, and provides wholesale inventory and mortgage loan financing to, Nissan and Infiniti retailers.

The Nissan lease will extend 10 years beyond the rent commencement date. Construction on the building began in January 2002 and is expected to be completed by December 2003. The rent commencement date will occur shortly after completion. Nissan has the right to extend the initial 10-year term of this lease for an additional two years, upon written notice. Nissan also has the right to extend the lease for two additional five-year periods at 95% of the then-current market rental rate, upon written notice. The annual base rent payable for the Nissan lease beginning on the rent commencement date is expected to be $4,225,860.

IKON Buildings

Wells OP purchased the IKON Buildings on September 7, 2001 for a purchase price of $20,650,000. The IKON Buildings, which were built in 2000, consist of two one-story office buildings aggregating 157,790 rentable square feet located in Houston, Texas.

The IKON Buildings are leased to IKON Office Solutions, Inc. (IKON). IKON provides business communication products such as copiers and printers, as well as services such as distributed printing, facilities management, network design, e-business development and technology training. IKON's customers include various sized businesses, professional firms and government agencies. IKON distributes products manufactured by companies such as Microsoft, IBM, Canon, Novell and Hewlett-Packard. IKON reported a net worth, as of December 31, 2001, of approximately $1.43 billion.

The IKON lease commenced in May 2000 and expires in April 2010. IKON has the right to extend the term of this lease for two additional five-year periods at the then-current fair market rental rate. The current annual base rent payable for the IKON lease is $2,015,767.

State Street Building

Wells OP purchased the State Street Building on July 30, 2001 for a purchase price of $49,563,000. The State Street Building, which was built in 1990, is a seven-story office building with 234,668 rentable square feet located in Quincy, Massachusetts.

The State Street Building is leased to SSB Realty, LLC (SSB Realty). SSB Realty is a wholly-owned subsidiary of State Street Corporation, a Massachusetts corporation (State Street). State Street, a guarantor of the SSB Realty lease, is a world leader in providing financial services to investment managers, corporations, public pension funds, unions, not-for-profit organizations and individuals. State Street's services range from investment research and professional investment management to trading and brokerage services to fund accounting and administration. State Street reported a net worth, as of December 31, 2001, of approximately $3.8 billion.

The SSB Realty lease commenced in February 2001 and expires in March 2011. SSB has the right to extend the term of this lease for one additional five-year period at the then-current fair market rental rate. Pursuant to the SSB Realty lease, Wells OP is obligated to provide SSB Realty an allowance of up to

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approximately $2,112,000 for tenant, building and architectural improvements. The current annual base rent payable for the SSB Realty lease is $6,922,706.

AmeriCredit Building

The XIII-REIT Joint Venture purchased the AmeriCredit Building on July 16, 2001 for a purchase price of $12,500,000. The AmeriCredit Building, which was built in 2001, is a two-story office building containing 85,000 rentable square feet located in Orange Park, Florida.

The AmeriCredit Building is leased to AmeriCredit Financial Services Corporation (AmeriCredit). AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the NYSE. AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world's largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately $1.2 billion.

The AmeriCredit lease commenced in June 2001 and expires in May 2011. AmeriCredit has the right to extend the AmeriCredit lease for two additional five-year periods of time. Each extension option must be exercised by giving written notice to the landlord at least 12 months prior to the expiration date of the then-current lease term. The monthly base rent payable for each extended term of the AmeriCredit lease will be equal to 95% of the then-current market rate. The AmeriCredit lease contains a termination option that may be exercised by AmeriCredit effective as of the end of the seventh lease year and requires AmeriCredit to pay the joint venture a termination payment estimated at approximately $1.9 million. AmeriCredit also has an expansion option for an additional 15,000 square feet of office space and 120 parking spaces. AmeriCredit may exercise this expansion option at any time during the first seven lease years. The current annual base rent payable under the AmeriCredit lease is $1,336,200.

Comdata Building

The XII-REIT Joint Venture purchased the Comdata Building on May 15, 2001 for a purchase price of $24,950,000. The Comdata Building, which was built in 1989 and expanded in 1997, is a three-story office building containing 201,237 rentable square feet located in Brentwood, Tennessee.

The Comdata Building is leased to Comdata Network, Inc. (Comdata). Comdata is a leading provider of transaction processing and information services to the transportation and other industries. Comdata provides trucking companies with fuel cards, electronic cash access, permit and licensing services, routing software, driver relationship services and vehicle escorts, among other services. Comdata provides these services to over 400,000 drivers, 7,000 truck stop service centers and 500 terminal fueling locations. Ceridian Corporation, the lease guarantor, is one of North America's leading information services companies that serves the human resources and transportation markets. Ceridian and its subsidiaries generate, process and distribute data for customers and help customers develop systems plans and software to perform these functions internally. Ceridian Corporation reported a net worth, as of September 30, 2001, of approximately $1.1 billion.

The Comdata lease commenced in April 1997 and expires in May 2016. Comdata has the right to extend the Comdata lease for one additional five-year period of time at a rate equal to the greater of the base rent of the final year of the initial term or 90% of the then-current fair market rental rate. The current annual base rent payable for the Comdata lease is $2,458,638.

AT&T Oklahoma Buildings

The XII-REIT Joint Venture purchased the AT&T Oklahoma Buildings on December 28, 2000 for a purchase price of $15,300,000. The AT&T Oklahoma Buildings, which were built in 1998 and 2000, respectively, consist of a one-story office building and a two-story office building, connected by a mutual hallway, containing an aggregate of 128,500 rentable square feet located in Oklahoma City, Oklahoma.

AT&T Corp. (AT&T) leases the entire 78,500 rentable square feet of the two-story office building and 25,000 rentable square feet of the one-story office building. AT&T is among the world's leading voice and data communications companies, serving consumers, businesses and governments worldwide. AT&T has one of the largest digital wireless networks in North America and is one of the leading suppliers of data and Internet services for businesses. In addition, AT&T offers outsourcing, consulting and networking-integration to large businesses and is one of the largest direct internet access service providers for consumers in the United States. AT&T reported a net worth, as of December 31, 2001, of approximately $51.7 billion.

The AT&T lease commenced in April 2000 and expires in August 2010. AT&T has the right to extend the AT&T lease for two additional five-year periods of time at the then-current fair market rental rate. AT&T has a right of first offer to lease the remainder of the space in the one-story office building currently occupied by Jordan Associates, Inc. (Jordan), if Jordan vacates the premises. The current annual base rent payable for the AT&T lease is $1,242,000.

Jordan leases the remaining 25,000 rentable square feet contained in the one-story office building. Jordan provides businesses with advertising and related services including public relations, research, direct marketing and sales promotion. Through this corporate office and other offices in Tulsa, St. Louis, Indianapolis and Wausau, Wisconsin, Jordan provides services to major clients such as Bank One, Oklahoma, N.A., BlueCross & BlueShield of Oklahoma, Kraft Food Services, Inc., Logix Communications and the American Dental Association.

The Jordan lease commenced in December 1998 and expires in December 2008. Jordan has the right to extend the Jordan lease for one additional five-year period of time at the then-current fair market rental rate. The current annual base rent payable for the Jordan lease is $294,500.

Metris Minnesota Building

Wells OP purchased the Metris Minnesota Building on December 21, 2000 for a purchase price of $52,800,000. The Metris Minnesota Building, which was built in 2000, is a nine-story office building containing 300,633 rentable square feet located in Minnetonka, Minnesota.

The Metris Minnesota Building is Phase II of a two-phase office complex known as Crescent Ridge Corporate Center in Minnetonka, Minnesota, which is a western suburb of Minneapolis. Phase I of Crescent Ridge Corporate Center is an eight-story multi-tenant building which is connected to the Metris Minnesota Building by a single-story restaurant link building. Neither Phase I of Crescent Ridge Corporate Center nor the connecting restaurant are owned by Wells OP.

The Metris Minnesota Building is leased to Metris Direct, Inc. (Metris) as its corporate headquarters. Metris is a principal subsidiary of Metris Companies, Inc. (Metris Companies), a publicly traded company whose shares are listed on the NYSE (symbol MXT) which has guaranteed the Metris lease. Metris Companies is an information-based direct marketer of consumer credit products and fee-based services primarily to moderate income consumers. Metris Companies' consumer credit products are primarily unsecured credit cards issued by its subsidiary, Direct Merchants Credit Card Bank. Metris Companies reported a net worth, as of December 31, 2001, of approximately $1.14 billion.

The Metris Minnesota lease commenced in September 2000 and expires in December 2011. Metris has the right to renew the Metris Minnesota lease for an additional five-year term at fair market rent, but in no event less than the basic rent payable in the immediately preceding period. In addition, Metris is required to pay annual parking and storage fees of $87,948 through December 2006 and $114,062 payable on a monthly basis for the remainder of the lease term. The current annual base rent payable for the Metris Minnesota lease is $4,960,445.

Stone & Webster Building

Wells OP purchased the Stone & Webster Building on December 21, 2000 for a purchase price of $44,970,000. The Stone & Webster Building, which was built in 1994, is a six-story office building with 312,564 rentable square feet located in Houston, Texas. In addition, the site includes 4.34 acres of unencumbered land available for expansion.

Stone & Webster is a full-service global engineering and construction company offering managerial and technical resources for solving complex energy, environmental, infrastructure and industrial challenges. The Stone & Webster lease is guaranteed by The Shaw Group, Inc., the parent company of Stone & Webster. Shaw Group is the largest supplier of fabricated piping systems and services in the world. The Shaw Group reported a net worth, as of February 28, 2002, of approximately $612 million.

The Stone & Webster lease commenced in December 2000 and expires in December 2010. Stone & Webster has the right to extend the Stone & Webster lease for two additional five-year periods of time for a base rent equal to the greater of (1) the last year's rent, or (2) the then-current market rental rate. The current annual base rent payable for the Stone & Webster lease is $4,533,056.

SYSCO is the largest marketer and distributor of foodservice products in North America. SYSCO operates from approximately 100 distribution facilities and provides its products and services to about 356,000 restaurants and other users across the United States and portions of Canada. SYSCO reported a net worth, as of December 29, 2001, of approximately $2.2 billion.

The SYSCO lease commenced in October 1998 and expires in September 2008. The current annual base rent payable for the SYSCO lease is $2,130,320.

Motorola Plainfield Building

Wells OP purchased the Motorola Plainfield Building on November 1, 2000 for a purchase price of $33,648,156. The Motorola Plainfield Building, which was built in 1976, is a three-story office building containing 236,710 rentable square feet located in South Plainfield, New Jersey.

The Motorola Plainfield Building is leased to Motorola, Inc. (Motorola). Motorola is a global leader in providing integrated communications solutions and embedded electronic solutions, including software-enhanced wireless telephones, two-way radios and digital and analog systems and set-top terminals for broadband cable television operators. Motorola reported a net worth, as of December 31, 2001 , of approximately $13.7 billion.

The Motorola Plainfield lease commenced in November 2000 and expires in October 2010. Motorola has the right to extend the Motorola Plainfield lease for two additional five-year periods of time for a base rent equal to the greater of (1) base rent for the immediately preceding lease year, or (2) 95%

of the then-current fair market rental rate. The current annual base rent payable for the Motorola Plainfield lease is $3,324,428.

The Motorola Plainfield lease grants Motorola a right of first refusal to purchase the Motorola Plainfield Building if Wells OP attempts to sell the property during the term of the lease. Additionally, Motorola has an expansion right for an additional 143,000 rentable square feet. If Motorola exercises its expansion option, upon completion of the expansion, the term of the Motorola Plainfield lease shall be extended an additional 10 years after Motorola occupies the expansion space. The base rent for the expansion space shall be determined by the construction costs and fees for the expansion. The base rent for the original building for the extended 10-year period shall be the greater of (1) the then-current base rent, or (2) 95% of the then-current fair market rental rate.

Quest Building

The VIII-IX Joint Venture purchased the Quest Building on January 10, 1997 for a purchase price of $7,193,000. On July 1, 2000, the VIII-IX Joint Venture contributed the Quest Building to the VIII-IX-REIT Joint Venture. The Quest Building, which was built in 1984 and refurbished in 1996, is a two-story office building containing 65,006 rentable square feet located in Irvine, California.

The Quest Building is currently leased to Quest Software, Inc. (Quest). Quest, whose shares are publicly traded, is a corporation that provides software database management and disaster recovery services for its clients. Quest was established in April 1987 to develop and market software products to help insure uninterrupted, high performance access to enterprise and custom computing applications and databases. Quest reported a net worth, as of December 31, 2001, of approximately $441 million.

The Quest lease commenced in June 2000 and expires in January 2004. The annual base rent payable for the remaining portion of the initial lease term is $1,287,119. Quest has the right to extend the lease for two additional one-year periods of time at an annual base rent of $1,365,126.

Delphi Building

Wells OP purchased the Delphi Building on June 29, 2000 for a purchase price of $19,800,000. The Delphi Building, which was built in 2000, is a three-story office building containing 107,193 rentable square feet located in Troy, Michigan.

The Delphi Building is leased to Delphi Automotive Systems LLC (Delphi LLC). Delphi LLC is a wholly-owned subsidiary of Delphi Automotive Systems Corporation (Delphi), formerly the Automotive Components Group of General Motors, which was spun off from General Motors in May 1999. Delphi is the world’s largest automotive components supplier and sells its products to almost every major manufacturer of light vehicles in the world. Delphi reported a net worth, as of December 31, 2001, of approximately $2.22 billion.

The Delphi lease commenced in May 2000 and expires in April 2007. Delphi LLC has the right to extend the Delphi lease for two additional five-year periods of time at 95% of the then-current fair market rental rate. The current annual base rent payable for the Delphi lease is $1,955,524.

Avnet Building

Wells OP purchased the Avnet Building on June 12, 2000 for a purchase price of $13,250,000. The Avnet Building, which was built in 2000, is a two-story office building containing 132,070 rentable square feet located in Tempe, Arizona. The Avnet Building is subject to a first priority mortgage in favor of

SouthTrust Bank, N.A. (SouthTrust) securing a SouthTrust Line of Credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

The Avnet Building is leased to Avnet, Inc. (Avnet). Avnet is a Fortune 300 company and one of the world's largest industrial distributors of electronic components and computer products, including microprocessors, semi-conductors and electromechanical devices, serving customers in 60 countries. Additionally, Avnet sells products of more than 100 of the world's leading component manufacturers to customers around the world. Avnet reported a net worth, as of December 28, 2001, of approximately $1.77 billion.

The Avnet lease commenced in May 2000 and expires in April 2010. Avnet has the right to extend the Avnet lease for two additional five-year periods of time. The annual rent payable for the first three years of each extension period will be at the current fair market rental rate at the end of the preceding term. The annual rent payable for the fourth and fifth years of each extension period will be the then-current fair market rental rate at the end of the preceding term multiplied by a factor of 1.093. The current annual base rent payable for the Avnet lease is $1,516,164.

Avnet has a right of first refusal to purchase the Avnet Building if Wells OP attempts to sell the Avnet Building. Avnet also has an expansion option. Wells OP has the option to undertake the expansion or allow Avnet to undertake the expansion at its own expense, subject to certain terms and conditions.

The Avnet ground lease commenced in April 1999 and expires in September 2083. Wells OP has the right to terminate the Avnet ground lease prior to the expiration of the 30th year. The current annual ground lease payment pursuant to the Avnet ground lease is $230,777.

Siemens Building

The XII-REIT Joint Venture purchased the Siemens Building on May 10, 2000 for a purchase price of $14,265,000. The Siemens Building, which was built in 2000, is a three-story office building containing 77,054 rentable square feet located in Troy, Michigan.

The Siemens Building is leased to Siemens Automotive Corporation (Siemens). Siemens is a subsidiary of Siemens Corporation USA, a domestic corporation which conducts the American operations of Siemens AG, the world's second largest manufacturer of electronic capital goods. Siemens, part of the worldwide Automotive Systems Group of Siemens AG, is a supplier of advanced electronic and electrical products and systems to automobile manufacturers.

The Siemens lease commenced in January 2000 and expires in August 2010. Siemens has the right to extend the Siemens lease for two additional five-year periods at 95% of the then-current fair market rental rate. The current annual base rent payable for the Siemens lease is $1,374,643.

Siemens has a one-time right to cancel the Siemens lease effective after the 90 th month of the lease term if Siemens pays a cancellation fee to the XII-REIT Joint Venture currently calculated to be approximately $1,234,160.

Motorola Tempe Building

Wells OP purchased the Motorola Tempe Building on March 29, 2000 for a purchase price of $16,000,000. The Motorola Tempe Building, which was built in 1998, is a two-story office building containing 133,225 rentable square feet in Tempe, Arizona. The Motorola Tempe Building is subject to a first priority mortgage in favor of SouthTrust securing a SouthTrust line of credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

The Motorola Tempe Building is leased to Motorola, Inc. (Motorola) and is occupied by Motorola's Satellite Communications Division (SATCOM). SATCOM is a worldwide developer and manufacturer of space and ground communications equipment and systems. SATCOM is the prime contractor for the Iridium System and is primarily engaged in computer design and development functions.

The Motorola Tempe lease commenced in August 1998 and expires in August 2005. Motorola has the right to extend the Motorola Tempe lease for four additional five-year periods of time at the then-prevailing market rental rate. The current annual rent payable under the Motorola Tempe lease is $1,843,834.

The Motorola Tempe Building is subject to a ground lease that commenced in November 1997 and expires in December 2082. Wells OP has the right to terminate the Motorola Tempe ground lease prior to the expiration of the 30th year and prior to the expiration of each subsequent 10-year period thereafter. The current annual ground lease payment pursuant to the Motorola Tempe ground lease is $243,825.

ASML Building

Wells OP purchased the ASML Building on March 29, 2000 for a purchase price of $17,355,000. The ASML Building, which was built in 2000, is a two-story office and warehouse building containing 95,133 rentable square feet located in Tempe, Arizona. The ASML Building is subject to a first priority mortgage in favor of SouthTrust securing a SouthTrust line of credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

The ASML Building is leased to ASM Lithography, Inc. (ASML). ASML is a wholly-owned subsidiary of ASM Lithography Holdings NV (ASML Holdings), a Dutch multi-national corporation that supplies lithography systems used for printing integrated circuit designs onto very thin disks of silicon, commonly referred to as wafers. These systems are supplied to integrated circuit manufacturers throughout the United States, Asia and Western Europe. ASML Holdings, a guarantor of the ASML lease, reported a net worth, as of December 31, 2001, of approximately $1.1 billion.

The ASML lease commenced in June 1998 and expires in June 2013. The current annual base rent payable under the ASML lease is $1,927,788. ASML has an expansion option which allows ASML the ability to expand the building into at least an additional 30,000 rentable square feet, to be constructed by Wells OP. If the expansion option exercised is for less than 30,000 square feet, Wells OP may reject the exercise at its sole discretion. In the event that ASML exercises its expansion option after the first five years of the initial lease term, such lease term will be extended to 10 years from the date of such expansion.

The ASML Building is subject to a ground lease that commenced in August 1997 and expires in December 2082. Wells OP has the right to terminate the ASML ground lease prior to the expiration of the 30th year, and prior to the expiration of each subsequent 10-year period thereafter. The current annual ground lease payment pursuant to the ASML ground lease is $186,368.

Dial Building

Wells OP purchased the Dial Building on March 29, 2000 for a purchase price of $14,250,000. The Dial Building, which was built in 1997, is a two-story office building containing 129,689 rentable square feet located in Scottsdale, Arizona. The Dial Building is subject to a first priority mortgage in favor of SouthTrust securing a SouthTrust line of credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

The Dial Building is leased to Dial Corporation (Dial). Dial currently has its headquarters in the Dial Building and is one of the leading consumer product manufacturers in the United States. Dial's brands include Dial soap, Purex detergents, Renuzit air fresheners, Armour canned meats, and a variety of other leading consumer products. Dial reported a net worth, as of December 31, 2001, of approximately $81.8 million.

The Dial lease commenced in August 1997 and expires in August 2008. Dial has the right to extend the Dial lease for two additional five-year periods of time at 95% of the then-current fair market rental rate. The annual rent payable for the initial term of the Dial lease is $1,387,672.

Metris Tulsa Building

Wells OP purchased the Metris Tulsa Building on February 11, 2000 for a purchase price of $12,700,000. The Metris Tulsa Building, which was built in 2000, is a three-story office building containing 101,100 rentable square feet located in Tulsa, Oklahoma.

The Metris Tulsa Building is leased to Metris Direct, Inc. (Metris). Metris Companies, Inc., the parent company of Metris, has guaranteed the Metris Tulsa lease. The Metris Tulsa lease commenced in February 2000 and expires in January 2010. Metris has the right to extend the Metris Tulsa lease for two additional five-year periods of time. The monthly base rent payable for the renewal terms of the Metris Tulsa lease shall be equal to the then-current market rate. The current annual base rent payable for the Metris Tulsa lease is $1,187,925.

Cinemark Building

Wells OP purchased the Cinemark Building on December 21, 1999 for a purchase price of $21,800,000. The Cinemark Building, which was built in 1999, is a five-story office building containing 118,108 rentable square feet located in Plano, Texas. The Cinemark Building is subject to a first priority mortgage in favor of SouthTrust securing a SouthTrust line of credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

The entire 118,108 rentable square feet of the Cinemark Building is currently leased to two tenants. Cinemark USA, Inc. (Cinemark) occupies 65,521 rentable square feet (56%) of the Cinemark Building, and The Coca-Cola Company (Coca-Cola) occupies the remaining 52,587 (44%) rentable square feet of the Cinemark Building.

Cinemark, a privately owned company, is one of the largest motion picture exhibitors in North and South America. Cinemark currently operates in excess of 2,575 screens in 32 states within the United States and internationally in countries such as Argentina, Brazil, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Nicaragua, Mexico and Peru. Cinemark reported a net worth, as of December 31, 2001, of approximately $25.3 million.

The Cinemark lease commenced in December 1999 and expires in December 2009. Cinemark has the right to extend the Cinemark lease for one additional five-year period of time and a subsequent additional 10-year period of time. The monthly base rent payable for the second renewal term of the Cinemark lease shall be equal to 95% of the then-current market rate. Cinemark has a right of first refusal to lease any of the remaining rentable area of the Cinemark Building that subsequently becomes vacant. The current annual base rent payable for the Cinemark lease is $1,366,491.

Coca-Cola is the global soft-drink industry leader with world headquarters in Atlanta, Georgia. Coca-Cola manufactures and sells syrups, concentrates and beverage bases for Coca-Cola, the company's flagship brand, and over 160 other soft drink brands in nearly 200 countries around the world. Coca-Cola reported a net worth, as of December 31, 2001, of approximately $11.4 billion.

The Coca-Cola lease commenced in December 1999 and expires in November 2006. Coca-Cola has the right to extend the lease for two additional five-year periods of time. The current annual base rent payable for the Coca-Cola lease is $1,354,184.

Gartner Building

The XI-XII-REIT Joint Venture purchased the Gartner Building on September 20, 1999 for a purchase price of $8,320,000. The Gartner Building, which was built in 1998, is a two-story office building containing 62,400 rentable square feet located in Fort Myers, Florida.

The Gartner Building is currently leased to The Gartner Group, Inc. (Gartner). The Gartner Building is occupied by Gartner's Financial Services Division. Gartner is one of the world's leading independent providers of research and analysis related to information and technology solutions. Gartner has over 80 locations worldwide and over 12,000 clients.

The Gartner lease commenced in February 1998 and expires in January 2008. Gartner has the right to extend the lease for two additional five-year periods of time at a rate equal to the lesser of (1) the prior rate increased by 2.5%, or (2) 95% of the then-current market rate. The current annual base rent payable for the Gartner lease is $830,656.

Videojet Technologies Chicago Building

Wells OP purchased the Videojet Technologies Chicago Building on September 10, 1999 for a purchase price of $32,630,940. The Videojet Technologies Chicago Building, which was built in 1991, is a two-story office, assembly and manufacturing building containing 250,354 rentable square located in Wood Dale, Illinois. The Videojet Technologies Chicago Building is subject to a first priority mortgage in favor of Bank of America, N.A. (BOA) securing the BOA loan, which is more particularly described in the "Real Estate Loans" section of this prospectus.

The Videojet Technologies Chicago Building is leased to Videojet Technologies, Inc. (Videojet). Videojet is one of the largest manufacturers of digital imaging, process control, and asset management systems worldwide. In February 2002, Videojet was acquired by Danaher Corporation (Danaher), a company whose shares are traded on the NYSE. Danaher is a leading manufacturer of process and environmental controls and tools and components.

The Videojet lease commenced in November 1991 and expires in November 2011. Videojet has the right to extend the Videojet lease for one additional five-year period of time. The current annual base rent payable for the Videojet lease is $3,376,746.

Johnson Matthey Building

The XI-XII-REIT Joint Venture purchased the Johnson Matthey Building on August 17, 1999 for a purchase price of $8,000,000. The Johnson Matthey Building, which was built in 1973 and refurbished in 1998, is a 130,000 square foot research and development, office and warehouse building located in Wayne, Pennsylvania.

The Johnson Matthey Building is currently leased to Johnson Matthey, Inc. (Johnson Matthey). Johnson Matthey is a wholly-owned subsidiary of Johnson Matthey, PLC of the United Kingdom, a world leader in advanced materials technology. Johnson Matthey, PLC, a company whose shares are publicly traded, is over 175 years old, has operations in 38 countries and employs 12,000 people. Johnson Matthey reported a net worth, as of September 30, 2001, of approximately $1.16 billion.

The Johnson Matthey lease commenced in July 1998 and expires in June 2007. Johnson Matthey has the right to extend the lease for two additional three-year periods of time at the then-current fair market rent. Johnson Matthey has a right of first refusal to purchase the Johnson Matthey Building in the event that the XI-XII-REIT Joint Venture desires to sell the building to an unrelated third-party. The current annual base rent payable under the Johnson Matthey lease is $854,748.

Alstom Power Richmond Building

Wells OP purchased a 7.49 acre tract of land on July 22, 1999 for a purchase price of $936,250 and completed construction of the Alstom Power Richmond Building at an aggregate cost of approximately $11,400,000, including the cost of the land. The Alstom Power Richmond Building, which was built in 2000, is a four-story brick office building containing 99,057 gross square feet located in Midlothian, Virginia.

Wells OP originally obtained a construction loan from SouthTrust in the maximum principal amount of $9,280,000 to fund the development and construction of the Alstom Power Richmond Building. This loan, which is more specifically detailed in the "Real Estate Loans" section of this prospectus, was converted to a line of credit and is secured by a first priority mortgage against the Alstom Power Richmond Building, an assignment of the landlord's interest in the Alstom Power Richmond lease and a $4,000,000 letter of credit issued by Unibank.

The Alstom Power Richmond Building is leased to Alstom Power, Inc. (Alstom Power). Alstom Power is the result of the December 30, 1999 merger between ABB Power Generation, Inc. and ABB Alstom Power, Inc. Alstom Power reported a net worth, as of September 30, 2001, of approximately $1.8 billion.

The Alstom Power Richmond lease commenced in July 2000 and expires in July 2007. Alstom Power has the right to extend the lease for two additional five-year periods of time at the then-current market rental rate. The current annual base rent payable for the Alstom Power lease is $1,213,324.

Alstom Power has a one-time option to terminate the Alstom Power lease as to a portion of the premises containing between 24,500 and 25,500 rentable square feet as of the fifth anniversary of the rental commencement date and Alstom Power will be required to pay a termination fee equal to six times the sum of the next due installments of rent plus the unamortized portions of the base improvement allowance, additional allowance and broker commission, each being amortized in equal monthly installments of principal and interest over the initial term of the lease at an annual rate of 10%.

Sprint Building

The XI-XII-REIT Joint Venture purchased the Sprint Building on July 2, 1999 for a purchase price of $9,500,000. The Sprint Building, which was built in 1992, is a three-story office building containing 68,900 rentable square feet located in Leawood, Kansas.

The Sprint Building is leased to Sprint Communications Company L.P. (Sprint). Sprint is the nation's third largest long distance phone company, which operates on an all-digital long distance telecommunications network using state-of-the-art fiber optic and electronic technology. Sprint reported a net worth, as of December 31, 2001, of approximately $12.6 billion.

The Sprint lease commenced in May 1997 and expires in May 2007, subject to Sprint's right to extend the lease for two additional five-year periods of time. The annual base rent payable under the Sprint lease is $1,102,404 for the remainder of the lease term. The monthly base rent payable for each extended term of the Sprint lease will be equal to 95% of the then-current market rental rate.

The Sprint lease contains a termination option which may be exercised by Sprint effective as of May 18, 2004 provided that Sprint has not exercised either expansion option, as described below. Sprint must provide notice to the XI-XII-REIT Joint Venture of its intent to exercise its termination option on or before August 21, 2003. If Sprint exercises its termination option, it will be required to pay the joint venture a termination payment equal to $6.53 per square foot, or $450,199.

Sprint also has an expansion option for an additional 20,000 square feet of office space. If Sprint exercises an expansion option, the XI-XII-REIT Joint Venture will be required to construct the expansion improvements in accordance with the specific drawings and plans attached as an exhibit to the Sprint lease. The joint venture will be required to fund the expansion improvements and to fund to Sprint a tenant finish allowance of $10 per square foot for the expansion space.

EYBL CarTex Building

The XI-XII-REIT Joint Venture purchased the EYBL CarTex Building on May 18, 1999 for a purchase price of $5,085,000. The EYBL CarTex Building, which was built in 1989, is a manufacturing and office building consisting of a total of 169,510 square feet located in Fountain Inn, South Carolina.

The EYBL CarTex Building is leased to EYBL CarTex, Inc. (EYBL CarTex). EYBL CarTex produces automotive textiles for BMW, Mercedes, GM Bali, VW Mexico and Golf A4. EYBL CarTex is a wholly-owned subsidiary of EYBL International, AG, Krems/Austria. EYBL International is the world's largest producer of circular knit textile products and loop pile plushes for the automotive industry. EYBL International reported a net worth, as of September 30, 2001, of approximately $41.5 billion.

The EYBL CarTex lease commenced in March 1998 and expires in February 2008, subject to EYBL CarTex's right to extend the lease for two additional five-year periods of time. The monthly base rent payable for each extended term of the lease will be equal to the fair market rent. In addition, EYBL CarTex has an option to purchase the EYBL CarTex Building at the expiration of the initial lease term by giving notice to the landlord by March 1, 2007. The current annual base rent payable under the EYBL CarTex lease is $550,908.

Matsushita Building

Wells OP purchased an 8.8 acre tract of land on March 15, 1999, for a purchase price of $4,450,230. Wells OP completed construction of the Matsushita Building in 2000 at an aggregate cost of $18,431,206, including the cost of the land. The Matsushita Building is a two-story office building containing 144,906 rentable square feet located in Lake Forest, California.

The Matsushita Building is leased to Matsushita Avionics Systems Corporation (Matsushita Avionics). Matsushita Avionics is a wholly-owned subsidiary of Matsushita Electric Corporation of America (Matsushita Electric). Matsushita Electric, a guarantor of the Matsushita lease, is a wholly-owned subsidiary of Matsushita Electric Industrial Co., Ltd. (Matsushita Industrial), a Japanese company which is the world's largest consumer electronics manufacturer.

The Matsushita lease commenced in January 2000 and expires in January 2007. Matsushita Avionics has the option to extend the initial term of the Matsushita lease for two successive five-year periods at a rate of 95% of the stated rental rate. The monthly base rent during the option term shall be adjusted upward at the beginning of the 24th and 48th month of each option term by an amount equal to 6% of the monthly base rent payable immediately preceding such period. The current annual base rent payable for the Matsushita lease is $2,005,464.

AT&T Pennsylvania Building

Wells OP purchased the AT&T Pennsylvania Building on February 4, 1999 for a purchase price of $12,291,200. The AT&T Pennsylvania Building, which was built in 1998, is a four-story office building containing 81,859 rentable square feet located in Harrisburg, Pennsylvania.

The AT&T Pennsylvania Building is leased to Pennsylvania Cellular Telephone Corp. (Pennsylvania Telephone), a subsidiary of AT&T Corp. (AT&T), and the obligations of Pennsylvania Telephone under the Pennsylvania Telephone lease are guaranteed by AT&T.

The Pennsylvania Telephone lease commenced in November 1998 and expires in November 2008. Pennsylvania Telephone has the option to extend the initial term of the Pennsylvania Telephone lease for three additional five-year periods and one additional four year and 11-month period. The annual base rent for each extended term under the lease will be equal to 93% of the fair market rent. The fair market rent shall be multiplied by the fair market escalator (which represents the yearly rate of increases in the fair market rent for the entire renewal term), if any. The current annual base rent payable for the Pennsylvania Telephone lease is $1,442,116.

In addition, the Pennsylvania Telephone lease contains an option to expand the premises to create additional office space of not less than 40,000 gross square feet and not more than 90,000 gross square feet, as well as additional parking to accommodate such office space. If Pennsylvania Telephone exercises its option for the expansion improvements, Wells OP will be obligated to expend the funds necessary to construct the expansion improvements. Pennsylvania Telephone may exercise its expansion option by delivering written notice to Wells OP at any time before the last business day of the 96th month of the initial term of the Pennsylvania Telephone lease.

PwC Building

Wells OP purchased the PwC Building on December 31, 1998 for a purchase price of $21,127,854. The PwC Building, which was built in 1998, is a four-story office building containing 130,091 rentable square feet located in Tampa, Florida. Wells OP purchased the PwC Building subject to a loan from SouthTrust. The SouthTrust loan, which is more particularly described in the “Real Estate Loans” section of this prospectus, is secured by a first priority mortgage against the PwC Building.

The PwC Building is leased to PricewaterhouseCoopers (PwC). PwC provides a full range of business advisory services to leading global, national and local companies and to public institutions.

The PwC lease commenced in December 1998 and expires in December 2008, subject to PwC’s right to extend the lease for two additional five-year periods of time. The current annual base rent payable under the PwC lease is $2,093,382. The base rent escalates at the rate of 3% per year throughout the 10-year lease term. In addition, PwC is required to pay a “reserve” of $13,009 ($0.10 per square foot) as additional rent.

The annual base rent for each renewal term under the lease will be equal to the greater of (1) 90% of the then-current market rent rate for such space multiplied by the rentable area of the leased premises, or (2) 100% of the base rent paid during the last lease year of the initial term, or the then-current renewal term.

In addition, the PwC lease contains an option to expand the premises to include an additional three or four-story building with an amount of square feet up to a total of 132,000 square feet which, if exercised by PwC, will require Wells OP to expend funds necessary to construct the expansion building. PwC may exercise its expansion option at any time prior to the expiration of the initial term of the PwC lease.

If PwC elects to exercise its expansion option, Wells OP will be required to expand the parking garage such that a sufficient number of parking spaces, at least equal to four parking spaces per 1,000 square feet of rentable area, is maintained. In the event that PwC elects to exercise its expansion option and Wells OP determines not to proceed with the construction of the expansion building as described above, or if Wells OP is otherwise required to construct the expansion building and fails to do so in a timely basis pursuant to the PwC lease, PwC may exercise its purchase option by giving Wells OP written notice of such exercise within 30 days after either such event. If PwC properly exercises its purchase option, PwC must simultaneously deliver a deposit in the amount of $50,000.

Cort Furniture Building

The Cort Joint Venture purchased the Cort Furniture Building on July 31, 1998 for a purchase price of $6,400,000. The Cort Furniture Building, which was built in 1975, is a one-story office, showroom and warehouse building containing 52,000 rentable square feet located in Fountain Valley, California.

The Cort Furniture Building is leased to Cort Furniture Rental Corporation (Cort). Cort uses the Cort Furniture Building as its regional corporate headquarters with an attached clearance showroom and warehouse storage areas. Cort is a wholly-owned subsidiary of Cort Business Services Corporation, the largest and only national provider of high-quality office and residential rental furniture and related accessories. The obligations of Cort under the Cort Furniture lease are guaranteed by Cort Business Services Corporation.

The Cort lease commenced in November 1988 and expires in October 2003. Cort has an option to extend the Cort lease for an additional five-year period of time at 90% of the then-fair market rental value, but will be no less than the rent in the 15th year of the Cort lease. The current annual base rent payable under the Cort lease is $834,888 for the remainder of the lease term.

Fairchild Building

The Fremont Joint Venture purchased the Fairchild Building on July 21, 1998 for a purchase price of $8,900,000. The Fairchild Building, which was built in 1985, is a two-story manufacturing and office building containing 58,424 rentable square feet located in Fremont, Alameda County, California.

The Fairchild Building is leased to Fairchild Technologies U.S.A., Inc. (Fairchild). Fairchild is a global leader in the design and manufacture of production equipment for semiconductor and compact disk manufacturing. Fairchild is a wholly-owned subsidiary of the Fairchild Corporation (Fairchild Corp), the largest aerospace fastener and fastening system manufacturer and one of the largest independent aerospace parts distributors in the world. The obligations of Fairchild under the Fairchild lease are guaranteed by Fairchild Corp. Fairchild Corp. reported a net worth, as of December 30, 2001, of approximately $403 million.

The Fairchild lease commenced in December 1997 and expires in November 2004, subject to Fairchild's right to extend the Fairchild lease for an additional five-year period. The base rent during the first year of the extended term of the Fairchild lease, if exercised by Fairchild, shall be 95% of the then-fair market rental value of the Fairchild Building subject to the annual 3% increase adjustments. The current annual base rent payable under the Fairchild lease is $920,144.

Avaya Building

The Avaya Building was purchased by the IX-X-XI-REIT Joint Venture on June 24, 1998 for a purchase price of $5,504,276. The Avaya Building, which was built in 1998, is a one-story office building containing 57,186 rentable square feet located in Oklahoma City, Oklahoma.

The Avaya Building is leased to Avaya, Inc. (Avaya), the former Enterprise Networks Group of Lucent Technologies Inc. (Lucent Technologies). Lucent Technologies, the former tenant, assigned the lease to Avaya on September 30, 2000. Lucent Technologies, which has not been released from its obligations as tenant to pay rent under the lease, is a telecommunications company which was spun off by AT&T in April 1996. Avaya reported a net worth, as of December 31, 2001, of approximately $452 million. Lucent Technologies reported a net worth, as of December 31, 2001, of approximately $10.63 billion.

The Avaya lease commenced in January 1998 and expires in January 2008. The current annual base rent payable under the Avaya lease is $536,977. Under the Avaya lease, Avaya also has an option to terminate the Avaya lease on the seventh anniversary of the rental commencement date. If Avaya elects to exercise its option to terminate the Avaya lease, Avaya would be required to pay a termination payment anticipated to be approximately $1,339,000.

Iomega Building

Wells Fund X originally purchased the Iomega Building on April 1, 1998 for a purchase price of $5,025,000 and, on July 1, 1998, contributed the Iomega Building to the IX-X-XI-REIT Joint Venture. The Iomega Building is a warehouse and office building with 108,250 rentable square feet located in Ogden, Utah.

The Iomega Building is leased to Iomega Corporation (Iomega). Iomega, a company whose shares are traded on the NYSE, is a manufacturer of computer storage devices used by individuals, businesses, government and educational institutions, including "Zip" drives and disks, "Jaz" one gigabyte drives and disks, and tape backup drives and cartridges. Iomega reported a net worth, as of December 31, 2001, of approximately $378.9 million.

The Iomega lease commenced in August 1996 and expires in April 2009. On March 1, 2003 and July 1, 2006, the monthly base rent payable under the Iomega lease will be increased to reflect an amount equal to 100% of the increase in the Consumer Price Index during the preceding 40 months; provided however, that in no event shall the base rent be increased with respect to any one year by more than 6% or by less than 3% per year, compounded annually, on a cumulative basis from the beginning of the lease term. The current annual base rent payable under the Iomega lease is $659,868.

Interlocken Building

The IX-X-XI-REIT Joint Venture purchased the Interlocken Building on March 20, 1998 for a purchase price of $8,275,000. The Interlocken Building, which was built in 1996, is a three-story multi-tenant office building containing 51,975 rentable square feet located in Broomfield, Colorado. The aggregate current annual base rent payable for all tenants of the Interlocken Building is $1,070,515.

Ohmeda Building

The IX-X-XI-REIT Joint Venture purchased the Ohmeda Building on February 13, 1998 for a purchase price of $10,325,000. The Ohmeda Building, which was built in 1988, is a two-story office building containing 106,750 rentable square feet located in Louisville, Colorado.

The Ohmeda Building is leased to Ohmeda, Inc. (Ohmeda). Ohmeda is a medical supply firm based in Boulder, Colorado and is a worldwide leader in vascular access and hemodynamic monitoring for hospital patients. On April 13, 1998, Instrumentarium Corporation (Instrumentarium), a Finnish company, acquired the division of Ohmeda that occupies the Ohmeda Building. Instrumentarium, a guarantor on the Ohmeda lease, is an international health care company concentrating on selected fields of medical technology manufacturing, marketing and distribution. Instrumentarium reported a net worth, as of December 31, 2001, of approximately $480 million.

The Ohmeda lease expires in January 2005, subject to Ohmeda's right to extend the Ohmeda lease for two additional five-year periods of time. The current annual base rent payable under the Ohmeda lease is $1,004,520.

The Ohmeda lease contains an option to expand the premises by an amount of square feet up to a total of 200,000 square feet which, if exercised by Ohmeda, will require the IX-X-XI-REIT Joint Venture to expend funds necessary to acquire additional land, if necessary, and to construct the expansion space.

Alstom Power Knoxville Building

Wells Fund IX purchased the land and constructed the Alstom Power Knoxville Building. The Alstom Power Knoxville Building, which was built in 1997, is a three-story multi-tenant steel-framed office building containing 84,404 square feet located in Knoxville, Tennessee. Wells Fund IX contributed the Alstom Power Knoxville Building to the IX-X-XI-REIT Joint Venture on March 26, 1997 and was credited with making a $7,900,000 capital contribution to the IX-X-XI-REIT Joint Venture.

The Alstom Power Knoxville Building is currently leased to Alstom Power, Inc. (Alstom Power). Alstom Power is the result of the December 30, 1999 merger between ABB Power Generation, Inc. and ABB Alstom Power, Inc. Alstom Power reported a net worth, as of September 30, 2001, of approximately $1.8 billion.

As security for Alstom Power's obligations under its lease, Alstom Power has provided to the IX-X-XI-REIT Joint Venture an irrevocable standby letter of credit in accordance with the terms and conditions set forth in the Alstom Power Knoxville lease. The letter of credit maintained by Alstom Power is required to be in the amount of $4,000,000 until the seventh anniversary of the rental commencement date (January 2005), at which time it will be reduced by $1,000,000 each year until the end of the lease term.

The Alstom Power Knoxville lease commenced in January 1998 and expires in November 2007. The current annual base rent for the Alstom Power Knoxville lease is $1,106,520.

Alstom Power has an option to terminate the Alstom Power Knoxville lease as of the seventh anniversary of the rental commencement date. If Alstom Power elects to exercise this termination option, Alstom Power is required to pay to the IX-X-XI-REIT Joint Venture a termination payment currently estimated to be approximately $1,800,000 based upon certain assumptions.

Property Management Fees

Wells Management, our Property Manager, has been retained to manage and lease substantially all of our properties. Except as set forth below, we pay management and leasing fees to Wells Management in an amount equal to the lesser of: (A) 4.5% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent).

Wells Management has also been retained to manage and lease all of the properties currently owned by the IX-X-XI-REIT Joint Venture and the VIII-IX-REIT Joint Venture. While both Wells Fund XI and the Wells REIT are authorized to pay management and leasing fees to Wells Management in the amount of 4.5% of gross revenues, Wells Fund VIII, Wells Fund IX and Wells Fund X are authorized to pay aggregate management and leasing fees to Wells Management in the amount of 6% of gross revenues. Accordingly, a portion of the gross revenues of these joint ventures will be subject to a 6% management and leasing fee and a portion of gross revenues will be subject to a 4.5% management and leasing fee based upon the respective ownership percentages of the joint venture partners in each of these two joint ventures.

Wells Management also received or will receive a one-time initial lease-up fee equal to the first month's rent for the leasing of the Alstom Power Knoxville Building, the Avaya Building, the Matsushita Building, the Alstom Power Richmond Building and the Nissan Project.

Real Estate Loans

SouthTrust Loans

Wells OP has established various secured lines of credit with SouthTrust Bank, N.A. (SouthTrust) whereby SouthTrust has agreed to lend an aggregate amount of up to $72,140,000 in connection with its purchase of real properties. The interest rate on each of these separate lines of credit is an annual variable rate equal to the London InterBank Offered Rate (LIBOR) for a 30-day period plus 175 basis points. Wells OP will be charged an advance fee of 0.125% of the amount of each advance. As of June 30, 2002, the interest rate on each of the SouthTrust lines of credit was 3.625% per annum.

The $32,393,000 SouthTrust Line of Credit

The $32,393,000 SouthTrust line of credit requires monthly payments of interest only and matures on September 10, 2002. This SouthTrust line of credit is secured by first priority mortgages against the Cinemark Building, the Dial Building and the ASML Building. As of June 30, 2002, there was no outstanding principal balance due on the $32,393,000 SouthTrust line of credit.

The $12,844,000 SouthTrust Line of Credit

The $12,844,000 SouthTrust line of credit requires monthly payments of interest only and matures on September 10, 2002. This SouthTrust line of credit is secured by a first priority mortgage against the PwC Building. As of June 30, 2002, there was no outstanding principal balance due on the $12,844,000 SouthTrust line of credit.

The $19,003,000 SouthTrust Line of Credit

The $19,003,000 SouthTrust line of credit requires monthly payments of interest only and matures on September 10, 2002. This SouthTrust line of credit is secured by first priority mortgages against the Avnet Building and the Motorola Tempe Building. As of June 30, 2002, there was no outstanding principal balance due on the $19,003,000 SouthTrust line of credit.

The $7,900,000 SouthTrust Line of Credit

Wells OP originally obtained a loan from SouthTrust Bank, N.A. in connection with the acquisition, development and construction of the Alstom Power Richmond Building. After completion of construction, SouthTrust converted the construction loan into a separate line of credit in the maximum principal amount of up to $7,900,000. This SouthTrust line of credit requires payments of interest only and matures on September 10, 2002. The $7,900,000 SouthTrust line of credit is secured by a first priority mortgage against the Alstom Power Richmond Building, the Alstom Power Richmond lease and a $4,000,000 letter of credit issued by Unibank. As of June 30, 2002, the outstanding principal balance on the $7,900,000 SouthTrust line of credit was $7,655,600.

BOA Line of Credit

Wells OP established a secured line of credit in the amount of $85,000,000 with Bank of America, N.A. (BOA Line of Credit) in connection with its purchase of real properties. In addition, Wells OP may increase the BOA Line of Credit up to an amount of $110,000,000 with the lender’s approval. The interest rate on the BOA Line of Credit is an annual variable rate equal to LIBOR for a 30-day period plus 180 basis points. The BOA Line of Credit requires monthly payments of interest only and matures on May 11, 2004. As of June 30, 2002, the interest rate on the BOA Line of Credit was 3.63% per annum. The BOA Line of Credit is secured by first priority mortgages against the Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Motorola Tempe Building, the Matsushita Building, the Metris Tulsa Building and the Delphi Building. As of June 30, 2002, there was no outstanding principal balance due on the BOA Line of Credit.

BOA Construction Loan

Wells OP obtained a construction loan in the amount of $34,200,000 from Bank of America, N.A. (BOA Loan), to fund the construction of a building on the Nissan Property located in Irving, Texas. The loan requires monthly payments of interest only and matures on July 30, 2003. The interest rate on the loan is fixed at 5.91%. As of June 30, 2002, the outstanding principal balance on the BOA Loan was $8,002,541. The BOA Loan is secured by a first priority mortgage on the Nissan Property.

SELECTED FINANCIAL DATA

The Wells REIT commenced active operations when it received and accepted subscriptions for a minimum of 125,000 shares on June 5, 1998. The following sets forth a summary of the selected financial data for the fiscal year ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
Total assets	$ 753,224,519	$ 398,550,346	$ 143,852,290
Total revenues	49,308,802	23,373,206	6,495,395
Net income	21,723,967	8,552,967	3,884,649
Net income allocated to Stockholders	21,723,967	8,552,967	3,884,649
Earning per share:			
Basic and diluted	$0.43	$0.40	$0.50
Cash distributions	0.76	0.73	0.70

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our accompanying financial statements and the notes thereto.

General

Forward Looking Statements

This section and other sections in the prospectus contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of the financial condition of the Wells REIT, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this prospectus should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this prospectus, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow. (See generally “Risk Factors.”)

REIT Qualification

We have made an election under Section 856 (c) of the Internal Revenue Code to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to Federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially, adversely affect our net income. However, we believe that we are organized and operate in a manner, which has enabled us to qualify for treatment as a REIT for federal income tax purposes during the year ended December 31, 2001. In addition, we intend to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the fiscal year ended December 31, 2001, we received aggregate gross offering proceeds of $522,516,620 from the sale of 52,251,662 shares of our common stock. After payment of $18,143,307 in acquisition and advisory fees and acquisition expenses, payment of $58,387,809 in selling commissions and organization and offering expenses, and common stock redemptions of $4,137,427 pursuant to our share redemption program, we raised net offering proceeds available for investment in properties of $441,848,077 during the fiscal year ended December 31, 2001.

During the three months ended March 31, 2002, we received aggregate gross offering proceeds of $255,702,943 from the sale of 25,570,294 shares of our common stock. After payment of $8,843,134 in acquisition and advisory fees and acquisition expenses, payment of $27,106,265 in selling commissions and organization and offering expenses, and common stock redemptions of $3,041,981 pursuant to our share redemption program, we raised net offering proceeds of $216,711,563 during the first quarter of 2002, of which $185,290,197 remained available for investment in properties at quarter end.

During the three months ended March 31, 2001, we received aggregate gross offering proceeds of $66,174,704 from the sale of 6,617,470 shares of our common stock. After payment of $2,288,933 in acquisition and advisory fees and acquisition expenses, payment of $8,175,768 in selling commissions and organizational and offering expenses, and common stock redemptions of $776,555 pursuant to our share redemption program, we raised net offering proceeds of $54,933,448, of which $5,952,930 was available for investment in properties at quarter end.

The net increase in cash and cash equivalents during the fiscal year ended December 31, 2001, as compared to the fiscal year ended December 31, 2000, and for the three months ended March 31, 2002, as compared to the three months ended March 31, 2001, is primarily the result of raising increased amounts of capital from the sale of shares of common stock, offset by the acquisition of properties during 2001 and the first quarter of 2002, and the payment of acquisition and advisory fees and acquisition expenses, commissions and, organization and offering costs.

As of March 31, 2002, we owned interests in 44 real estate properties either directly or through interests in joint ventures. These properties are generating operating cash flow sufficient to cover our operating expenses and pay dividends to our stockholders. We pay dividends on a quarterly basis regardless of the frequency with which such distributions are declared. Dividends will be paid to investors who are stockholders as of the record dates selected by our board of directors. We currently calculate quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares. Dividends declared during 2001 and 2000 totaled $0.76 per share and $0.73 per share, respectively. Dividends declared for the first quarter of 2002 and the first quarter of 2001 were approximately $0.194 and $0.188 per share, respectively.

Dividends to be distributed to the stockholders are determined by our board of directors and are dependent on a number of factors, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain our status as a REIT under the Internal Revenue Code. Operating cash flows are expected to increase as additional properties are added to our investment portfolio.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $42,349,342 for the fiscal year ended December 31, 2001, $7,319,639 for the fiscal year ended December 31, 2000 and $4,008,275 for the fiscal year ended December 31, 1999. The increase in net cash provided by operating activities was due primarily to the net income generated by properties acquired during 2000 and 2001.

Our net cash provided by operating activities was $13,117,549 and $8,235,314 for the three months ended March 31, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows From Investing Activities

Our net cash used in investing activities was $274,605,735 for the fiscal year ended December 31, 2001, $249,316,460 for the fiscal year ended December 31, 2000 and $105,394,956 for the fiscal year ended December 31, 1999. The increase in net cash used in investing activities was due primarily to investments in properties, directly and through contributions to joint ventures, and the payment of related deferred project costs.

Our net cash used in investing activities was $111,821,692 and $4,264,257 for the three months ended March 31, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $303,544,260 for the fiscal year ended December 31, 2001, $243,365,318 for the fiscal year ended December 31, 2000, and $96,337,082 for the fiscal year ended December 31, 1999. The increase in net cash provided by financing activities was due primarily to the raising of additional capital offset by the repayment of notes payable. We raised $522,516,620 in offering proceeds for fiscal year ended December 31, 2001, as compared to $180,387,220 for fiscal year ended December 31, 2000, and $103,169,490 for fiscal year ended December 31, 1999. In addition, we received loan proceeds from financing secured by properties of $110,243,145 and repaid notes payable in the amount of $229,781,888 for fiscal year ended December 31, 2001.

Our net cash provided by financing activities was $210,144,548 for the three months ended March 31, 2002 and net cash used in financing activities for the three months ended March 31, 2001 was $113,042. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the related repayment of notes payable. We raised $255,702,943 in offering proceeds for the three months ended March 31, 2002, as compared to $66,174,705 for the same period in 2001.

Results of Operations

Comparison of Fiscal Years Ended December 31, 2001, 2000 and 1999

Gross revenues were $49,308,802 for the fiscal year ended December 31, 2001, $23,373,206 for fiscal year ended December 31, 2000 and $6,495,395 for fiscal year ended December 31, 1999. Gross revenues for the year ended December 31, 2001, 2000 and 1999 were attributable to rental income, interest income earned on funds we held prior to the investment in properties, and income earned from joint ventures. The increase in revenues for the fiscal year ended December 31, 2001 was primarily attributable to the purchase of additional properties during 2000 and 2001. The purchase of additional properties also resulted in an increase in expenses which totaled $27,584,835 for the fiscal year ended December 31, 2001, $14,820,239 for the fiscal year ended December 31, 2000 and $2,610,746 for the fiscal year ended December 31, 1999. Expenses in 2001, 2000 and 1999 consisted primarily of depreciation, interest expense and management and leasing fees. Our net income also increased from

$3,884,649 for fiscal year ended December 31, 1999 to $8,552,967 for fiscal year ended December 31, 2000 to $21,723,967 for the year ended December 31, 2001.

Comparison of First Quarter 2002 and 2001

As of March 31, 2002, our real estate properties were 100% leased to tenants. Gross revenues were $19,192,803 and $10,669,713 for the three months ended March 31, 2002 and 2001, respectively. Gross revenues for the three months ended March 31, 2002 and 2001 were attributable to rental income, interest income earned on funds we held prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of additional properties for $104,051,998 during 2002 and the purchase of additional properties for $227,933,858 in the last three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses which totaled $8,413,139 for the three months ended March 31, 2002, as compared to $7,394,368 for the three months ended March 31, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $3,275,345 for the three months ended March 31, 2001 to $10,779,664 for the three months ended March 31, 2002.

Property Operations

The following table summarizes the operations of the joint ventures in which we owned an interest as of December 31, 2001, 2000 and 1999:

	Total Revenue For Years Ended December 31			Net Income For Years Ended December 31			Well REIT's Share of Net Income For Years Ended December 31		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Fund IX-X-XI-REIT Joint Venture	$ 4,344,209	$ 4,388,193	$ 4,053,042	$ 2,684,837	$ 2,669,143	$ 2,172,244	$ 99,649	$ 99,177	$ 81,501
Orange County Joint Venture	797,937	795,545	795,545	546,171	568,961	550,952	238,542	248,449	240,585
Fremont Joint Venture	907,673	902,946	902,946	562,893	563,133	559,174	436,265	436,452	433,383
Fund XI-XII-REIT Joint Venture	3,371,067	3,349,186	1,443,503	2,064,911	2,078,556	853,073	1,172,103	1,179,848	488,500
Fund XII-REIT Joint Venture	4,708,467	976,865	N/A	2,611,522	614,250	N/A	1,386,877	305,060	N/A
Fund VIII-IX-REIT Joint Venture	1,208,724	563,049	N/A	566,840	309,893	N/A	89,779	24,887	N/A
Fund XIII-REIT Joint Venture	706,373	N/A	N/A	356,355	N/A	N/A	297,745	N/A	N/A
	$ 16,044,450	$ 10,975,784	$ 7,195,036	$ 8,977,529	$ 6,803,936	$ 4,135,443	$ 3,720,960	$ 2,293,873	$ 1,243,969

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Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO and AFFO for the three years ended December 31, 2001, 2000, and 1999, respectively:

	December 31, 2001	December 31, 2000	December 31, 1999
FUNDS FROM OPERATIONS:			
Net income	$21,723,967	$ 8,552,967	$ 3,884,649
Add:			
Depreciation of real assets	15,344,801	7,743,550	1,726,103
Amortization of deferred leasing costs	303,347	350,991	0
Depreciation and amortization—unconsolidated partnerships	3,211,828	852,968	652,167
Funds from operations (FFO)	40,583,943	17,500,476	6,262,919
Adjustments:			
Loan cost amortization	770,192	232,559	8,921
Straight line rent	(2,754,877)	(1,650,791)	(847,814)
Straight line rent—unconsolidated partnerships	(543,039)	(245,288)	(140,076)
Lease acquisition fees paid	0	(152,500)	0
Lease acquisition fees paid—Unconsolidated partnerships	0	(8,002)	(512)
Adjusted funds from operations	$38,056,219	$15,676,454	$ 5,283,438
WEIGHTED AVERAGE SHARES:			
BASIC AND DILUTED	51,081,867	21,616,051	7,769,298

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The following table reflects the calculation of FFO and AFFO for the three months ended March 31, 2002 and 2001, respectively:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
FUNDS FROM OPERATIONS:		
Net income	$ 10,779,664	$ 3,275,345
Add:		
Depreciation of real assets	5,744,452	3,187,179
Amortization of deferred leasing costs	72,749	75,837
Depreciation and amortization—unconsolidated partnerships	706,176	299,116
Funds from operations (FFO)	17,303,041	6,837,477
Adjustments:		
Loan cost amortization	175,462	214,757
Straight line rent	(1,038,378)	(616,465)
Straight line rent—unconsolidated partnerships	(99,315)	(39,739)
Lease acquisition fees paid—unconsolidated partnerships	0	(2,356)
Adjusted funds from operations (AFFO)	$ 16,340,810	$ 6,393,674
WEIGHTED AVERAGE SHARES:		
BASIC AND DILUTED	95,130,210	34,359,444

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases which would protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges (CAM), real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

Our accounting policies have been established and conform with generally accepted accounting principles in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Straight-Lined Rental Revenues

We recognize rental income generated from all leases on real estate assets in which we have an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

We generally bill tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

We continually monitor events and changes in circumstances indicating that the carrying amounts of the real estate assets in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, we assess the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, we would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Wells REIT nor our joint ventures have recognized impairment losses on real estate assets in 2001, 2000 or 1999.

Deferred Project Costs

We record acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc., our advisor, by capitalizing deferred project costs and reimbursing our advisor in an amount equal to 3.5% of cumulative capital raised to date. As we invest our capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, at an amount equal to 3.5% of each investment and depreciated over the useful lives of the respective real estate assets.

Deferred Offering Costs

Our advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on our behalf. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. We record offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to our advisor. As the actual equity is raised, we reverse the deferred offering costs accrual and recognize a charge to stockholders' equity upon reimbursing our advisor.

PRIOR PERFORMANCE SUMMARY

The information presented in this section represents the historical experience of real estate programs managed by Wells Capital, our advisor, and its affiliates. Investors in the Wells REIT should not assume that they will experience returns, if any, comparable to those experienced by investors in such prior Wells real estate programs.

Of the 14 publicly offered real estate limited partnerships in which Leo F. Wells, III has served as a general partner, 13 of such limited partnerships have completed their respective offerings. These 13 limited partnerships and the year in which each of their offerings was completed are:

1. Wells Real Estate Fund I (1986),
2. Wells Real Estate Fund II (1988),
3. Wells Real Estate Fund II-OW (1988),
4. Wells Real Estate Fund III, L.P. (1990),
5. Wells Real Estate Fund IV, L.P. (1992),
6. Wells Real Estate Fund V, L.P. (1993),
7. Wells Real Estate Fund VI, L.P. (1994),
8. Wells Real Estate Fund VII, L.P. (1995),
9. Wells Real Estate Fund VIII, L.P. (1996),
10. Wells Real Estate Fund IX, L.P. (1996),
11. Wells Real Estate Fund X, L.P. (1997),
12. Wells Real Estate Fund XI, L.P. (1998), and
13. Wells Real Estate Fund XII, L.P. (2001).

In addition to the foregoing real estate limited partnerships, Wells Capital and its affiliates have sponsored three prior public offerings of shares of common stock of the Wells REIT. The initial public offering of the Wells REIT began on January 30, 1998 and was terminated on December 19, 1999. We received gross proceeds of approximately $132,181,919 from the sale of approximately 13,218,192 shares in our initial public offering. We commenced our second public offering of shares of common stock of the Wells REIT on December 20, 1999 and terminated the second offering on December 19, 2000. We received gross proceeds of approximately $175,229,193 from the sale of approximately 17,522,919 shares in our second public offering. We commenced our third public offering of shares of common stock of the Wells REIT on December 20, 2000. As of June 30, 2002, we had received gross proceeds of approximately $1,148,480,414 from the sale of approximately 114,848,041 shares in our third public offering. Accordingly, as of June 30, 2002, we had received aggregate gross offering proceeds of approximately $1,455,891,526 from the sale of approximately 145,589,153 shares in our three prior public offerings. After payment of $50,528,371 in acquisition and advisory fees and acquisition expenses, payment of $163,576,134 in selling commissions and organization and offering expenses, and common stock redemptions of $12,223,808 pursuant to our share redemption program, as of June 30, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,229,563,213, out of which $885,294,095 had been invested in real estate properties, and $344,269,118 remained available for investment in real estate properties.

Wells Capital and its affiliates are also currently sponsoring a public offering of 4,500,000 units on behalf of Wells Real Estate Fund XIII, L.P. (Wells Fund XIII), a public limited partnership. Wells Fund XIII began its offering on March 29, 2001 and, as of June 30, 2002, Wells Fund XIII had raised gross offering proceeds of $18,634,296 from 926 investors.

The Prior Performance Tables included in the back of this prospectus set forth information as of the dates indicated regarding certain of these Wells programs as to (1) experience in raising and investing funds (Table I); (2) compensation to sponsor (Table II); (3) annual operating results of prior programs (Table III); and (4) sales or disposals of properties (Table V).

In addition to the real estate programs sponsored by Wells Capital and its affiliates discussed above, they are also sponsoring an index mutual fund that invests in various REIT stocks known as the Wells S&P REIT Index Fund (REIT Index Fund). The REIT Index Fund is a mutual fund that seeks to provide investment results corresponding to the performance of the S&P REIT Index by investing in the REIT stocks included in the S&P REIT Index. The REIT Index Fund began its offering on January 12, 1998 and, as of June 30, 2002, had raised offering proceeds net of redemptions of $136,709,717 from 6,719 investors.

Publicly Offered Unspecified Real Estate Programs

Wells Capital and its affiliates have previously sponsored the above listed 13 publicly offered real estate limited partnerships and are currently sponsoring Wells Fund XIII offered on an unspecified property or "blind pool" basis. The total amount of funds raised from investors in the offerings of these 14 publicly offered limited partnerships, as of December 31, 2001, was $331,193,410, and the total number of investors in such programs was 27,103.

The investment objectives of each of the other Wells programs are substantially identical to the investment objectives of the Wells REIT. Substantially all of the proceeds of the offerings of Wells Fund I, Wells Fund II, Wells Fund II-OW, Wells Fund III, Wells Fund IV, Wells Fund V, Wells Fund VI, Wells Fund VII, Wells Fund VIII, Wells Fund IX, Wells Fund X, Wells Fund XI and Wells Fund XII available for investment in real properties have been invested in properties.

Because of the cyclical nature of the real estate market, decreases in net income of the public partnerships could occur at any time in the future when economic conditions decline. No assurance can be made that the Wells programs will ultimately be successful in meeting their investment objectives. (See "Risk Factors.")

The aggregate dollar amount of the acquisition and development costs of the properties purchased by the 14 publicly offered limited partnerships, as of December 31, 2001, was $275,358,446. Of this amount, approximately 90.2% was spent on acquiring or developing office buildings, and approximately 9.8% was spent on acquiring or developing shopping centers. Of this amount, approximately 22.6% was or will be spent on new properties, 57.1% on existing or used properties and 20.3% on construction properties. Following is a table showing a breakdown of the aggregate amount of the acquisition and development costs of the properties purchased by the Wells REIT, Wells Fund XIII and the 13 Wells programs listed above as of December 31, 2001:

Type of Property	New	Used	Construction
Office and Industrial Buildings	22.59%	53.88%	13.74%
Shopping Centers	0%	3.21%	6.58%

Wells Fund I terminated its offering on September 5, 1986, and received gross proceeds of $35,321,000 representing subscriptions from 4,895 limited partners ($24,679,000 of the gross proceeds were attributable to sales of Class A Units, and $10,642,000 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund I have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund I owns interests in the following properties:

- a condominium interest in a three-story medical office building in Atlanta, Georgia;
- a commercial office building in Atlanta, Georgia;
- a shopping center in Knoxville, Tennessee; and
- a project consisting of seven office buildings and a shopping center in Tucker, Georgia.

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The prospectus of Wells Fund I provided that the properties purchased by Wells Fund I would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion on as to whether and when to sell the properties owned by Wells Fund I and that the general partners were under no obligation to sell the properties at any particular time.

Wells Fund I has sold the following properties from its portfolio:

Date of Sale	Property Name	% Ownership	Net Sale Proceeds	Taxable Gain
Aug. 31, 2000	One of two buildings at Peachtree Place	90%	$ 633,694	$205,019
Jan. 11, 2001	Crowe's Crossing	100%	$6,569,000	$ 11,496
Oct. 1, 2001	Cherokee Commons	24%	$ 2,037,315	$ 52,461

Wells Fund I is in the process of marketing its remaining properties for sale.

Wells Fund II and Wells Fund II-OW terminated their offerings on September 7, 1988, and received aggregate gross proceeds of $36,870,250 representing subscriptions from 4,659 limited partners ($28,829,000 of the gross proceeds were attributable to sales of Class A Units, and $8,041,250 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund II and Wells Fund II-OW have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund II and Wells Fund II-OW own all of their properties through a joint venture, which owns interests in the following properties:

- a project consisting of seven office buildings and a shopping center in Tucker, Georgia;
- a two-story office building in Charlotte, North Carolina which is currently unoccupied;
- a four-story office building in Houston, Texas, three floors of which are leased to Boeing;
- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.; and
- a combined retail center and office development in Roswell, Georgia.

The prospectus of Wells Fund II and Wells Fund II-OW provided that the properties purchased by Wells Fund II and Wells Fund II-OW would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund II and Wells Fund II-OW and that the partnerships were under no obligation to sell their properties at any particular time.

Wells Fund II and Wells Fund II-OW sold the following property from its portfolio in 2001:

Date of Sale	Property Name	% Ownership	Net Sale Proceeds	Taxable Gain
Oct. 1, 2001	Cherokee Commons	54%	$ 4,601,723	$111,419

Wells Fund II and Wells Fund II-OW are in the process of marketing their remaining properties for sale.

Wells Fund III terminated its offering on October 23, 1990, and received gross proceeds of $22,206,310 representing subscriptions from 2,700 limited partners ($19,661,770 of the gross proceeds were attributable to sales of Class A Units, and $2,544,540 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund III have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund III owns interests in the following properties:

- a four-story office building in Houston, Texas, three floors of which are leased to Boeing;
- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.;
- a combined retail center and office development in Roswell, Georgia;
- a two-story office building in Greenville, North Carolina;
- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant; and
- a two-story office building in Richmond, Virginia leased to Reciprocal Group.

The prospectus of Wells Fund III provided that the properties purchased by Wells Fund III would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund III and that they were under no obligation to sell the properties at any particular time. The general partners of Wells Fund III have decided to begin the process of positioning the properties for sale over the next several years.

Wells Fund IV terminated its offering on February 29, 1992, and received gross proceeds of $13,614,655 representing subscriptions from 1,286 limited partners ($13,229,150 of the gross proceeds were attributable to sales of Class A Units, and $385,505 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund IV have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund IV owns interests in the following properties:

- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant;
- a four-story office building in Jacksonville, Florida leased to IBM and Customized Transportation Inc. (CTI);
- a two-story office building in Richmond, Virginia leased to Reciprocal Group; and
- two substantially identical two-story office buildings in Stockbridge, Georgia.

Wells Fund V terminated its offering on March 3, 1993, and received gross proceeds of $17,006,020 representing subscriptions from 1,667 limited partners ($15,209,666 of the gross proceeds were attributable to sales of Class A Units, and $1,796,354 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund V who purchased Class B Units are entitled to change the status of their units to Class A, but limited partners who purchased Class A Units are not entitled to change the status of their units to Class B. After taking into effect conversion elections made by limited partners subsequent to their subscription for units, as of December 31, 2001, $15,664,160 of units of Wells Fund V were treated as Class A Units, and $1,341,860 of units were treated as Class B Units. Wells Fund V owns interests in the following properties:

- a four-story office building in Jacksonville, Florida leased to IBM and CTI;
- two substantially identical two-story office buildings in Stockbridge, Georgia;

- a four-story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;
- restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc., Taco Mac, Dependable Ins and Tokyo Japanese Steak; and
- a three-story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel.

Wells Fund VI terminated its offering on April 4, 1994, and received gross proceeds of $25,000,000 representing subscriptions from 1,793 limited partners ($19,332,176 of the gross proceeds were attributable to sales of Class A Units, and $5,667,824 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund VI are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscription for units, as of December 31, 2001, $22,363,610 of units of Wells Fund VI were treated as Class A Units, and $2,636,390 of units were treated as Class B Units. Wells Fund VI owns interests in the following properties:

- a four-story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;
- restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc., Taco Mac, Dependable Insurance and Tokyo Japanese Steak;
- a restaurant and retail building in Stockbridge, Georgia;
- a shopping center in Stockbridge, Georgia;
- a three-story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel;
- a combined retail and office development in Roswell, Georgia;
- a four-story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.; and
- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant.

Wells Fund VI sold its interest in the following property in 2001:

Date of Sale	Property Name	% Ownership	Net Sale Proceeds	Taxable Gain
Oct. 1, 2001	Cherokee Commons	11%	$903,122	$21,867

Wells Fund VII terminated its offering on January 5, 1995, and received gross proceeds of $24,180,174 representing subscriptions from 1,910 limited partners ($16,788,095 of the gross proceeds were attributable to sales of Class A Units, and $7,392,079 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund VII are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $20,670,201 of units in Wells Fund VII were treated as Class A Units, and $3,509,973 of units were treated as Class B Units. Wells Fund VII owns interests in the following properties:

- a three-story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel;
- a restaurant and retail building in Stockbridge, Georgia;
- a shopping center in Stockbridge, Georgia;
- a combined retail and office development in Roswell, Georgia;
- a two-story office building in Alachua County, Florida near Gainesville leased to CH2M Hill, Engineers, Planners, Economists, Scientists;
- a four-story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.;
- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant; and
- a retail development in Clayton County, Georgia.

Wells Fund VII sold its interest in the following property in 2001:

Date of Sale	Property Name	% Ownership	Net Sale Proceeds	Taxable Gain
Oct. 1, 2001	Cherokee Commons	11%	$903,122	$21,867

Wells Fund VIII terminated its offering on January 4, 1996, and received gross proceeds of $32,042,689 representing subscriptions from 2,241 limited partners ($26,135,339 of the gross proceeds were attributable to sales of Class A Units, and $5,907,350 were attributable to sales of Class B Units). Limited partners in Wells Fund VIII are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units and certain repurchases made by Wells Fund VIII, as of December 31, 2001, $28,065,187 of units in Wells Fund VIII were treated as Class A Units, and $3,967,502 of units were treated as Class B Units. Wells Fund VIII owns interests in the following properties:

- a two-story office building in Alachua County, Florida near Gainsville leased to CH2M Hill, Engineers, Planners, Economists, Scientists;
- a four-story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.;
- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant;
- a retail development in Clayton County, Georgia;
- a four-story office building in Madison, Wisconsin leased to US Cellular, a subsidiary of Bellsouth Corporation;
- a one-story office building in Farmers Branch, Texas leased to TCI Valwood Limited Partnership I;
- a two-story office building in Orange County, California leased to Quest Software, Inc.; and
- a two-story office building in Boulder County, Colorado leased to Cirrus Logic, Inc.

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Wells Fund IX terminated its offering on December 30, 1996, and received gross proceeds of $35,000,000 representing subscriptions from 2,098 limited partners ($29,359,310 of the gross proceeds were attributable to sales of Class A Units, and $5,640,690 were attributable to sales of Class B Units). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $31,364,290 of units in Wells Fund IX were treated as Class A Units, and $3,635,710 of units were treated as Class B Units. Wells Fund IX owns interests in the following properties:

- a one-story office building in Farmers Branch, Texas leased to TCI Valwood Limited Partnership I;
- a four-story office building in Madison, Wisconsin leased to US Cellular, a subsidiary of Bellsouth Corporation;
- a two-story office building in Orange County, California leased to Quest Software, Inc.;
- a two-story office building in Boulder County, Colorado leased to Cirrus Logic, Inc.;
- a two-story office building in Boulder County, Colorado leased to Ohmeda, Inc.;
- a three-story office building in Knox County, Tennessee leased to Alstom Power, Inc.;
- a one-story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a three-story office multi-tenant building in Boulder County, Colorado; and
- a one-story office building in Oklahoma City, Oklahoma leased to Avaya, Inc.

Certain financial information for Wells Fund IX is summarized below:

	2001	2000	1999	1998	1997
Gross Revenues	$1,874,290	$ 1,836,768	$1,593,734	$1,561,456	$ 1,199,300
Net Income	$1,768,474	$1,758,676	$ 1,490,331	$1,449,955	$1,091,766

Wells Fund X terminated its offering on December 30, 1997, and received gross proceeds of $27,128,912 representing subscriptions from 1,812 limited partners ($21,160,992 of the gross proceeds were contributable to sales of Class A Units, and $5,967,920 were attributable to sales of Class B Units). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $23,166,181 of units in Wells Fund X were treated as Class A Units and $3,962,731 of units were treated as Class B Units. Wells Fund X owns interests in the following properties:

- a three-story office building in Knox County, Tennessee leased to Alstom Power, Inc.;
- a two-story office building in Boulder County, Colorado leased to Ohmeda, Inc.;
- a one-story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a three-story multi-tenant office building in Boulder County, Colorado;
- a one-story office building in Oklahoma City, Oklahoma leased to Avaya, Inc.;

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- a one-story office and warehouse building in Orange County, California leased to Cort Furniture Rental Corporation; and
- a two-story office and manufacturing building in Alameda County, California leased to Fairchild Technologies U.S.A., Inc.

Certain financial information for Wells Fund X is summarized below:

	2001	2000	1999	1998	1997
Gross Revenues	$1,559,026	$1,557,518	$ 1,309,281	$ 1,204,597	$ 372,507
Net Income	$ 1,449,849	$ 1,476,180	$ 1,192,318	$ 1,050,329	$278,025

Wells Fund XI terminated its offering on December 30, 1998, and received gross proceeds of $16,532,802 representing subscriptions from 1,345 limited partners ($13,029,424 of the gross proceeds were attributable to sales of Class A Units and $3,503,378 were attributable to sales of Class B Units). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $13,462,560 of units in Wells Fund XI were treated as Class A Units and $3,070,242 of units were treated as Class B Units. Wells Fund XI owns interests in the following properties:

- a three-story office building in Knox County, Tennessee leased to Alstom Power, Inc.;
- a one-story office building in Oklahoma City, Oklahoma leased to Avaya, Inc.;
- a two-story office building in Boulder County, Colorado leased to Ohmeda, Inc.;
- a three-story multi-tenant office building in Boulder County, Colorado;
- a one-story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a one-story office and warehouse building in Orange County, California leased to Cort Furniture Rental Corporation;
- a two-story office and manufacturing building in Alameda County, California leased to Fairchild Technologies U.S.A., Inc.;
- a two-story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;
- a three-story office building in Johnson County, Kansas leased to Sprint Communications Company L.P.;
- a two-story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.; and
- a two-story office building in Fort Myers, Florida leased to Gartner Group, Inc.

Certain financial information for Wells Fund XI is summarized below:

	2001	2000	1999	1998
Gross Revenues	$960,676	$ 975,850	$766,586	$262,729
Net Income	$ 870,350	$895,989	$ 630,528	$ 143,295

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Wells Fund XII terminated its offering on March 21, 2001, and received gross proceeds of $35,611,192 representing subscriptions from 1,333 limited partners ($26,888,609 of the gross proceeds were attributable to sales of cash preferred units and $8,722,583 were attributable to sales of tax preferred units). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $27,786,067 of units in Wells Fund XII were treated as cash preferred units and $7,825,125 of units were treated as tax preferred units. Wells Fund XII owns interests in the following properties:

- a two-story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;
- a three-story office building in Johnson County, Kansas leased to Sprint Communications Company L.P.;
- a two-story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.;
- a two-story office building in Fort Myers, Florida leased to Gartner Group, Inc.;
- a three-story office building in Troy, Michigan leased to Siemens Automotive Corporation;
- a one-story office building and a connecting two-story office building in Oklahoma City, Oklahoma leased to AT&T Corp. and Jordan Associates, Inc.; and
- a three-story office building in Brentwood, Tennessee leased to Comdata Network, Inc.

Certain financial information for Wells Fund XII is summarized below:

	2001	2000	1999
Gross Revenues	$1,661,194	$929,868	$160,379
Net Income	$1,555,418	$856,228	$122,817

Wells Fund XIII began its offering on March 29, 2001. As of June 30, 2002, Wells Fund XIII had received gross proceeds of $18,634,296 representing subscriptions from 926 limited partners ($15,743,298 of the gross proceeds were attributable to sales of cash preferred units and $2,890,998 were attributable to sales of tax preferred units). Wells Fund XIII owns interests in the following properties:

- a two-story office building in Orange Park, Florida leased to AmeriCredit Financial Services Corporation; and
- two connected one-story office and assembly buildings in Parker, Colorado leased to Advanced Digital Information Corporation.

The information set forth above should not be considered indicative of results to be expected from the Wells REIT.

The foregoing properties in which the above 14 limited partnerships have invested have all been acquired on an all cash basis.

Leo F. Wells, III and Wells Partners, L.P. are the general partners of Wells Fund IV, Wells Fund V, Wells Fund VI, Wells Fund VII, Wells Fund VIII, Wells Fund IX, Wells Fund X, Wells Fund XI and Wells Fund XII. Wells Capital, which is the general partner of Wells Partners, L.P., and Leo F. Wells, III are the general partners of Wells Fund I, Wells Fund II, Wells Fund II-OW, Wells Fund III and Wells Fund XIII.

Potential investors are encouraged to examine the Prior Performance Tables included in the back of the prospectus for more detailed information regarding the prior experience of Wells Capital and its affiliates. In addition, upon request, prospective investors may obtain from us without charge copies of offering materials and any reports prepared in connection with any of the Wells programs, including a copy of the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. For a reasonable fee, we will also furnish upon request copies of the exhibits to any such Form 10-K. Any such request should be directed to our secretary. Additionally, Table VI contained in Part II of the registration statement, which is not part of this prospectus, gives certain additional information relating to properties acquired by the Wells programs. We will furnish, without charge, copies of such table upon request.

FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a summary of material federal income tax considerations associated with an investment in the shares. This summary does not address all possible tax considerations that may be material to an investor and does not constitute tax advice. Moreover, this summary does not deal with all tax aspects that might be relevant to you, as a prospective stockholder, in light of your personal circumstances; nor does it deal with particular types of stockholders that are subject to special treatment under the Internal Revenue Code, such as insurance companies, tax-exempt organizations, financial institutions or broker-dealers, or foreign corporations or persons who are not citizens or residents of the United States (Non-U.S. stockholders). The Internal Revenue Code provisions governing the federal income tax treatment of REITs are highly technical and complex, and this summary is qualified in its entirety by the express language of applicable Internal Revenue Code provisions, Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof.

We urge you, as a prospective investor, to consult your own tax advisor regarding the specific tax consequences to you of a purchase of shares, ownership and sale of the shares and of our election to be taxed as a REIT, including the federal, state, local, foreign and other tax consequences of such purchase, ownership, sale and election.

Opinion of Counsel

Holland & Knight LLP (Holland & Knight) has acted as our counsel, has reviewed this summary and is of the opinion that it fairly summarizes the federal income tax considerations addressed that are material to stockholders. It is also the opinion of our counsel that it is more likely than not that we qualified to be taxed as a REIT under the Internal Revenue Code for our taxable year ended December 31, 2001, provided that we have operated and will continue to operate in accordance with various assumptions and the factual representations we made to counsel concerning our business, properties and operations. We must emphasize that all opinions issued by Holland & Knight are based on various assumptions and are conditioned upon the assumptions and representations we made concerning our business and properties. Moreover, our qualification for taxation as a REIT depends on our ability to meet the various qualification tests imposed under the Internal Revenue Code discussed below, the results of which will not be reviewed by Holland & Knight. Accordingly, we cannot assure you that the actual results of our operations for any one taxable year will satisfy these requirements. (See “Risk Factors—Failure to Qualify as a REIT.”)

The statements made in this section of the prospectus and in the opinion of Holland & Knight are based upon existing law and Treasury Regulations, as currently applicable, currently published administrative positions of the Internal Revenue Service and judicial decisions, all of which are subject to change, either prospectively or retroactively. We cannot assure you that any changes will not modify the conclusions expressed in our counsel’s opinion. Moreover, an opinion of counsel is not binding on the Internal Revenue Service and we cannot assure you that the Internal Revenue Service will not successfully challenge our status as a REIT.

Taxation of the Company

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on that portion of our ordinary income or capital gain that we distribute currently to our stockholders, because the REIT provisions of the Internal Revenue Code generally allow a REIT to deduct distributions paid to its stockholders. This substantially eliminates the federal “double taxation” on earnings (taxation at both the corporate level and stockholder level) that usually results from an investment in a corporation.

Even if we qualify for taxation as a REIT, however, we will be subject to federal income taxation as follows:

- we will be taxed at regular corporate rates on our undistributed REIT taxable income, including undistributed net capital gains;
- under some circumstances, we will be subject to “alternative minimum tax”;
- if we have net income from the sale or other disposition of “foreclosure property” that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on that income;
- if we have net income from prohibited transactions (which are, in general, sales or other dispositions of property other than foreclosure property held primarily for sale to customers in the ordinary course of business), the income will be subject to a 100% tax;
- if we fail to satisfy either of the 75% or 95% gross income tests (discussed below) but have nonetheless maintained our qualification as a REIT because certain conditions have been met, we will be subject to a 100% tax on an amount equal to the greater of the amount by which we fail the 75% or 95% test multiplied by a fraction calculated to reflect our profitability;
- if we fail to distribute during each year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain net income for such year, and (3) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the amounts actually distributed; and
- if we acquire any asset from a C corporation (i.e., a corporation generally subject to corporate-level tax) in a carryover-basis transaction and we subsequently recognize gain on the disposition of the asset during the 10-year period beginning on the date on which

we acquired the asset, then a portion of the gains may be subject to tax at the highest regular corporate rate, pursuant to guidelines issued by the Internal Revenue Service (Built-In-Gain Rules).

Requirements for Qualification as a REIT

We elected to be taxable as a REIT for our taxable year ended December 31, 1998. In order for us to qualify as a REIT, however, we had to meet and we must continue to meet the requirements discussed below relating to our organization, sources of income, nature of assets and distributions of income to our stockholders.

Organizational Requirements

In order to qualify for taxation as a REIT under the Internal Revenue Code, we must:

- be a domestic corporation;
- elect to be taxed as a REIT and satisfy relevant filing and other administrative requirements;
- be managed by one or more trustees or directors;
- have transferable shares;
- not be a financial institution or an insurance company;
- use a calendar year for federal income tax purposes;
- have at least 100 stockholders for at least 335 days of each taxable year of 12 months; and
- not be closely held.

As a Maryland corporation, we satisfy the first requirement, and we have filed an election to be taxed as a REIT with the IRS. In addition, we are managed by a board of directors, we have transferable shares, and we do not intend to operate as a financial institution or insurance company. We utilize the calendar year for federal income tax purposes, and we have more than 100 stockholders. We would be treated as closely held only if five or fewer individuals or certain tax-exempt entities own, directly or indirectly, more than 50% (by value) of our shares at any time during the last half of our taxable year. For purposes of the closely-held test, the Internal Revenue Code generally permits a look-through for pension funds and certain other tax-exempt entities to the beneficiaries of the entity to determine if the REIT is closely held. Five or fewer individuals or tax-exempt entities have never owned more than 50% of our outstanding shares during the last half of any taxable year.

We are authorized to refuse to transfer our shares to any person if the sale or transfer would jeopardize our ability to satisfy the REIT ownership requirements. There can be no assurance that a refusal to transfer will be effective. However, based on the foregoing, we should currently satisfy the organizational requirements, including the share ownership requirements. Notwithstanding compliance with the share ownership requirements outlined above, tax-exempt stockholders may be required to treat all or a portion of their distributions from us as “unrelated business taxable income” if tax-exempt stockholders, in the aggregate, exceed certain ownership thresholds set forth in the Internal Revenue Code. (See “Taxation of Tax-Exempt Stockholders.”)

Ownership of Interests in Partnerships and Qualified REIT Subsidiaries

In the case of a REIT that is a partner in a partnership, Treasury Regulations provide that the REIT is deemed to own its proportionate share, based on its interest in partnership capital, of the assets of the partnership and is deemed to have earned its allocable share of partnership income. Also, if a REIT owns a qualified REIT subsidiary, which is defined as a corporation wholly-owned by a REIT, the REIT will be deemed to own all of the subsidiary's assets and liabilities and it will be deemed to be entitled to treat the income of that subsidiary as its own. In addition, the character of the assets and gross income of the partnership or qualified REIT subsidiary shall retain the same character in the hands of the REIT for purposes of satisfying the gross income tests and asset tests set forth in the Internal Revenue Code.

Operational Requirements—Gross Income Tests

To maintain our qualification as a REIT, we must satisfy annually two gross income requirements.

- At least 75% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property. Gross income includes "rents from real property" and, in some circumstances, interest, but excludes gross income from dispositions of property held primarily for sale to customers in the ordinary course of a trade or business. Such dispositions are referred to as "prohibited transactions." This is the 75% Income Test.
- At least 95% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived from the real property investments described above and from distributions, interest and gains from the sale or disposition of stock or securities or from any combination of the foregoing. This is the 95% Income Test.
- The rents we receive or that we are deemed to receive qualify as "rents from real property" for purposes of satisfying the gross income requirements for a REIT only if the following conditions are met:
  - the amount of rent received from a tenant generally must not be based in whole or in part on the income or profits of any person; however, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of gross receipts or sales;
  - rents received from a tenant will not qualify as "rents from real property" if an owner of 10% or more of the REIT directly or constructively owns 10% or more of the tenant (a "Related Party Tenant") or a subtenant of the tenant (in which case only rent attributable to the subtenant is disqualified);
  - if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as "rents from real property"; and

- the REIT must not operate or manage the property or furnish or render services to tenants, other than through an “independent contractor” who is adequately compensated and from whom the REIT does not derive any income. However, a REIT may provide services with respect to its properties, and the income derived therefrom will qualify as “rents from real property,” if the services are “usually or customarily rendered” in connection with the rental of space only and are not otherwise considered “rendered to the occupant.” Even if the services with respect to a property are impermissible tenant services, the income derived therefrom will qualify as “rents from real property” if such income does not exceed one percent of all amounts received or accrued with respect to that property.

Prior to the making of investments in properties, we may satisfy the 75% Income Test and the 95% Income Test by investing in liquid assets such as government securities or certificates of deposit, but earnings from those types of assets are qualifying income under the 75% Income Test only for one year from the receipt of proceeds. Accordingly, to the extent that offering proceeds have not been invested in properties prior to the expiration of this one year period, in order to satisfy the 75% Income Test, we may invest the offering proceeds in less liquid investments approved by our board of directors such as mortgage-backed securities or shares in other REITs. We intend to trace offering proceeds received for purposes of determining the one year period for “new capital investments.” No rulings or regulations have been issued under the provisions of the Internal Revenue Code governing “new capital investments,” however, so that there can be no assurance that the Internal Revenue Service will agree with this method of calculation.

Except for amounts received with respect to certain investments of cash reserves, we anticipate that substantially all of our gross income will be derived from sources that will allow us to satisfy the income tests described above; however, we can make no assurance in this regard.

Notwithstanding our failure to satisfy one or both of the 75% Income and the 95% Income Tests for any taxable year, we may still qualify as a REIT for that year if we are eligible for relief under specific provisions of the Internal Revenue Code. These relief provisions generally will be available if:

- our failure to meet these tests was due to reasonable cause and not due to willful neglect;
- we attach a schedule of our income sources to our federal income tax return; and
- any incorrect information on the schedule is not due to fraud with intent to evade tax.

It is not possible, however, to state whether, in all circumstances, we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally earn exceeds the limits on this income, the Internal Revenue Service could conclude that our failure to satisfy the tests was not due to reasonable cause. As discussed above in “Taxation of the Company,” even if these relief provisions apply, a tax would be imposed with respect to the excess net income.

Operational Requirements—Asset Tests

At the close of each quarter of our taxable year, we also must satisfy the following three tests (Asset Tests) relating to the nature and diversification of our assets:

- First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and government securities. The term “real estate assets” includes real property, mortgages on real property, shares in other qualified REITs and a proportionate share of any real estate assets owned by a partnership in which we are a partner or of any qualified REIT subsidiary of ours;

- Second, no more than 25% of our total assets may be represented by securities other than those in the 75% asset class; and
- Third, of the investments included in the 25% asset class, the value of any one issuer's securities that we own may not exceed 5% of the value of our total assets. Additionally, we may not own more than 10% of any one issuer's outstanding voting securities, or securities having a value of more than 10% of the total value of the outstanding securities of any one issuer.

These tests must generally be met for any quarter in which we acquire securities. Further, if we meet the Asset Tests at the close of any quarter, we will not lose our REIT status for a failure to satisfy the Asset Tests at the end of a later quarter if such failure occurs solely because of changes in asset values. If our failure to satisfy the Asset Tests results from an acquisition of securities or other property during a quarter, we can cure the failure by disposing of a sufficient amount of nonqualifying assets within 30 days after the close of that quarter. We maintain, and will continue to maintain, adequate records of the value of our assets to ensure compliance with the Asset Tests and will take other action within 30 days after the close of any quarter as may be required to cure any noncompliance.

Operational Requirements—Annual Distribution Requirement

In order to be taxed as a REIT, we are required to make dividend distributions, other than capital gain distributions, to our stockholders each year in the amount of at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and our capital gain and subject to certain other potential adjustments).

While we must generally pay dividends in the taxable year to which they relate, we may also pay dividends in the following taxable year if (1) they are declared before we timely file our federal income tax return for the taxable year in question, and if (2) they are paid on or before the first regular dividend payment date after the declaration.

Even if we satisfy the foregoing dividend distribution requirement and, accordingly, continue to qualify as a REIT for tax purposes, we will still be subject to tax on the excess of our net capital gain and our REIT taxable income, as adjusted, over the amount of dividends distributed to stockholders.

In addition, if we fail to distribute during each calendar year at least the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net income other than the capital gain net income which we elect to retain and pay tax on for that year; and
- any undistributed taxable income from prior periods;

we will be subject to a 4% excise tax on the excess of the amount of such required distributions over amounts actually distributed during such year.

We intend to make timely distributions sufficient to satisfy this requirement; however, we may possibly experience timing differences between (1) the actual receipt of income and payment of deductible expenses, and (2) the inclusion of that income. We may also possibly be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale.

In such circumstances, we may have less cash than is necessary to meet our annual distribution requirement or to avoid income or excise taxation on certain undistributed income. We may find it necessary in such circumstances to arrange for financing or raise funds through the issuance of additional shares in order to meet our distribution requirements, or we may make taxable stock distributions to meet the distribution requirement.

If we fail to satisfy the distribution requirement for any taxable year by reason of a later adjustment to our taxable income made by the Internal Revenue Service, we may be able to pay "deficiency dividends" in a later year and include such distributions in our deductions for dividends paid for the earlier year. In such event, we may be able to avoid being taxed on amounts distributed as deficiency dividends, but we would be required in such circumstances to pay interest to the Internal Revenue Service based upon the amount of any deduction taken for deficiency dividends for the earlier year.

As noted above, we may also elect to retain, rather than distribute, our net long-term capital gains. The effect of such an election would be as follows:

- we would be required to pay the tax on these gains;
- stockholders, while required to include their proportionate share of the undistributed long-term capital gains in income, would receive a credit or refund for their share of the tax paid by the REIT; and
- the basis of a stockholder's shares would be increased by the amount of our undistributed long-term capital gains (minus the amount of capital gains tax we pay) included in the stockholder's long-term capital gains.

In computing our REIT taxable income, we will use the accrual method of accounting and depreciate depreciable property under the alternative depreciation system. We are required to file an annual federal income tax return, which, like other corporate returns, is subject to examination by the Internal Revenue Service. Because the tax law requires us to make many judgments regarding the proper treatment of a transaction or an item of income or deduction, it is possible that the Internal Revenue Service will challenge positions we take in computing our REIT taxable income and our distributions. Issues could arise, for example, with respect to the allocation of the purchase price of properties between depreciable or amortizable assets and nondepreciable or non-amortizable assets such as land and the current deductibility of fees paid to Wells Capital or its affiliates. Were the Internal Revenue Service to successfully challenge our characterization of a transaction or determination of our REIT taxable income, we could be found to have failed to satisfy a requirement for qualification as a REIT. If, as a result of a challenge, we are determined to have failed to satisfy the distribution requirements for a taxable year, we would be disqualified as a REIT, unless we were permitted to pay a deficiency distribution to our stockholders and pay interest thereon to the Internal Revenue Service, as provided by the Internal Revenue Code. A deficiency distribution cannot be used to satisfy the distribution requirement, however, if the failure to meet the requirement is not due to a later adjustment to our income by the Internal Revenue Service.

Operational Requirements—Recordkeeping

In order to continue to qualify as a REIT, we must maintain certain records as set forth in applicable Treasury Regulations. Further, we must request, on an annual basis, certain information designed to disclose the ownership of our outstanding shares. We intend to comply with such requirements.

Failure to Qualify as a REIT

If we fail to qualify as a REIT for any reason in a taxable year and applicable relief provisions do not apply, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. We will not be able to deduct dividends paid to our stockholders in any year in which we fail to qualify as a REIT. We also will be disqualified for the four taxable years following the year during which qualification was lost unless we are entitled to relief under specific statutory provisions. (See “Risk Factors—Federal Income Tax Risks.”)

Sale-Leaseback Transactions

Some of our investments may be in the form of sale-leaseback transactions. In most instances, depending on the economic terms of the transaction, we will be treated for federal income tax purposes as either the owner of the property or the holder of a debt secured by the property. We do not expect to request an opinion of counsel concerning the status of any leases of properties as true leases for federal income tax purposes.

The Internal Revenue Service may take the position that a specific sale-leaseback transaction, which we treat as a true lease, is not a true lease for federal income tax purposes but is, instead, a financing arrangement or loan. We may also structure some sale-leaseback transactions as loans. In this event, for purposes of the Asset Tests and the 75% Income Test, each such loan likely would be viewed as secured by real property to the extent of the fair market value of the underlying property. We expect that, for this purpose, the fair market value of the underlying property would be determined without taking into account our lease. If a sale-leaseback transaction were so recharacterized, we might fail to satisfy the Asset Tests or the Income Tests and, consequently, lose our REIT status effective with the year of recharacterization. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

Taxation of U.S. Stockholders

Definition

In this section, the phrase “U.S. stockholder” means a holder of shares that for federal income tax purposes:

- is a citizen or resident of the United States;
- is a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof;
- is an estate or trust, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

For any taxable year for which we qualify for taxation as a REIT, amounts distributed to taxable U.S. stockholders will be taxed as described below.

Distributions Generally

Distributions to U.S. stockholders, other than capital gain distributions discussed below, will constitute dividends up to the amount of our current or accumulated earnings and profits and will be taxable to the stockholders as ordinary income. These distributions are not eligible for the dividends received deduction generally available to corporations. To the extent that we make a distribution in excess of our current or accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, reducing the tax basis in each U.S. stockholder's shares, and the amount of each distribution in excess of a U.S. stockholder's tax basis in its shares will be taxable as gain realized from the sale of its shares. Distributions that we declare in October, November or December of any year payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of the year, provided that we actually pay the distribution no later than January 31 of the following calendar year. U.S. stockholders may not include any of our losses on their own federal income tax returns.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution by us up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed above. Moreover, any "deficiency distribution" will be treated as an ordinary or capital gain distribution, as the case may be, regardless of our earnings and profits. As a result, stockholders may be required to treat as taxable some distributions that would otherwise result in a tax-free return of capital.

Capital Gain Distributions

Distributions to U.S. stockholders that we properly designate as capital gain distributions will be treated as long-term capital gains to the extent they do not exceed our actual net capital gain, for the taxable year without regard to the period for which the U.S. stockholder has held his stock.

Passive Activity Loss and Investment Interest Limitations

Our distributions and any gain you realize from a disposition of shares will not be treated as passive activity income, and stockholders may not be able to utilize any of their "passive losses" to offset this income on their personal tax returns. Our distributions (to the extent they do not constitute a return of capital) will generally be treated as investment income for purposes of the limitations on the deduction of investment interest. Net capital gain from a disposition of shares and capital gain distributions generally will be included in investment income for purposes of the investment interest deduction limitations only if, and to the extent, you so elect, in which case any such capital gains will be taxed as ordinary income.

Certain Dispositions of the Shares

In general, any gain or loss realized upon a taxable disposition of shares by a U.S. stockholder who is not a dealer in securities will be treated as long-term capital gain or loss if the shares have been held for more than 12 months and as short-term capital gain or loss if the shares have been held for 12 months or less. If, however, a U.S. stockholder has received any capital gains distributions with respect to his shares, any loss realized upon a taxable disposition of shares held for six months or less, to the extent of the capital gains distributions received with respect to his shares, will be treated as long-term capital loss. Also, the Internal Revenue Service is authorized to issue Treasury Regulations that would subject a portion of the capital gain a U.S. stockholder recognizes from selling his shares or from a capital gain distribution to a tax at a 25% rate, to the extent the capital gain is attributable to depreciation previously deducted.

Information Reporting Requirements and Backup Withholding for U.S. Stockholders

Under some circumstances, U.S. stockholders may be subject to backup withholding at a rate of 31% on payments made with respect to, or cash proceeds of a sale or exchange of, our shares. Backup withholding will apply only if the stockholder:

- fails to furnish his or her taxpayer identification number (which, for an individual, would be his or her Social Security Number);
- furnishes an incorrect tax identification number;
- is notified by the Internal Revenue Service that he or she has failed properly to report payments of interest and distributions or is otherwise subject to backup withholding; or
- under some circumstances, fails to certify, under penalties of perjury, that he or she has furnished a correct tax identification number and that (a) he or she has not been notified by the Internal Revenue Service that he or she is subject to backup withholding for failure to report interest and distribution payments or (b) he or she has been notified by the Internal Revenue Service that he or she is no longer subject to backup withholding.

Backup withholding will not apply with respect to payments made to some stockholders, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a U.S. stockholder will be allowed as a credit against the U.S. stockholder's U.S. federal income tax liability and may entitle the U.S. stockholder to a refund, provided that the required information is furnished to the Internal Revenue Service. U.S. stockholders should consult their own tax advisors regarding their qualifications for exemption from backup withholding and the procedure for obtaining an exemption.

Treatment of Tax-Exempt Stockholders

Tax-exempt entities such as employee pension benefit trusts, individual retirement accounts, charitable remainder trusts, etc. generally are exempt from federal income taxation. Such entities are subject to taxation, however, on any "unrelated business taxable income" (UBTI), as defined in the Internal Revenue Code. Our payment of dividends to a tax-exempt employee pension benefit trust or other domestic tax-exempt stockholder generally will not constitute UBTI to such stockholder unless such stockholder has borrowed to acquire or carry its shares.

In the event that we are deemed to be "predominately held" by qualified employee pension benefit trusts that each hold more than 10% (in value) of our shares, such trusts would be required to treat a percentage of the dividend distributions paid to them as UBTI. We would be deemed to be "predominately held" by such trusts if either (1) one employee pension benefit trust owns more than 25% in value of our shares, or (2) any group of such trusts, each owning more than 10% in value of our shares, holds in the aggregate more than 50% in value of our shares. If either of these ownership thresholds were ever exceeded, any qualified employee pension benefit trust holding more than 10% in value of our shares would be subject to tax on that portion of our dividend distributions made to it which is equal to the percentage of our income which would be UBTI if we, ourselves, were a qualified trust, rather than a REIT. We will attempt to monitor the concentration of ownership of employee pension benefit trusts in our shares, and we do not expect our shares to be deemed to be "predominately held" by qualified employee pension benefit trusts, as defined in the Internal Revenue Code, to the extent required to trigger the treatment of our income as UBTI to such trusts.

For social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code, respectively, income from an investment in our shares will constitute UBTI unless the stockholder in question is able to deduct amounts "set aside" or placed in reserve for certain purposes so as to offset the UBTI generated. Any such organization that is a prospective investor in our shares should consult its own tax advisor concerning these "set aside" and reserve requirements.

Special Tax Considerations for Non-U.S. Stockholders

The rules governing U.S. income taxation of non-resident alien individuals, foreign corporations, foreign partnerships and foreign trusts and estates (collectively, Non-U.S. stockholders) are complex. The following discussion is intended only as a summary of these rules. Non-U.S. stockholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws on an investment in our shares, including any reporting requirements.

Income Effectively Connected With a U.S. Trade or Business

In general, Non-U.S. stockholders will be subject to regular U.S. federal income taxation with respect to their investment in our shares if the income derived therefrom is "effectively connected" with the Non-U.S. stockholder's conduct of a trade or business in the United States. A corporate Non-U.S. stockholder that receives income that is (or is treated as) effectively connected with a U.S. trade or business also may be subject to a branch profits tax under Section 884 of the Internal Revenue Code, which is payable in addition to the regular U.S. federal corporate income tax.

The following discussion will apply to Non-U.S. stockholders whose income derived from ownership of our shares is deemed to be not "effectively connected" with a U.S. trade or business.

Distributions Not Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

A distribution to a Non-U.S. stockholder that is not attributable to gain realized by us from the sale or exchange of a United States real property interest and that we do not designate as a capital gain distribution will be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits. Generally, any ordinary income distribution will be subject to a U.S. federal income tax equal to 30% of the gross amount of the distribution unless this tax is reduced by the provisions of an applicable tax treaty. Any such distribution in excess of our earnings and profits will be treated first as a return of capital that will reduce each Non-U.S. stockholder's basis in its shares (but not below zero) and then as gain from the disposition of those shares, the tax treatment of which is described under the rules discussed below with respect to dispositions of shares.

Distributions Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

Distributions to a Non-U.S. stockholder that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to a Non-U.S. stockholder under Internal Revenue Code provisions enacted by the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA). Under FIRPTA, such distributions are taxed to a Non-U.S. stockholder as if the distributions were gains "effectively connected" with a U.S. trade or business. Accordingly, a Non-U.S. stockholder will be taxed at the normal capital gain rates applicable to a U.S. stockholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals). Distributions subject to FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. stockholder that is not entitled to a treaty exemption.

Withholding Obligations With Respect to Distributions to Non-U.S. Stockholders

Although tax treaties may reduce our withholding obligations, based on current law, we will generally be required to withhold from distributions to Non-U.S. stockholders, and remit to the Internal Revenue Service:

- 35% of designated capital gain distributions or, if greater, 35% of the amount of any distributions that could be designated as capital gain distributions; and
- 30% of ordinary income distributions (*i.e.*, dividends paid out of our earnings and profits).

In addition, if we designate prior distributions as capital gain distributions, subsequent distributions, up to the amount of the prior distributions, will be treated as capital gain distributions for purposes of withholding. A distribution in excess of our earnings and profits will be subject to 30% withholding if at the time of the distribution it cannot be determined whether the distribution will be in an amount in excess of our current or accumulated earnings and profits. If the amount of tax we withhold with respect to a distribution to a Non-U.S. stockholder exceeds the stockholder's U.S. tax liability with respect to that distribution, the Non-U.S. stockholder may file a claim with the Internal Revenue Service for a refund of the excess.

Sale of Our Shares by a Non-U.S. Stockholder

A sale of our shares by a Non-U.S. stockholder will generally not be subject to U.S. federal income taxation unless our shares constitute a "United States real property interest" within the meaning of FIRPTA. Our shares will not constitute a United States real property interest if we are a "domestically controlled REIT." A "domestically controlled REIT" is a REIT that at all times during a specified testing period has less than 50% in value of its shares held directly or indirectly by Non-U.S. stockholders. We currently anticipate that we will be a domestically controlled REIT. Therefore, sales of our shares should not be subject to taxation under FIRPTA. However, we cannot assure you that we will continue to be a domestically controlled REIT. If we were not a domestically controlled REIT, whether a Non-U.S. stockholder's sale of our shares would be subject to tax under FIRPTA as a sale of a United States real property interest would depend on whether our shares were "regularly traded" on an established securities market and on the size of the selling stockholder's interest in us. Our shares currently are not "regularly traded" on an established securities market.

If the gain on the sale of shares were subject to taxation under FIRPTA, a Non-U.S. stockholder would be subject to the same treatment as a U.S. stockholder with respect to the gain, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals. In addition, distributions that are treated as gain from the disposition of shares and are subject to tax under FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. stockholder that is not entitled to a treaty exemption. Under FIRPTA, the purchaser of our shares may be required to withhold 10% of the purchase price and remit this amount to the Internal Revenue Service.

Even if not subject to FIRPTA, capital gains will be taxable to a Non-U.S. stockholder if the Non-U.S. stockholder is a non-resident alien individual who is present in the United States for 183 days or more during the taxable year and some other conditions apply, in which case the non-resident alien individual will be subject to a 30% tax on his or her U.S. source capital gains.

Recently promulgated Treasury Regulations may alter the procedures for claiming the benefits of an income tax treaty. Our Non-U.S. stockholders should consult their tax advisors concerning the effect, if any, of these Treasury Regulations on an investment in our shares.

Information Reporting Requirements and Backup Withholding for Non-U.S. Stockholders

Additional issues may arise for information reporting and backup withholding for Non-U.S. stockholders. Non-U.S. stockholders should consult their tax advisors with regard to U.S. information reporting and backup withholding requirements under the Internal Revenue Code.

Statement of Stock Ownership

We are required to demand annual written statements from the record holders of designated percentages of our shares disclosing the actual owners of the shares. Any record stockholder who, upon our request, does not provide us with required information concerning actual ownership of the shares is required to include specified information relating to his or her shares in his or her federal income tax return. We also must maintain, within the Internal Revenue District in which we are required to file our federal income tax return, permanent records showing the information we have received about the actual ownership of shares and a list of those persons failing or refusing to comply with our demand.

State and Local Taxation

We and any operating subsidiaries we may form may be subject to state and local tax in states and localities in which we or they do business or own property. The tax treatment of the Wells REIT, Wells OP, any operating subsidiaries we may form and the holders of our shares in local jurisdictions may differ from the federal income tax treatment described above.

Tax Aspects of Our Operating Partnership

The following discussion summarizes certain federal income tax considerations applicable to our investment in Wells OP, our operating partnership. The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as a Partnership

We will be entitled to include in our income a distributive share of Wells OP's income and to deduct our distributive share of Wells OP's losses only if Wells OP is classified for federal income tax purposes as a partnership, rather than as an association taxable as a corporation. Under applicable Treasury Regulations (Check-the-Box-Regulations), an unincorporated U.S. entity with at least two members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership for federal income tax purposes. Wells OP intends to be classified as a partnership for federal income tax purposes and will not elect to be treated as an association taxable as a corporation under the Check-the-Box-Regulations.

Even though Wells OP will be treated as a partnership for federal income tax purposes, since it will not elect to be taxable as a corporation under the Check-the-Box Regulations, it could still be taxed as a corporation if it were deemed to be a "publicly traded partnership." A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof); provided, that even if the foregoing requirements are met, a publicly traded partnership will not be treated as a corporation for federal income tax purposes if at least 90% of such partnership's gross income for a taxable year consists of "qualifying income" under Section 7704(d) of the Internal Revenue Code. Qualifying income generally includes any income that is qualifying income for purposes of the 95% Income Test applicable to REITs (90% Passive-Type Income Exception). (See "Requirements for Qualification as a REIT—Operational Requirements—Gross Income Tests.")

Under applicable Treasury Regulations (PTP Regulations), limited safe harbors from the definition of a publicly traded partnership are provided. Pursuant to one of those safe harbors (Private Placement Exclusion), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (1) all interests in the partnership were issued in a transaction (or transactions) that was not required to be registered under the Securities Act of 1933, as amended, and (2) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a flow-through entity (such as a partnership, grantor trust or S corporation) that owns an interest in the partnership is treated as a partner in such partnership only if (a) substantially all of the value of the owner's interest in the flow-through is attributable to the flow-through entity's interest (direct or indirect) in the partnership, and (b) a principal purpose of the use of the flow-through entity is to permit the partnership to satisfy the 100 partner limitation. Wells OP qualifies for the Private Placement Exclusion. Further, even if Wells OP were to be considered a publicly traded partnership under the PTP Regulations because it is deemed to have more than 100 partners, Wells OP should not be treated as a corporation because it should be eligible for the 90% Passive-Type Income Exception described above.

We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that Wells OP will be classified as a partnership for federal income tax purposes. Holland & Knight is of the opinion, however, that based on certain factual assumptions and representations, Wells OP will more likely than not be treated for federal income tax purposes as a partnership and not as an association taxable as a corporation, or as a publicly traded partnership. Unlike a tax ruling, however, an opinion of counsel is not binding upon the Internal Revenue Service, and no assurance can be given that the Internal Revenue Service will not challenge the status of Wells OP as a partnership for federal income tax purposes. If such challenge were sustained by a court, Wells OP would be treated as a corporation for federal income tax purposes, as described below. In addition, the opinion of Holland & Knight is based on existing law, which is to a great extent the result of administrative and judicial interpretation. No assurance can be given that administrative or judicial changes would not modify the conclusions expressed in the opinion.

If for any reason Wells OP were taxable as a corporation, rather than a partnership, for federal income tax purposes, we would not be able to qualify as a REIT. (See "Federal Income Tax Considerations—Requirements for Qualification as a REIT—Operational Requirements—Gross Income Tests" and "Requirements for Qualification as a REIT—Operational Requirements—Asset Tests.") In addition, any change in Wells OP's status for tax purposes might be treated as a taxable event, in which case we might incur a tax liability without any related cash distribution. Further, items of income and deduction of Wells OP would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Consequently, Wells OP would be required to pay income tax at corporate tax rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing Wells OP's taxable income.

Income Taxation of the Operating Partnership and its Partners

Partners, Not a Partnership, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. As a partner in Wells OP, we will be required to take into account our allocable share of Wells OP's income, gains, losses, deductions, and credits for any taxable year of Wells OP ending within or with our taxable year, without regard to whether we have received or will receive any distribution from Wells OP.

Partnership Allocations. Although a partnership agreement generally determines the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Wells OP's allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder.

Tax Allocations With Respect to Contributed Properties. Pursuant to Section 704(c) of the Internal Revenue Code, income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for federal income tax purposes in a manner such that the contributor is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution. Under applicable Treasury Regulations, partnerships are required to use a "reasonable method" for allocating items subject to Section 704(c) of the Internal Revenue Code and several reasonable allocation methods are described therein.

Under the partnership agreement for Wells OP, depreciation or amortization deductions of Wells OP generally will be allocated among the partners in accordance with their respective interests in Wells OP, except to the extent that Wells OP is required under Section 704(c) to use a method for allocating depreciation deductions attributable to its properties that results in us receiving a disproportionately large share of such deductions. We may possibly be allocated (1) lower amounts of depreciation deductions for tax purposes with respect to contributed properties than would be allocated to us if each such property were to have a tax basis equal to its fair market value at the time of contribution, and (2) taxable gain in the event of a sale of such contributed properties in excess of the economic profit allocated to us as a result of such sale. These allocations may cause us to recognize taxable income in excess of cash proceeds received by us, which might adversely affect our ability to comply with the REIT distribution requirements, although we do not anticipate that this event will occur. The foregoing principles also will affect the calculation of our earnings and profits for purposes of determining which portion of our distributions is taxable as a dividend. The allocations described in this paragraph may result in a higher portion of our distributions being taxed as a dividend than would have occurred had we purchased such properties for cash.

Basis in Operating Partnership Interest. The adjusted tax basis of our partnership interest in Wells OP generally is equal to (1) the amount of cash and the basis of any other property contributed to Wells OP by us, (2) increased by (A) our allocable share of Wells OP's income and (B) our allocable share of the indebtedness of Wells OP, and (3) reduced, but not below zero, by (A) our allocable share of Wells OP's losses and (B) the amount of cash distributed to us, including constructive cash distributions resulting from a reduction in our share of the indebtedness of Wells OP.

If the allocation of our distributive share of Wells OP's losses would reduce the adjusted tax basis of our partnership interest in Wells OP below zero, the recognition of such losses will be deferred until such time as the recognition of such losses would not reduce our adjusted tax basis below zero. If a distribution from Wells OP or a reduction in our share of Wells OP's liabilities (which is treated as a constructive distribution for tax purposes) would reduce our adjusted tax basis below zero, any such distribution, including a constructive distribution, would cause us to recognize taxable income equal to the amount of such distribution in excess of our adjusted tax basis. The gain realized by us upon the receipt of any such distribution or constructive distribution would normally be characterized as capital gain, and if our partnership interest in Wells OP has been held for longer than the long-term capital gain holding period (currently one year), the distribution would constitute long-term capital gain.

Depreciation Deductions Available to the Operating Partnership. Wells OP will use a portion of contributions made by the Wells REIT from offering proceeds to acquire interests in properties. Wells OP's initial basis in such properties for federal income tax purposes generally will be equal to the purchase price paid by Wells OP. Wells OP plans to depreciate each such depreciable property for federal income tax purposes under the alternative depreciation system of depreciation (ADS). Under ADS, Wells OP generally will depreciate buildings and improvements over a 40-year recovery period using a straight-line method and a mid-month convention and will depreciate furnishings and equipment over a 12-year recovery period. To the extent that Wells OP acquires properties in exchange for units of Wells OP, Wells OP's initial basis in each such property for federal income tax purposes should be the same as the transferor's basis in that property on the date of acquisition by Wells OP. Although the law is not entirely clear, Wells OP generally intends to depreciate such depreciable property for federal income tax purposes over the same remaining useful lives and under the same methods used by the transferors of such properties.

Sale of the Operating Partnership's Property

Generally, any gain realized by Wells OP on the sale of property held for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Any gain recognized by Wells OP upon the disposition of a property will be allocated among the partners in accordance with their respective percentage interests in Wells OP.

Our share of any gain realized by Wells OP on the sale of any property held by Wells OP as inventory or other property held primarily for sale to customers in the ordinary course of Wells OP's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon our ability to satisfy the Income Tests for maintaining our REIT status. (See "Federal Income Tax Considerations—Requirements for Qualification as a REIT—Gross Income Tests" above.) We, however, do not presently intend to acquire or hold or allow Wells OP to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of our or Wells OP's trade or business.

ERISA CONSIDERATIONS

The following is a summary of some non-tax considerations associated with an investment in our shares by a qualified employee pension benefit plan or an individual retirement account (IRA). This summary is based on provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Internal Revenue Code, as amended through the date of this prospectus, and relevant regulations and opinions issued by the Department of Labor and the Internal Revenue Service. We cannot assure you that there will not be adverse tax decisions or legislative, regulatory or administrative changes which would significantly modify the statements expressed herein. Any such changes may or may not apply to transactions entered into prior to the date of their enactment.

Each fiduciary of an employee pension benefit plan subject to ERISA, such as a profit sharing, section 401(k) or pension plan, or of any other retirement plan or account subject to Section 4975 of the Internal Revenue Code, such as an IRA (Benefit Plans), seeking to invest plan assets in our shares must, taking into account the facts and circumstances of such Benefit Plan, consider, among other matters:

- whether the investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code;
- whether, under the facts and circumstances appertaining to the Benefit Plan in question, the fiduciary's responsibility to the plan has been satisfied;
- whether the investment will produce UBTI to the Benefit Plan (see "Federal Income Tax Considerations—Treatment of Tax-Exempt Stockholders"); and
- the need to value the assets of the Benefit Plan annually.

Under ERISA, a plan fiduciary's responsibilities include the following duties:

- to act solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as defraying reasonable expenses of plan administration;
- to invest plan assets prudently;
- to diversify the investments of the plan unless it is clearly prudent not to do so;
- to ensure sufficient liquidity for the plan; and
- to consider whether an investment would constitute or give rise to a prohibited transaction under ERISA or the Internal Revenue Code.

ERISA also requires that the assets of an employee benefit plan be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, have exclusive authority and discretion to manage and control the assets of the plan.

Prohibited Transactions

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit specified transactions involving the assets of a Benefit Plan which are between the plan and any "party in interest" or "disqualified person" with respect to that Benefit Plan. These transactions are prohibited regardless of how beneficial they may be for 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. The transfer to, or use by or for the benefit of, a party in interest, or disqualified person of any assets of a Benefit Plan is also prohibited. A fiduciary of a Benefit Plan also is prohibited from engaging in self-dealing, acting for a person who has an interest adverse to the plan or receiving any consideration for its own account from a party dealing with the plan in a transaction involving plan assets. Furthermore, Section 408 of the Internal Revenue Code states that assets of an IRA trust may not be commingled with other property except in a common trust fund or common investment fund.

Plan Asset Considerations

In order to determine whether an investment in our shares by Benefit Plans creates or gives rise to the potential for either prohibited transactions or a commingling of assets as referred to above, a fiduciary must consider whether an investment in our shares will cause our assets to be treated as assets of the investing Benefit Plans. Neither ERISA nor the Internal Revenue Code define the term “plan assets,” however, U.S. Department of Labor Regulations provide guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute assets of a Benefit Plan when the plan invests in that entity (Plan Assets Regulation). Under the Plan Assets Regulation, the assets of corporations, partnerships or other entities in which a Benefit Plan makes an equity investment will generally be deemed to be assets of the Benefit Plan unless the entity satisfies one of the exceptions to this general rule. As discussed below, we have received an opinion of counsel that, based on the Plan Assets Regulation, our underlying assets should not be deemed to be “plan assets” of Benefit Plans investing in shares, assuming the conditions set forth in the opinion are satisfied, based upon the fact that at least one of the specific exemptions set forth in the Plan Assets Regulation is satisfied, as determined under the criteria set forth below.

Specifically, the Plan Assets Regulation provides that the underlying assets of REITs will not be treated as assets of a Benefit Plan investing therein if the interest the Benefit Plan acquires is a “publicly-offered security.” A publicly-offered security must be:

- sold as part of a public offering registered under the Securities Act of 1933, as amended, and be part of a class of securities registered under the Securities Exchange Act of 1934, as amended, within a specified time period;
- part of a class of securities that is owned by 100 or more persons who are independent of the issuer and one another; and
- “freely transferable.”

Our shares are being sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and are part of a class registered under the Securities Exchange Act. In addition, we have well in excess of 100 independent stockholders. Thus, both the first and second criterion of the publicly-offered security exception will be satisfied.

Whether a security is “freely transferable” depends upon the particular facts and circumstances. For example, our shares are subject to certain restrictions on transferability intended to ensure that we continue to qualify for federal income tax treatment as a REIT. The regulation provides, however, that where the minimum investment in a public offering of securities is $10,000 or less, the presence of a restriction on transferability intended to prohibit transfers which would result in a termination or reclassification of the entity for state or federal tax purposes will not ordinarily affect a determination that such securities are “freely transferable.” The minimum investment in our shares is less than $10,000; thus, the restrictions imposed in order to maintain our status as a REIT should not cause the shares to be deemed not “freely transferable. “

In the event that our underlying assets were treated by the Department of Labor as the assets of investing Benefit Plans, our management would be treated as fiduciaries with respect to each Benefit Plan stockholder, and an investment in our shares might constitute an ineffective delegation of fiduciary responsibility to Wells Capital, our advisor, and expose the fiduciary of the Benefit Plan to co-fiduciary liability under ERISA for any breach by Wells Capital of the fiduciary duties mandated under ERISA.

Further, if our assets are deemed to be "plan assets," an investment by an IRA in our shares might be deemed to result in an impermissible commingling of IRA assets with other property.

If Wells Capital, our advisor, or its affiliates were treated as fiduciaries with respect to Benefit Plan stockholders, the prohibited transaction restrictions of ERISA and the Internal Revenue Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with entities that are affiliated with us or our affiliates or restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to provide Benefit Plan stockholders with the opportunity to sell their shares to us or we might dissolve or terminate.

If a prohibited transaction were to occur, the Internal Revenue Code imposes an excise tax equal to 15% of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not "corrected" in a timely manner. These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, Wells Capital and possibly other fiduciaries of Benefit Plan stockholders subject to ERISA who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities, or a non-fiduciary participating in a prohibited transaction, could be required to restore to the Benefit Plan any profits they realized as a result of the transaction or breach, and make good to the Benefit Plan any losses incurred by the Benefit Plan as a result of the transaction or breach. With respect to an IRA that invests in our shares, 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 Section 408(e)(2) of the Internal Revenue Code.

We have obtained an opinion from Holland & Knight that it is more likely than not that our shares will be deemed to constitute "publicly-offered securities" and, accordingly, that it is more likely than not that our underlying assets should not be considered "plan assets" under the Plan Assets Regulation, assuming the offering takes place as described in this prospectus. If our underlying assets were not deemed to be "plan assets," the problems discussed in the immediately preceding three paragraphs are not expected to arise.

Other Prohibited Transactions

Regardless of whether the shares qualify for the "publicly-offered security" exception of the Plan Assets Regulation, a prohibited transaction could occur if the Wells REIT, Wells Capital, any selected dealer or any of their affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to any Benefit Plan purchasing the shares. Accordingly, unless an administrative or statutory exemption applies, shares should not be purchased by a Benefit Plan with respect to which any of the above persons is a fiduciary. A person is a fiduciary with respect to a Benefit Plan under Section 3(21) of ERISA if, among other things, the person has discretionary authority or control with respect to "plan assets" or provides investment advice for a fee with respect to "plan assets." Under a regulation issued by the Department of Labor, a person shall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares and that person regularly provides investment advice to the Benefit Plan pursuant to a mutual agreement or understanding (written or otherwise) (1) that the advice will serve as the primary basis for investment decisions, and (2) that the advice will be individualized for the Benefit Plan based on its particular needs.

Annual Valuation

A fiduciary of an employee benefit plan subject to ERISA is required 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 a report reflecting that value with the Department of Labor. When the fair market value of any particular asset is not available, the fiduciary is required to make a good faith determination of that asset's fair market value assuming an orderly liquidation at the time the determination is made. In addition, a trustee or custodian of an IRA must provide an IRA participant with a statement of the value of the IRA each year. In discharging its obligation to value assets of a plan, a fiduciary subject to ERISA must act consistently with the relevant provisions of the plan and the general fiduciary standards of ERISA.

Unless and until our shares are listed on a national securities exchange or are included for quotation on NASDAQ, it is not expected that a public market for the shares will develop. To date, neither the Internal Revenue Service nor the Department of Labor has promulgated regulations specifying how a plan fiduciary should determine the fair market value of the shares, namely when the fair market value of the shares is not determined in the marketplace. Therefore, to assist fiduciaries in fulfilling their valuation and annual reporting responsibilities with respect to ownership of shares, we intend to have our advisor prepare annual reports of the estimated value of our shares. The methodology to be utilized for determining such estimated share values will be for our advisor to estimate the amount a stockholder would receive if our properties were sold at their estimated fair market values at the end of the fiscal year and the proceeds therefrom (without reduction for selling expenses) were distributed to the stockholders in liquidation. Due to the expense involved in obtaining annual appraisals for all of our properties, we do not currently anticipate that actual appraisals will be obtained; however, in connection with the advisor's estimated valuations, the advisor will obtain a third party opinion that its estimates of value are reasonable. We will provide our reports to plan fiduciaries and IRA trustees and custodians who identify themselves to us and request this information.

Until December 31, 2002, we intend to use the offering price of shares as the per share net asset value. Beginning at the end of year 2003, we will have our advisor prepare estimated valuations utilizing the methodology described above. You should be cautioned, however, that such valuations will be estimates only and will be based upon a number of assumptions that may not be accurate or complete. As set forth above, we do not currently anticipate obtaining appraisals for our properties and, accordingly, the advisor's estimates should not be viewed as an accurate reflection of the fair market value of our properties, nor will they represent the amount of net proceeds that would result from an immediate sale of our properties. In addition, property values are subject to change and can always decline in the future. For these reasons, our estimated valuations should not be utilized for any purpose other than to assist plan fiduciaries in fulfilling their valuation and annual reporting responsibilities. Further, we cannot assure you:

- that the estimated values we obtain could or will actually be realized by us or by our stockholders upon liquidation (in part because estimated values do not necessarily indicate the price at which assets could be sold and because no attempt will be made to estimate the expenses of selling any of our assets);
- that our stockholders could realize these values if they were to attempt to sell their shares; or
- that the estimated values, or the method used to establish values, would comply with the ERISA or IRA requirements described above.

DESCRIPTION OF SHARES

The following description of the shares is not complete but is a summary of portions of our articles of incorporation and is qualified in its entirety by reference to our articles of incorporation.

Under our articles of incorporation, we have authority to issue a total of 1,000,000,000 shares of capital stock. Of the total shares authorized, 750,000,000 shares are designated as common stock with a par value of $0.01 per share, 100,000,000 shares are designated as preferred stock and 150,000,000 shares are designated as shares-in-trust, which would be issued only in the event we have purchases in excess of the ownership limits described below. In addition, our board of directors may amend our articles of incorporation to increase or decrease the amount of our authorized shares.

As of June 30, 2002, approximately 144,366,772 shares of our common stock were issued and outstanding, and no shares of preferred stock or shares-in-trust were issued and outstanding.

Common Stock

The holders of common stock are entitled to one vote per share on all matters voted on by stockholders, including election of our directors. Our articles of incorporation do not provide for cumulative voting in the election of our directors. Therefore, the holders of a majority of the outstanding common shares can elect our entire board of directors. Subject to any preferential rights of any outstanding series of preferred stock, the holders of common stock are entitled to such dividends as may be declared from time to time by our board of directors out of legally available funds and, upon liquidation, are entitled to receive all assets available for distribution to our stockholders. All shares issued in the offering will be fully paid and non-assessable shares of common stock. Holders of shares of common stock will not have preemptive rights, which means that you will not have an automatic option to purchase any new shares that we issue.

We will not issue certificates for our shares. Shares will be held in “uncertificated” form which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to effect a transfer. Wells Capital, our advisor, acts as our registrar and as the transfer agent for our shares. Transfers can be effected simply by mailing to Wells Capital a transfer and assignment form, which we will provide to you at no charge.

Preferred Stock

Our articles of incorporation authorize our board of directors to designate and issue one or more classes or series of preferred stock without stockholder approval. Our board of directors may determine the relative rights, preferences and privileges of each class or series of preferred stock so issued, which may be more beneficial than the rights, preferences and privileges attributable to the common stock. The issuance of preferred stock could have the effect of delaying or preventing a change in control of the Wells REIT. Our board of directors has no present plans to issue preferred stock, but may do so at any time in the future without stockholder approval.

Meetings and Special Voting Requirements

An annual meeting of the stockholders will be held each year, at least 30 days after delivery of our annual report. Special meetings of stockholders may be called only upon the request of a majority of our directors, a majority of the independent directors, the chairman, the president or upon the written request of stockholders holding at least 10% of the shares. The presence of a majority of the outstanding shares either in person or by proxy shall constitute a quorum. Generally, the affirmative vote of a majority of all votes entitled to be cast is necessary to take stockholder action authorized by our articles of incorporation, except that a majority of the votes represented in person or by proxy at a meeting at which a quorum is present is sufficient to elect a director.

Under Maryland Corporation Law and our articles of incorporation, stockholders are entitled to vote at a duly held meeting at which a quorum is present on (1) amendments to our articles of incorporation, (2) a liquidation or dissolution of the Wells REIT, (3) a reorganization of the Wells REIT, (4) a merger, consolidation or sale or other disposition of substantially all of our assets, and (5) a termination of our status as a REIT. The vote of stockholders holding a majority of our outstanding shares is required to approve any such action, and no such action can be taken by our board of directors without such majority vote of our stockholders. Accordingly, any provision in our articles of incorporation, including our investment objectives, can be amended by the vote of stockholders holding a majority of our outstanding shares. Stockholders voting against any merger or sale of assets are permitted under Maryland Corporation Law to petition a court for the appraisal and payment of the fair value of their shares. In an appraisal proceeding, the court appoints appraisers who attempt to determine the fair value of the stock as of the date of the stockholder vote on the merger or sale of assets. After considering the appraisers' report, the court makes the final determination of the fair value to be paid to the dissenting stockholder and decides whether to award interest from the date of the merger or sale of assets and costs of the proceeding to the dissenting stockholders.

Wells Capital, as our advisor, is selected and approved annually by our directors. While the stockholders do not have the ability to vote to replace Wells Capital or to select a new advisor, stockholders do have the ability, by the affirmative vote of a majority of the shares entitled to vote on such matter, to elect to remove a director from our board.

Stockholders are entitled to receive a copy of our stockholder list upon request. The list provided by us will include each stockholder's name, address and telephone number, if available, and number of shares owned by each stockholder and will be sent within 10 days of the receipt by us of the request. A stockholder requesting a list will be required to pay reasonable costs of postage and duplication. We have the right to request that a requesting stockholder represent to us that the list will not be used to pursue commercial interests.

In addition to the foregoing, stockholders have rights under Rule 14a-7 under the Securities Exchange Act, which provides that, upon the request of investors and the payment of the expenses of the distribution, we are required to distribute specific materials to stockholders in the context of the solicitation of proxies for voting on matters presented to stockholders or, at our option, provide requesting stockholders with a copy of the list of stockholders so that the requesting stockholders may make the distribution of proxies themselves.

Restriction on Ownership of Shares

In order for us to qualify as a REIT, not more than 50% of our outstanding shares may be owned by any five or fewer individuals, including some tax-exempt entities. In addition, the outstanding shares must be owned by 100 or more persons independent of us and each other during at least 335 days of a 12-month taxable year or during a proportionate part of a shorter taxable year. We may prohibit certain acquisitions and transfers of shares so as to ensure our continued qualification as a REIT under the Internal Revenue Code. However, we cannot assure you that this prohibition will be effective.

In order to assist us in preserving our status as a REIT, our articles of incorporation contain a limitation on ownership that prohibits any person or group of persons from acquiring, directly or indirectly, beneficial ownership of more than 9.8% of our outstanding shares. Our articles of incorporation provide that any transfer of shares that would violate our share ownership limitations is null and void and the intended transferee will acquire no rights in such shares, unless the transfer is approved by our board of directors based upon receipt of information that such transfer would not violate the provisions of the Internal Revenue Code for qualification as a REIT.

Shares in excess of the ownership limit which are attempted to be transferred will be designated as “shares-in-trust” and will be transferred automatically to a trust effective on the day before the reported transfer of such shares. The record holder of the shares that are designated as shares-in-trust will be required to submit such number of shares to the Wells REIT in the name of the trustee of the trust. We will designate a trustee of the share trust that will not be affiliated with us. We will also name one or more charitable organizations as a beneficiary of the share trust. Shares-in-trust will remain issued and outstanding shares and will be entitled to the same rights and privileges as all other shares of the same class or series. The trustee will receive all dividends and distributions on the shares-in-trust and will hold such dividends or distributions in trust for the benefit of the beneficiary. The trustee will vote all shares-in-trust during the period they are held in trust.

At our direction, the trustee will transfer the shares-in-trust to a person whose ownership will not violate the ownership limits. The transfer shall be made within 20 days of our receipt of notice that shares have been transferred to the trust. During this 20-day period, we will have the option of redeeming such shares. Upon any such transfer or redemption, the purported transferee or holder shall receive a per share price equal to the lesser of (1) the price per share in the transaction that created such shares-in-trust, or (2) the market price per share on the date of the transfer or redemption.

Any person who (1) acquires shares in violation of the foregoing restriction or who owns shares that were transferred to any such trust is required to give immediate written notice to the Wells REIT of such event, or (2) transfers or receives shares subject to such limitations is required to give the Wells REIT 15 days written notice prior to such transaction. In both cases, such persons shall provide to the Wells REIT such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

The foregoing restrictions will continue to apply until (1) our board of directors determines it is no longer in our best interest to continue to qualify as a REIT, and (2) there is an affirmative vote of the majority of shares entitled to vote on such matter at a regular or special meeting of our stockholders.

The ownership limit does not apply to an offeror which, in accordance with applicable federal and state securities laws, makes a cash tender offer, where at least 85% of the outstanding shares are duly tendered and accepted pursuant to the cash tender offer. The ownership limit also does not apply to the underwriter in a public offering of shares or to a person or persons so exempted from the ownership limit by our board of directors based upon appropriate assurances that our qualification as a REIT is not jeopardized.

Any person who owns 5% or more of the outstanding shares during any taxable year will be asked to deliver a statement or affidavit setting forth the number of shares beneficially owned, directly or indirectly.

Dividends

Dividends will be paid on a quarterly basis regardless of the frequency with which such dividends are declared. Dividends will be paid to investors who are stockholders as of the record dates selected by our board of directors. We currently calculate our quarterly dividends based upon daily record and dividend declaration dates so our investors will be entitled to be paid dividends immediately upon their purchase of shares. We then make quarterly dividend payments following the end of each calendar quarter.

We are required to make distributions sufficient to satisfy the requirements for qualification as a REIT for tax purposes. Generally, income distributed as dividends will not be taxable to us under the Internal Revenue Code if we distribute at least 90% of our taxable income. (See “Federal Income Tax Considerations—Requirements for Qualification as a REIT.”)

Dividends will be declared at the discretion of our board of directors, in accordance with our earnings, cash flow and general financial condition. Our board’s discretion will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements. Because we may receive income from interest or rents at various times during our fiscal year, dividends may not reflect our income earned in that particular distribution period but may be made in anticipation of cash flow which we expect to receive during a later quarter and may be made in advance of actual receipt of funds in an attempt to make dividends relatively uniform. We may borrow money, issue securities or sell assets in order to make dividend distributions.

We are not prohibited from distributing our own securities in lieu of making cash dividends to stockholders, provided that the securities so distributed to stockholders are readily marketable. Stockholders who receive marketable securities in lieu of cash dividends may incur transaction expenses in liquidating the securities.

Dividend Reinvestment Plan

We currently have a dividend reinvestment plan available that allows you to have your dividends otherwise distributable to you invested in additional shares of the Wells REIT.

You may purchase shares under our dividend reinvestment plan for $10 per share until all of the shares registered as part of this offering have been sold. After this time, we may purchase shares either through purchases on the open market, if a market then exists, or through an additional issuance of shares. In any case, the price per share will be equal to the then-prevailing market price, which shall equal the price on the securities exchange or over-the-counter market on which such shares are listed at the date of purchase if such shares are then listed. A copy of our Amended and Restated Dividend Reinvestment Plan as currently in effect is included as Exhibit B to this prospectus.

You may elect to participate in the dividend reinvestment plan by completing the Subscription Agreement, the enrollment form or by other written notice to the plan administrator. Participation in the plan will begin with the next distribution made after receipt of your written notice. We may terminate the dividend reinvestment plan for any reason at any time upon 10 days’ prior written notice to participants. Your participation in the plan will also be terminated to the extent that a reinvestment of your dividends in our shares would cause the percentage ownership limitation contained in our articles of incorporation to be exceeded. In addition, you may terminate your participation in the dividend reinvestment plan at any time by providing us with written notice.

If you elect to participate in the dividend reinvestment plan and are subject to federal income taxation, you will incur a tax liability for dividends allocated to you even though you have elected not to receive the dividends in cash but rather to have the dividends withheld and reinvested pursuant to the dividend reinvestment plan. Specifically, you will be treated as if you have received the dividend from us in cash and then applied such dividend to the purchase of additional shares. You will be taxed on the amount of such dividend as ordinary income to the extent such dividend is from current or accumulated earnings and profits, unless we have designated all or a portion of the dividend as a capital gain dividend.

Share Redemption Program

Prior to the time that our shares are listed on a national securities exchange, stockholders of the Wells REIT who have held their shares for at least one year may receive the benefit of limited interim liquidity by presenting for redemption all or any portion of their shares to us at any time in accordance with the procedures outlined herein. At that time, we may, subject to the conditions and limitations described below, redeem the shares presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption.

If you have held your shares for the required one-year period, you may redeem your shares for a purchase price equal to the lesser of (1) $10 per share, or (2) the purchase price per share that you actually paid for your shares of the Wells REIT. In the event that you are redeeming all of your shares, shares purchased pursuant to our dividend reinvestment plan may be excluded from the foregoing one-year holding period requirement, in the discretion of our board of directors. In addition, for purposes of the one-year holding period, limited partners of Wells OP who exchange their limited partnership units for shares in the Wells REIT shall be deemed to have owned their shares as of the date they were issued their limited partnership units in Wells OP. Our board of directors reserves the right in its sole discretion at any time and from time to time to (1) change the purchase price for redemptions, or (2) otherwise amend the terms of our share redemption program. In addition, our board of directors has delegated to our officers the right to (1) waive the one-year holding period in the event of the death or bankruptcy of a stockholder or other exigent circumstances, or (2) reject any request for redemption at any time and for any reason.

Redemption of shares, when requested, will be made quarterly on a first-come, first-served basis. Subject to funds being available, we will limit the number of shares redeemed pursuant to our share redemption program as follows: (1) during any calendar year, we will not redeem in excess of 3.0% of the weighted average number of shares outstanding during the prior calendar year; and (2) funding for the redemption of shares will come exclusively from the proceeds we receive from the sale of shares under our dividend reinvestment plan such that in no event shall the aggregate amount of redemptions under our share redemption program exceed aggregate proceeds received from the sale of shares pursuant to our dividend reinvestment plan. The board of directors, in its sole discretion, may choose to terminate the share redemption program or to reduce the number of shares purchased under the share redemption program if it determines the funds otherwise available to fund our share redemption program are needed for other purposes. (See “Risk Factors—Investment Risks.”)

We cannot guarantee that the funds set aside for our share redemption program will be sufficient to accommodate all requests made in any year. If we do not have such funds available, at the time when redemption is requested, you can (1) withdraw your request for redemption, or (2) ask that we honor your request at such time, if any, when sufficient funds become available. Such pending requests will be honored on a first-come, first-served basis.

Our share redemption program is only intended to provide interim liquidity for stockholders until a secondary market develops for the shares. No such market presently exists, and we cannot assure you that any market for your shares will ever develop.

The shares we redeem under our share redemption program will be cancelled, and will be held as treasury stock. We will not resell such shares to the public unless they are first registered with the

Securities and Exchange Commission (Commission) under the Securities Act of 1933 and under appropriate state securities laws or otherwise sold in compliance with such laws.

Restrictions on Roll-Up Transactions

In connection with any proposed transaction considered a "Roll-up Transaction" involving the Wells REIT and the issuance of securities of an entity (a Roll-up Entity) that would be created or would survive after the successful completion of the Roll-up Transaction, an appraisal of all properties shall be obtained from a competent independent appraiser. The properties shall be appraised on a consistent basis, and the appraisal shall be based on the evaluation of all relevant information and shall indicate the value of the properties as of a date immediately prior to the announcement of the proposed Roll-up Transaction. The appraisal shall assume an orderly liquidation of properties over a 12-month period. The terms of the engagement of the independent appraiser shall clearly state that the engagement is for our benefit and the stockholders. A summary of the appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to stockholders in connection with any proposed Roll-up Transaction.

A "Roll-up Transaction" is a transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of the Wells REIT and the issuance of securities of a Roll-up Entity. This term does not include:

- a transaction involving our securities that have been for at least 12 months listed on a national securities exchange or included for quotation on NASDAQ; or
- a transaction involving the conversion to corporate, trust, or association form of only the Wells REIT if, as a consequence of the transaction, there will be no significant adverse change in any of the following: stockholder voting rights; the term of our existence; compensation to Wells Capital; or our investment objectives.

In connection with a proposed Roll-up Transaction, the person sponsoring the Roll-up Transaction must offer to stockholders who vote "no" on the proposal the choice of:

(1) accepting the securities of a Roll-up Entity offered in the proposed Roll-up Transaction; or

(2) one of the following:

(A) remaining as stockholders of the Wells REIT and preserving their interests therein on the same terms and conditions as existed previously, or

(B) receiving cash in an amount equal to the stockholder's pro rata share of the appraised value of our net assets.

We are prohibited from participating in any proposed Roll-up Transaction:

- that would result in the stockholders having democracy rights in a Roll-up Entity that are less than those provided in our bylaws and described elsewhere in this prospectus, including rights with respect to the election and removal of directors, annual reports, annual and special meetings, amendment of our articles of incorporation, and dissolution of the Wells REIT;
- that includes provisions that would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the Roll-up Entity, except to the minimum extent necessary to preserve the tax status of the Roll-up Entity, or which

would limit the ability of an investor to exercise the voting rights of its securities of the Roll-up Entity on the basis of the number of shares held by that investor;

- in which investor's rights to access of records of the Roll-up Entity will be less than those provided in the section of this prospectus entitled "Description of Shares—Meetings and Special Voting Requirements;" or
- in which any of the costs of the Roll-up Transaction would be borne by us if the Roll-up Transaction is not approved by the stockholders.

Business Combinations

Maryland Corporation Law prohibits certain business combinations between a Maryland corporation and an interested stockholder or the interested stockholder's affiliate for five years after the most recent date on which the stockholder becomes an interested stockholder. These provisions of the Maryland Corporation Law will not apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the interested stockholder becomes an interested stockholder. As permitted by Maryland Corporation Law, we have provided in our articles of incorporation that the business combination provisions of Maryland Corporation Law will not apply to transactions involving the Wells REIT.

Control Share Acquisitions

Maryland Corporation Law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, or by officers or directors who are employees of the corporation are not entitled to vote on the matter. As permitted by Maryland Corporation Law, we have provided in our articles of incorporation that the control share provisions of Maryland Corporation Law will not apply to transactions involving the Wells REIT.

THE OPERATING PARTNERSHIP AGREEMENT

General

Wells Operating Partnership, L.P. (Wells OP) was formed in January 1998 to acquire, own and operate properties on our behalf. It is considered to be an Umbrella Partnership Real Estate Investment Trust (UPREIT), which is a structure generally utilized to provide for the acquisition of real property from owners who desire to defer taxable gain otherwise required to be recognized by them upon the disposition of their properties. Such owners may also desire to achieve diversity in their investment and other benefits afforded to stockholders in a REIT. For purposes of satisfying the Asset and Income Tests for qualification as a REIT for tax purposes, the REIT's proportionate share of the assets and income of an UPREIT, such as Wells OP, will be deemed to be assets and income of the REIT.

The property owner's goals are accomplished because a property owner may contribute property to an UPREIT in exchange for limited partnership units on a tax-deferred basis. Further, Wells OP is structured to make distributions with respect to limited partnership units which will be equivalent to the dividend distributions made to stockholders of the Wells REIT. Finally, a limited partner in Wells OP may later exchange his limited partnership units in Wells OP for shares of the Wells REIT (in a taxable transaction) and, if our shares are then listed, achieve liquidity for his investment.

Substantially all of our assets are held by Wells OP, and we intend to make future acquisitions of real properties using the UPREIT structure. The Wells REIT is the sole general partner of Wells OP and, as of June 30, 2002, owned an approximately 99.72% equity percentage interest in Wells OP. Wells Capital, our advisor, contributed $200,000 to Wells OP and is currently the only limited partner owning the other approximately 0.28% equity percentage interest in Wells OP. As the sole general partner of Wells OP, we have the exclusive power to manage and conduct the business of Wells OP.

The following is a summary of certain provisions of the partnership agreement of Wells OP. This summary is not complete and is qualified by the specific language in the partnership agreement. You should refer to the partnership agreement, itself, which we have filed as an exhibit to the registration statement, for more detail.

Capital Contributions

As we accept subscriptions for shares, we will transfer substantially all of the net proceeds of the offering to Wells OP as a capital contribution; however, we will be deemed to have made capital contributions in the amount of the gross offering proceeds received from investors. Wells OP will be deemed to have simultaneously paid the selling commissions and other costs associated with the offering. If Wells OP requires additional funds at any time in excess of capital contributions made by us and Wells Capital or from borrowing, we may borrow funds from a financial institution or other lender and lend such funds to Wells OP on the same terms and conditions as are applicable to our borrowing of such funds. In addition, we are authorized to cause Wells OP to issue partnership interests for less than fair market value if we conclude in good faith that such issuance is in the best interest of Wells OP and the Wells REIT.

Operations

The partnership agreement of Wells OP provides that Wells OP is to be operated in a manner that will (1) enable the Wells REIT to satisfy the requirements for being classified as a REIT for tax purposes, (2) avoid any federal income or excise tax liability, and (3) ensure that Wells OP will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Internal Revenue Code, which classification could result in Wells OP being taxed as a corporation, rather than as a partnership. (See "Federal Income Tax Considerations—Tax Aspects of Our Operating Partnership—Classification as a Partnership.")

The partnership agreement provides that Wells OP will distribute cash flow from operations to the limited partners of Wells OP in accordance with their relative percentage interests on at least a quarterly basis in amounts determined by the Wells REIT as general partner such that a holder of one unit of limited partnership interest in Wells OP will receive the same amount of annual cash flow distributions from Wells OP as the amount of annual dividends paid to the holder of one of our shares. Remaining cash from operations will be distributed to the Wells REIT as the general partner to enable us to make dividend distributions to our stockholders.

Similarly, the partnership agreement of Wells OP provides that taxable income is allocated to the limited partners of Wells OP in accordance with their relative percentage interests such that a holder of one unit of limited partnership interest in Wells OP will be allocated taxable income for each taxable year in an amount equal to the amount of taxable income to be recognized by a holder of one of our shares, subject to compliance with the provisions of Sections 704(b) and 704(c) of the Internal Revenue Code and corresponding Treasury Regulations. Losses, if any, will generally be allocated among the partners in accordance with their respective percentage interests in Wells OP.

Upon the liquidation of Wells OP, after payment of debts and obligations, any remaining assets of Wells OP will be distributed to partners with positive capital accounts in accordance with their respective positive capital account balances. If the Wells REIT were to have a negative balance in its capital account following a liquidation, it would be obligated to contribute cash to Wells OP equal to such negative balance for distribution to other partners, if any, having positive balances in their capital accounts.

In addition to the administrative and operating costs and expenses incurred by Wells OP in acquiring and operating real properties, Wells OP will pay all administrative costs and expenses of the Wells REIT and such expenses will be treated as expenses of Wells OP. Such expenses will include:

- all expenses relating to the formation and continuity of existence of the Wells REIT;
- all expenses relating to the public offering and registration of securities by the Wells REIT;
- all expenses associated with the preparation and filing of any periodic reports by the Wells REIT under federal, state or local laws or regulations;
- all expenses associated with compliance by the Wells REIT with applicable laws, rules and regulations; and
- all other operating or administrative costs of the Wells REIT incurred in the ordinary course of its business on behalf of Wells OP.

Exchange Rights

The limited partners of Wells OP, including Wells Capital, have the right to cause Wells OP to redeem their limited partnership units for cash equal to the value of an equivalent number of our shares, or, at our option, we may purchase their limited partnership units by issuing one share of the Wells REIT for each limited partnership unit redeemed. These exchange rights may not be exercised, however, if and to the extent that the delivery of shares upon such exercise would (1) result in any person owning shares in excess of our ownership limits, (2) result in shares being owned by fewer than 100 persons, (3) result in the Wells REIT being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code, (4) cause the Wells REIT to own 10% or more of the ownership interests in a tenant within the meaning of Section 856(d)(2)(B) of the Internal Revenue Code, or (5) cause the acquisition of shares by a redeemed limited partner to be "integrated" with any other distribution of our shares for purposes of complying with the Securities Act of 1933.

Subject to the foregoing, limited partners may exercise their exchange rights at any time after one year following the date of issuance of their limited partnership units; provided, however, that a limited partner may not deliver more than two exchange notices each calendar year and may not exercise an exchange right for less than 1,000 limited partnership units, unless such limited partner holds less than 1,000 units, in which case, he must exercise his exchange right for all of his units.

Transferability of Interests

The Wells REIT may not (1) voluntarily withdraw as the general partner of Wells OP, (2) engage in any merger, consolidation or other business combination, or (3) transfer its general partnership interest in Wells OP (except to a wholly-owned subsidiary), unless the transaction in which such withdrawal, business combination or transfer occurs results in the limited partners receiving or having the right to receive an amount of cash, securities or other property equal in value to the amount they would have received if they had exercised their exchange rights immediately prior to such transaction or unless, in the case of a merger or other business combination, the successor entity contributes substantially all of its assets to Wells OP in return for an interest in Wells OP and agrees to assume all obligations of the general partner of Wells OP. The Wells REIT may also enter into a business combination or we may transfer our general partnership interest upon the receipt of the consent of a majority-in-interest of the limited partners of Wells OP, other than Wells Capital. With certain exceptions, the limited partners may not transfer their interests in Wells OP, in whole or in part, without the written consent of the Wells REIT as the general partner. In addition, Wells Capital may not transfer its interest in Wells OP as long as it is acting as the advisor to the Wells REIT, except pursuant to the exercise of its right to exchange limited partnership units for Wells REIT shares, in which case similar restrictions on transfer will apply to the REIT shares received by Wells Capital.

PLAN OF DISTRIBUTION

General

We are offering a maximum of 300,000,000 shares to the public through Wells Investment Securities, our Dealer Manager, a registered broker-dealer affiliated with Wells Capital, our advisor. (See “Conflicts of Interest.”) The shares are being offered at a price of $10.00 per share on a “best efforts” basis, which means generally that the Dealer Manager will be required to use only its best efforts to sell the shares and it has no firm commitment or obligation to purchase any of the shares. We are also offering 30,000,000 shares for sale pursuant to our dividend reinvestment plan at a price of $10.00 per share. We reserve the right in the future to reallocate additional shares to our dividend reinvestment plan out of our public offering shares. An additional 6,600,000 shares are reserved for issuance upon exercise of soliciting dealer warrants, which are granted to participating broker-dealers based upon the number of shares they sell. Therefore, a total of 336,600,000 shares are being registered in this offering.

The offering of shares will terminate on or before July 25, 2004. However, we reserve the right to terminate this offering at any time prior to such termination date.

Underwriting Compensation and Terms

Except as provided below, the Dealer Manager will receive selling commissions of 7.0% of the gross offering proceeds. The Dealer Manager will also receive 2.5% of the gross offering proceeds in the form of a dealer manager fee as compensation for acting as the Dealer Manager and for expenses incurred in connection with marketing our shares and paying the employment costs of the Dealer Manager’s wholesalers. Out of its dealer manager fee, the Dealer Manager may pay salaries and commissions to its wholesalers in the aggregate amount of up to 1.0% of gross offering proceeds. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the shares. Stockholders who elect to participate in the dividend reinvestment plan will be charged selling commissions and dealer manager fees on shares purchased pursuant to the dividend reinvestment plan on the same basis as stockholders purchasing shares other than pursuant to the dividend reinvestment plan.

The Dealer Manager may authorize certain other broker-dealers who are members of the NASD (Participating Dealers) to sell our shares. In the event of the sale of shares by such Participating Dealers, the Dealer Manager may reallow its commissions in the amount of up to 7.0% of the gross offering proceeds to such Participating Dealers. In addition, the Dealer Manager may reallow a portion of its dealer manager fee to Participating Dealers in the aggregate amount of up to 1.5% of gross offering proceeds to be paid to such Participating Dealers as marketing fees, or to reimburse representatives of such Participating Dealers the costs and expenses of attending our educational conferences and seminars.

In addition, unless otherwise agreed with the Dealer Manager, Participating Dealers will be reimbursed for bona fide due diligence expenses, not to exceed 0.5% of gross offering proceeds in the aggregate.

We will also award to the Dealer Manager one soliciting dealer warrant for every 50 shares sold to the public or issued to stockholders pursuant to our dividend reinvestment plan during the offering period, except for sales of shares made net of commissions, as described below, in which case no warrants will be issued. The Dealer Manager intends to reallow these warrants to Participating Dealers by awarding one soliciting dealer warrant for every 50 shares sold during the offering period, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The holder of a soliciting dealer warrant will be entitled to purchase one share from the Wells REIT at a price of $12 per share during the period beginning on the first anniversary of the effective date of this offering and ending five years after the effective date of this offering. Participating Dealers are restricted from transferring, assigning, pledging or hypothecating the soliciting dealer warrants (except to certain officers or partners of such Participating Dealers in accordance with applicable NASD Rules) for a period of one year following the effective date of this offering. The shares issuable upon exercise of the soliciting dealer warrants are being registered as part of this offering. For the life of the soliciting dealer warrants, Participating Dealers are given the opportunity to profit from a rise in the market price for the common stock without assuming the risk of ownership, with a resulting dilution in the interest of other stockholders upon exercise of such warrants. In addition, holders of the soliciting dealer warrants would be expected to exercise such warrants at a time when we could obtain needed capital by offering new securities on terms more favorable than those provided by the soliciting dealer warrants. Exercise of the soliciting dealer warrants is governed by the terms and conditions detailed in this prospectus and in the Warrant Purchase Agreement, which is an exhibit to the registration statement.

In no event shall the total aggregate underwriting compensation, including sales commissions, the dealer manager fee and underwriting expense reimbursements, exceed 9.5% of gross offering proceeds in the aggregate, except for the soliciting dealer warrants described above and bona fide due diligence expenses not to exceed 0.5% of gross offering proceeds in the aggregate.

We have agreed to indemnify the Participating Dealers, including the Dealer Manager, against certain liabilities arising under the Securities Act of 1933, as amended.

The Participating Dealers are not obligated to obtain any subscriptions on our behalf, and we cannot assure you that any shares will be sold.

Our executive officers and directors, as well as officers and employees of Wells Capital or other affiliates, may purchase shares in this offering at a discount. The purchase price for such shares shall be $8.90 per share reflecting the fact that the acquisition and advisory fees relating to such shares will be reduced by $0.15 per share (from $0.30 per share to $0.15 per share), and that selling commissions in the amount of $0.70 per share and dealer manager fees in the amount of $0.25 per share will not be payable in connection with such sales. The net offering proceeds we receive will not be affected by such sales of shares at a discount. Wells Capital and its affiliates shall be expected to hold their shares purchased as stockholders for investment and not with a view towards distribution. In addition, shares purchased by Wells Capital or its affiliates shall not be entitled to vote on any matter presented to the stockholders for a vote.

We may sell shares to retirement plans of Participating Dealers, to Participating Dealers in their individual capacities, to IRAs and qualified plans of their registered representatives or to any one of their registered representatives in their individual capacities for 93% of the public offering price in consideration of the services rendered by such broker-dealers and registered representatives in the offering. The net proceeds to the Wells REIT from such sales made net of commissions will be identical to net proceeds we receive from other sales of shares.

In connection with sales of certain minimum numbers of shares to a "purchaser," as defined below, certain volume discounts resulting in reductions in selling commissions payable with respect to such sales are available to investors. In such event, any such reduction will be credited to the investor by reducing the purchase price per share payable by the investor. The following table illustrates the various discount levels available:

Number of Shares Purchased	Purchase Price per Incremental Share in Volume Discount Range	Commissions on Sales per Incremental Share in Volume Discount Range	
		Percentage (based on $10 per share)	Amount
1 to 50,000	$10.00	7.0%	$0.70
50,001 to 100,000	$ 9.80	5.0%	$0.50
100,001 and Over	$ 9.60	3.0%	$0.30

For example, if an investor purchases 200,000 shares he would pay (1) $500,000 for the first 50,000 shares ($10.00 per share), (2) $490,000 for the next 50,000 shares ($9.80 per share), and (3) $960,000 for the remaining 100,000 shares ($9.60 per share). Accordingly, he could pay as little as $1,950,000 ($9.75 per share) rather than $2,000,000 for the shares, in which event the commission on the sale of such shares would be $90,000 ($0.45 per share) and, after payment of the dealer manager fee of $50,000 ($0.25 per share), we would receive net proceeds of $1,810,000 ($9.05 per share). The net proceeds to the Wells REIT will not be affected by volume discounts. Requests to apply the volume discount provisions must be made in writing and submitted simultaneously with your subscription for shares.

Because all investors will be paid the same dividends per share as other investors, an investor qualifying for a volume discount will receive a higher percentage return on his investment than investors who do not qualify for such discount.

Subscriptions may be combined for the purpose of determining the volume discounts in the case of subscriptions made by any "purchaser," as that term is defined below, provided all such shares are purchased through the same broker-dealer. The volume discount shall be prorated among the separate subscribers considered to be a single "purchaser." Any request to combine more than one subscription must be made in writing submitted simultaneously with your subscription for shares, and must set forth the basis for such request. Any such request will be subject to verification by the Dealer Manager that all of such subscriptions were made by a single "purchaser."

For the purposes of such volume discounts, the term "purchaser" includes:

- an individual, his or her spouse and their children under the age of 21 who purchase the units for his, her or their own accounts;
- a corporation, partnership, association, joint-stock company, trust fund or any organized group of persons, whether incorporated or not;
- an employees' trust, pension, profit sharing or other employee benefit plan qualified under Section 401(a) of the Internal Revenue Code; and
- all commingled trust funds maintained by a given bank.

Notwithstanding the above, in connection with volume sales made to investors in the Wells REIT, investors may request in writing to aggregate subscriptions, including subscriptions to public real estate programs previously sponsored by our advisor or its affiliates, as part of a combined order for purposes of determining the number of shares purchased, provided that any aggregate group of subscriptions must be received from the same Participating Dealer, including the Dealer Manager. Any such reduction in selling commission will be prorated among the separate subscribers. An investor may reduce the amount of his purchase price to the net amount shown in the foregoing table, if applicable. As set forth above, all requests to aggregate subscriptions as a single “purchaser” or other application of the foregoing volume discount provisions must be made in writing, and except as provided in this paragraph, separate subscriptions will not be cumulated, combined or aggregated.

California residents should be aware that volume discounts will not be available in connection with the sale of shares made to California residents to the extent such discounts do not comply with the provisions of Rule 260.140.51 adopted pursuant to the California Corporate Securities Law of 1968. Pursuant to this Rule, volume discounts can be made available to California residents only in accordance with the following conditions:

- there can be no variance in the net proceeds to the Wells REIT from the sale of the shares to different purchasers of the same offering;
- all purchasers of the shares must be informed of the availability of quantity discounts;
- the same volume discounts must be allowed to all purchasers of shares which are part of the offering;
- the minimum amount of shares as to which volume discounts are allowed cannot be less than $10,000;
- the variance in the price of the shares must result solely from a different range of commissions, and all discounts allowed must be based on a uniform scale of commissions; and
- no discounts are allowed to any group of purchasers.

Accordingly, volume discounts for California residents will be available in accordance with the foregoing table of uniform discount levels based on dollar volume of shares purchased, but no discounts are allowed to any group of purchasers, and no subscriptions may be aggregated as part of a combined order for purposes of determining the number of shares purchased.

Investors may agree with their broker-dealer to reduce the amount of selling commissions payable with respect to the sale of their shares down to zero (1) in the event that the investor has engaged the services of a registered investment advisor or other financial advisor with whom the investor has agreed to pay compensation for investment advisory services or other financial or investment advice, or (2) in the event that the investor is investing in a bank trust account with respect to which the investor has delegated the decision-making authority for investments made in the account to a bank trust department. The net proceeds to the Wells REIT will not be affected by reducing the commissions payable in connection with such transactions.

Neither the Dealer Manager nor its affiliates will compensate any person engaged as an investment advisor by a potential investor as an inducement for such investment advisor to advise favorably for an investment in the Wells REIT.

In addition, subscribers for shares may agree with their Participating Dealers and the Dealer Manager to have selling commissions due with respect to the purchase of their shares paid over a six-year period pursuant to a deferred commission arrangement. Stockholders electing the deferred commission option will be required to pay a total of $9.40 per share purchased upon subscription, rather than $10.00 per share, with respect to which $0.10 per share will be payable as commissions due upon subscription. For the period of six years following subscription, $0.10 per share will be deducted on an annual basis from dividends or other cash distributions otherwise payable to the stockholders and used by the Wells REIT to pay deferred commission obligations. The net proceeds to the Wells REIT will not be affected by the election of the deferred commission option. Under this arrangement, a stockholder electing the deferred commission option will pay a 1% commission upon subscription, rather than a 7% commission, and an amount equal to a 1% commission per year thereafter for the next six years, or longer if required to satisfy outstanding deferred commission obligations, will be deducted from dividends or other cash distributions otherwise payable to such stockholder and used by the Wells REIT to satisfy commission obligations. The foregoing commission amounts may be adjusted with approval of the Dealer Manager by application of the volume discount provisions described previously.

Stockholders electing the deferred commission option who are subject to federal income taxation will incur tax liability for dividends or other cash distributions otherwise payable to them with respect to their shares even though such dividends or other cash distributions will be withheld from such stockholders and will instead be paid to third parties to satisfy commission obligations.

Investors who wish to elect the deferred commission option should make the election on their Subscription Agreement Signature Page. Election of the deferred commission option shall authorize the Wells REIT to withhold dividends or other cash distributions otherwise payable to such stockholder for the purpose of paying commissions due under the deferred commission option; provided, however, that in no event may the Wells REIT withhold in excess of $0.60 per share in the aggregate under the deferred commission option. Such dividends or cash distributions otherwise payable to stockholders may be pledged by the Wells REIT, the Dealer Manager, Wells Capital or their affiliates to secure one or more loans, the proceeds of which would be used to satisfy sales commission obligations.

In the event that, at any time prior to the satisfaction of our remaining deferred commission obligations, listing of the shares occurs or is reasonably anticipated to occur, or we begin a liquidation of our properties, the remaining commissions due under the deferred commission option may be accelerated by the Wells REIT. In either such event, we shall provide notice of any such acceleration to stockholders who have elected the deferred commission option. In the event of listing, the amount of the remaining commissions due shall be deducted and paid by the Wells REIT out of dividends or other cash distributions otherwise payable to such stockholders during the time period prior to listing. To the extent that the distributions during such time period are insufficient to satisfy the remaining commissions due, the obligation of Wells REIT and our stockholders to make any further payments of deferred commissions under the deferred commission option shall terminate, and Participating Dealers will not be entitled to receive any further portion of their deferred commissions following listing of our shares. In the event of a liquidation of our properties, the amount of remaining commissions due shall be deducted and paid by the Wells REIT out of dividends or net sale proceeds otherwise payable to stockholders who are subject to any such acceleration of their deferred commission obligations. In no event may the Wells REIT withhold in excess of $0.60 per share in the aggregate for the payment of deferred commissions.

Subscription Procedures

You should pay for your shares by check payable to “Wells Real Estate Investment Trust, Inc.” Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. We may not accept a subscription for shares until at least five business days after the date you receive this prospectus. You will receive a confirmation of your purchase. We will initially deposit the subscription proceeds in an interest-bearing account with Bank of America, N.A., Atlanta, Georgia. Subscribers may not withdraw funds from the account. We will withdraw funds from the account periodically for the acquisition of real estate properties, the payment of fees and expenses or other investments approved by our board of directors. We generally admit stockholders to the Wells REIT on a daily basis.

Except for purchases pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs, all accepted subscriptions will be for whole shares and for not less than 100 shares ($1,000). (See "Suitability Standards.") Except in Maine, Minnesota, Nebraska and Washington, investors who have satisfied the minimum purchase requirement and have purchased units or shares in Wells programs or units or shares in other public real estate programs may purchase less than the minimum number of shares discussed above, provided that such investors purchase a minimum of 2.5 shares ($25). After investors have satisfied the minimum purchase requirement, minimum additional purchases must be in increments of at least 2.5 shares ($25), except for purchases made pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs.

Investors who desire to establish an IRA for purposes of investing in shares may do so by having Wells Advisors, Inc., a qualified non-bank IRA custodian affiliated with our advisor, act as their IRA custodian. In the event that an IRA is established having Wells Advisors, Inc. as the IRA custodian, the authority of Wells Advisors, Inc. will be limited to holding the shares on behalf of the beneficiary of the IRA and making distributions or reinvestments in shares solely at the discretion of the beneficiary of the IRA. Wells Advisors, Inc. will not have the authority to vote any of the shares held in an IRA except strictly in accordance with the written instructions of the beneficiary of the IRA.

The proceeds of this offering will be used only for the purposes set forth in the "Estimated Use of Proceeds" section. Subscriptions will be accepted or rejected within 30 days of receipt by the Wells REIT and, if rejected, all funds shall be returned to the rejected subscribers within 10 business days.

The Dealer Manager and each Participating Dealer who sells shares on behalf of the Wells REIT have the responsibility to make every reasonable effort to determine that the purchase of shares is appropriate for the investor and that the requisite suitability standards are met. (See "Suitability Standards.") In making this determination, the Participating Dealer will rely on relevant information provided by the investor, including information as to the investor's age, investment objectives, investment experience, income, net worth, financial situation, other investments, and other pertinent information. Each investor should be aware that the Participating Dealer will be responsible for determining suitability.

The Dealer Manager or each Participating Dealer shall maintain records of the information used to determine that an investment in shares is suitable and appropriate for an investor. These records are required to be maintained for a period of at least six years.

SUPPLEMENTAL SALES MATERIAL

In addition to this prospectus, we may utilize certain sales material in connection with the offering of the shares, although only when accompanied by or preceded by the delivery of this prospectus. In certain jurisdictions, some or all of such sales material may not be available. This material may include information relating to this offering, the past performance of Wells Capital, our advisor, and its affiliates, property brochures and articles and publications concerning real estate. In addition, the sales material may contain certain quotes from various publications without obtaining the consent of the author or the publication for use of the quoted material in the sales material.

The offering of shares is made only by means of this prospectus. Although the information contained in such sales material will not conflict with any of the information contained in this prospectus, such material does not purport to be complete, and should not be considered a part of this prospectus or the registration statement of which this prospectus is a part, or as incorporated by reference in this prospectus or said registration statement or as forming the basis of the offering of the shares.

LEGAL OPINIONS

The legality of the shares being offered hereby has been passed upon for the Wells REIT by Holland & Knight LLP (Holland & Knight). The statements under the caption “Federal Income Tax Consequences” as they relate to federal income tax matters have been reviewed by Holland & Knight, and Holland & Knight has opined as to certain income tax matters relating to an investment in shares of the Wells REIT. Holland & Knight has also represented Wells Capital, our advisor, as well as various other affiliates of Wells Capital, in other matters and may continue to do so in the future. (See “Conflicts of Interest.”)

EXPERTS

Changes in Principal Accountant

On May 8, 2002, the audit committee of our board of directors recommended to the board of directors the dismissal of Arthur Andersen LLP (Andersen) as our independent public accountants, and our board of directors approved the dismissal of Andersen as our independent public accountants; effective immediately.

Andersen’s reports on the consolidated financial statements of the Wells REIT for the years ended December 31, 2001 and December 31, 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 31, 2001 and December 31, 2000, and through the date of Andersen’s dismissal, there were no disagreements with Andersen on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen’s satisfaction, would have caused Andersen to make reference to the subject matter in connection with its report on the consolidated financial statements of the Wells REIT for such years and there were no reportable events as set forth in Item 304(a)(1)(v) of Regulation S-K.

On June 26, 2002, our board of directors approved the recommendation of the audit committee to engage Ernst & Young LLP (Ernst & Young) to audit the financial statements of the Wells REIT, effective immediately. During the fiscal years ended December 31, 2001 and December 31, 2000, and through the date hereof, the Wells REIT did not consult Ernst & Young with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the consolidated financial statements of the Wells REIT, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

Audited Financial Statements

The financial statements of the Wells REIT, as of December 31, 2001 and 2000, and for each of the years in the three-year period ended December 31, 2001, included in this prospectus and elsewhere in the registration statement, have been audited by Andersen, independent public accountants, as indicated in their report with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said report.

In June 2002, Andersen was tried and convicted of federal obstruction of justice charges. Events arising out of the conviction or other events relating to the financial condition of Andersen may adversely affect the ability of Andersen to satisfy any potential claims that may arise out of Andersen’s audits of the financial statements contained in this prospectus. In addition, Andersen has notified us that it will no longer be able to provide us with the necessary consents related to previously audited financial statements contained in our prospectus. Our inability to obtain such consents may also adversely affect your ability to pursue potential claims against Andersen. (See “Risk Factors.”)

Unaudited Financial Statements

The Schedule III—Real Estate Investments and Accumulated Depreciation as of December 31, 2001, which is included in this prospectus, has not been audited.

The financial statements of the Wells REIT, as of March 31, 2002, and for the three month periods ended March 31, 2002 and March 31, 2001, which are included in this prospectus, have not been audited.

ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission (Commission), Washington, D.C., a registration statement under the Securities Act of 1933, as amended, with respect to the shares offered pursuant to this prospectus. This prospectus does not contain all the information set forth in the registration statement and the exhibits related thereto filed with the Commission, reference to which is hereby made. Copies of the registration statement and exhibits related thereto, as well as periodic reports and information filed by the Wells REIT, may be obtained upon payment of the fees prescribed by the Commission, or may be examined at the offices of the Commission without charge, at the public reference facility in Washington, D.C. at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the Commission maintains a Web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

GLOSSARY

The following are definitions of certain terms used in this prospectus and not otherwise defined in this prospectus:

“IRA” means an individual retirement account established pursuant to Section 408 or Section 408A of the Internal Revenue Code.

“NASAA Guidelines” means the Statement of Policy Regarding Real Estate Investment Trusts of the North American Securities Administrators Association, Inc., as revised and adopted on September 29, 1993.

“UBTI” means unrelated business taxable income, as that term is defined in Sections 511 through 514 of the Internal Revenue Code.

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INDEX TO FINANCIAL STATEMENTS AND PRIOR PERFORMANCE TABLES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying consolidated balance sheets of **WELLS REAL ESTATE INVESTMENT TRUST, INC.** (a Maryland corporation) **AND SUBSIDIARY** as of December 31, 2001 and 2000 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. 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 position of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 2001 and 2000 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule III—Real Estate Investments and Accumulated Depreciation as of December 31, 2001 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 25, 2002

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

	2001	2000
ASSETS		
REAL ESTATE ASSETS, at cost:		
Land	$ 86,246,985	$ 46,237,812
Building, less accumulated depreciation of $24,814,454 and $9,469,653 at December 31, 2001 and 2000, respectively	472,383,102	287,862,655
Construction in progress	5,738,573	3,357,720
Total real estate assets	564,368,660	337,458,187
INVESTMENT IN JOINT VENTURES	77,409,980	44,236,597
CASH AND CASH EQUIVALENTS	75,586,168	4,298,301
INVESTMENT IN BONDS	22,000,000	0
ACCOUNTS RECEIVABLE	6,003,179	3,781,034
DEFERRED PROJECT COSTS	2,977,110	550,256
DUE FROM AFFILIATES	1,692,727	309,680
DEFERRED LEASE ACQUISITION COSTS	1,525,199	1,890,332
DEFERRED OFFERING COSTS	0	1,291,376
PREPAID EXPENSES AND OTHER ASSETS, net	718,389	4,734,583
Total assets	$752,281,412	$ 398,550,346
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 8,124,444	$ 127,663,187
Obligation under capital lease	22,000,000	0
Accounts payable and accrued expenses	8,727,473	2,166,387
Due to affiliate	2,166,161	1,772,956
Dividends payable	1,059,026	1,025,010
Deferred rental income	661,657	381,194
Total liabilities	$ 42,738,761	$ 133,008,734
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 125,000,000 shares authorized, 83,761,469 shares issued and 83,206,429 shares outstanding at December 31, 2001; 125,000,000 shares authorized, 31,509,807 shares issued, and 31,368,510 shares outstanding at December 31, 2000	837,614	315,097
Additional paid–in capital	738,236,525	275,573,339
Cumulative distributions in excess of earnings	(24,181,092)	(9,133,855)
Treasury stock, at cost, 555,040 shares at December 31, 2001 and 141,297 shares at December 31, 2000	(5,550,396)	(1,412,969)
Total shareholders' equity	709,342,651	265,341,612
Total liabilities and shareholders' equity	$752,281,412	$ 398,550,346

The accompanying notes are an integral part of these consolidated balance sheets.

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2001, 2000, and 1999

	2001	2000	1999
REVENUES:			
Rental income	**$ 44,204,279**	$ 20,505,000	$ 4,735,184
Equity in income of joint ventures	**3,720,959**	2,293,873	1,243,969
Take out fee (Note 9)	**137,500**	0	0
Interest and other income	**1,246,064**	574,333	516,242
	49,308,802	23,373,206	6,495,395
EXPENSES:			
Depreciation	**15,344,801**	7,743,551	1,726,103
Interest expense	**3,411,210**	3,966,902	442,029
Amortization of deferred financing costs	**770,192**	232,559	8,921
Operating costs, net of reimbursements	**4,128,883**	888,091	(74,666)
Management and leasing fees	**2,507,188**	1,309,974	257,744
General and administrative	**973,785**	438,953	135,144
Legal and accounting	**448,776**	240,209	115,471
	27,584,835	14,820,239	2,610,746
NET INCOME	**$ 21,723,967**	$ 8,552,967	$ 3,884,649
EARNINGS PER SHARE:			
Basic and diluted	**$ 0.43**	$ 0.40	$ 0.50

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

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2001, 2000, and 1999

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
BALANCE, December 31, 1998	3,154,136	$ 31,541	$ 27,567,275	$ (511,163)	$ 334,034	0	$ 0	$ 27,421,687
Issuance of common stock	10,316,949	103,169	103,066,321	0	0	0	0	103,169,490
Net income	0	0	0	0	3,884,649	0	0	3,884,649
Dividends ($.70 per share)	0	0	0	(1,346,240)	(4,218,683)	0	0	(5,564,923)
Sales commissions and discounts	0	0	(9,801,197)	0	0	0	0	(9,801,197)
Other offering expenses	0	0	(3,094,111)	0	0	0	0	(3,094,111)
BALANCE, December 31, 1999	13,471,085	134,710	117,738,288	(1,857,403)	0	0	0	116,015,595
Issuance of common stock	18,038,722	180,387	180,206,833	0	0	0	0	180,387,220
Treasury stock purchased	0	0	0	0	0	(141,297)	(1,412,969)	(1,412,969)
Net income	0	0	0	0	8,552,967	0	0	8,552,967
Dividends ($.73 per share)	0	0	0	(7,276,452)	(8,552,967)	0	0	(15,829,419)
Sales commissions and discounts	0	0	(17,002,554)	0	0	0	0	(17,002,554)
Other offering expenses	0	0	(5,369,228)	0	0	0	0	(5,369,228)
BALANCE, December 31, 2000	31,509,807	315,097	275,573,339	(9,133,855)	0	(141,297)	(1,412,969)	265,341,612
Issuance of common stock	**52,251,662**	**522,517**	**521,994,103**	**0**	**0**	**0**	**0**	**522,516,620**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(413,743)**	**(4,137,427)**	**(4,137,427)**
Net income	**0**	**0**	**0**	**0**	**21,723,967**	**0**	**0**	**21,723,967**
Dvidends ($.76 per share)	**0**	**0**	**0**	**(15,047,237)**	**(21,723,967)**	**0**	**0**	**(36,771,204)**
Sales commissions and discounts	**0**	**0**	**(49,246,118)**	**0**	**0**	**0**	**0**	**(49,246,118)**
Other offering expenses	**0**	**0**	**(10,084,799)**		**0**	**0**	**0**	**(10,084,799)**
BALANCE, December 31, 2001	**83,761,469**	**$ 837,614**	**$ 738,236,525**	**$ (24,181,092)**	**$ 0**	**(555,040)**	**$ (5,550,396)**	**$ 709,342,651**

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

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 21,723,967**	$ 8,552,967	$ 3,884,649
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of joint ventures	**(3,720,959)**	(2,293,873)	(1,243,969)
Depreciation	**15,344,801**	7,743,551	1,726,103
Amortization of deferred financing costs	**770,192**	232,559	8,921
Amortization of deferred leasing costs	**303,347**	350,991	0
Write-off of deferred lease acquisition fees	**61,786**	0	0
Changes in assets and liabilities:			
Accounts receivable	**(2,222,145)**	(2,457,724)	(898,704)
Due from affiliates	**10,995**	(435,600)	0
Prepaid expenses and other assets, net	**3,246,002**	(6,826,568)	149,501
Accounts payable and accrued expenses	**6,561,086**	1,941,666	36,894
Deferred rental income	**280,463**	144,615	236,579
Due to affiliates	**(10,193)**	367,055	108,301
Total adjustments	**20,625,375**	(1,233,328)	123,626
Net cash provided by operating activities	**42,349,342**	7,319,639	4,008,275
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate	**(227,933,858)**	(231,518,138)	(85,514,506)
Investment in joint ventures	**(33,690,862)**	(15,063,625)	(17,641,211)
Deferred project costs paid	**(17,220,446)**	(6,264,098)	(3,610,967)
Distributions received from joint ventures	**4,239,431**	3,529,401	1,371,728
Net cash used in investing activities	**(274,605,735)**	(249,316,460)	(105,394,956)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	**110,243,145**	187,633,130	40,594,463
Repayments of notes payable	**(229,781,888)**	(83,899,171)	(30,725,165)
Dividends paid to shareholders	**(36,737,188)**	(16,971,110)	(3,806,398)
Issuance of common stock	**522,516,620**	180,387,220	103,169,490
Treasury stock purchased	**(4,137,427)**	(1,412,969)	0
Sales commissions paid	**(49,246,118)**	(17,002,554)	(9,801,197)
Offering costs paid	**(9,312,884)**	(5,369,228)	(3,094,111)
Net cash provided by financing activities	**303,544,260**	243,365,318	96,337,082
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**71,287,867**	1,368,497	(5,049,599)
CASH AND CASH EQUIVALENTS, beginning of year	**4,298,301**	2,929,804	7,979,403
CASH AND CASH EQUIVALENTS, end of year	**$ 75,586,168**	$ 4,298,301	$ 2,929,804
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITI ES:			
Deferred project costs applied to real estate assets	**$ 14,321,416**	$ 5,114,279	$ 3,183,239
Deferred project costs contributed to joint ventures	**$ 1,395,035**	$ 627,656	$ 735,056
Deferred project costs due to affiliate	**$ 1,114,140**	$ 191,281	$ 191,783
Deferred offering costs due to affiliate	**$ 0**	$ 1,291,376	$ 964,941
Reversal of deferred offering costs due to affiliate	**$ 964,941**	$ 0	$ 0
Other offering expenses due to affiliate	**$ 943,107**	$ 0	$ 0

Assumption of obligation under capital lease	**$ 22,000,000**	$ 0	$ 0
Investment in bonds	**$ 22,000,000**	$ 0	$ 0

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001, 2000, and 1999

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). The Company is conducting an offering for the sale of a maximum of 125,000,000 (exclusive of 10,000,000 shares available pursuant to the Company's dividend reinvestment program) shares of common stock, $.01 par value per share, at a price of $10 per share. The Company will seek to acquire and operate commercial properties, including, but not limited to, office buildings, shopping centers, business and industrial parks, and other commercial and industrial properties, including properties which are under construction, are newly constructed, or have been constructed and have operating histories. All such properties may be acquired, developed, and operated by the Company alone or jointly with another party. The Company is likely to enter into one or more joint ventures with affiliated entities for the acquisition of properties. In connection therewith, the Company may enter into joint ventures for the acquisition of properties with prior or future real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership. During 1997, the Operating Partnership issued 20,000 limited partner units to the Advisor in exchange for $200,000. The Company is the sole general partner in the Operating Partnership and possesses full legal control and authority over the operations of the Operating Partnership; consequently, the accompanying consolidated financial statements of the Company include the accounts of the Operating Partnership. All significant intercompany balances have been eliminated in consolidation.

The Company owns interests in the following properties directly through its ownership in the Operating Partnership: (i) the PricewaterhouseCoopers property (the "PwC Building"), a four-story office building located in Tampa, Florida; (ii) the AT&T Building, a four-story office building located in Harrisburg, Pennsylvania; (iii) the Marconi Data Systems property (the "Marconi Building"), a two-story office, assembly, and manufacturing building located in Wood Dale, Illinois; (iv) the Cinemark Property (the "Cinemark Building"), a five-story office building located in Plano, Texas; (v) the Matsushita Property (the "Matsushita Building"), a two-story office building located in Lake Forest, California; (vi) the ASML Property (the "ASML Building"), a two-story office and warehouse building located in Tempe, Arizona; (vii) the Motorola Property (the "Motorola Tempe Building"), a two-story office building located in Tempe, Arizona; (viii) the Dial Property (the "Dial Building"), a two-story office building located in Scottsdale, Arizona; (ix) the Delphi Building, a three-story office building located in Troy, Michigan; (x) the Avnet Property (the "Avnet Building"), a two-story office building located in Tempe, Arizona; (xi) the Metris Oklahoma Building, a three-story office building located in Tulsa, Oklahoma; (xii) the Alstom Power-Richmond Building, a four-story office building located in Richmond, Virginia; (xiii) the Motorola Plainfield Building, a three-story office building located in South Plainfield, New Jersey; (xiv) the Stone & Webster Building, a six-story office building located in Houston, Texas; (xv) the Metris Minnetonka Building, a nine-story office building located in Minnetonka, Minnesota; (xvi) the State Street Bank Building, a seven-story office building located in Quincy, Massachusetts; (xvii) the IKON Buildings, two one-story office buildings located in Houston, Texas; (xviii) the Ingram Micro Distribution Facility, a one-story office and warehouse building located in Millington, Tennessee; (xix) the Lucent Building, a four-story office building located in Cary, North Carolina; (xx) the Nissan land (the "Nissan Property"), a 14.873 acre tract of undeveloped land located in Irving, Texas; (xxi) the Convergys Building, a two-story office building located in Tamarac, Florida; and (xxii) the Windy Point Buildings, a seven-story office building and an eleven-story office building located in Schaumburg, Illinois.

The Company owns an interest in one property through a joint venture between the Operating Partnership, Wells Real Estate Fund VIII, L.P. ("Wells Fund VIII"), and Wells Real Estate Fund IX, L.P. ("Wells Fund IX"), which is referred to as the Fund VIII, IX, and REIT Joint Venture. The Company also owns interests in five properties through a joint venture between the Operating Partnership, Wells Fund IX, Wells Real Estate Fund X, L.P. ("Wells Fund X"), and Wells Real Estate Fund XI, L.P. ("Wells Fund XI"), which is referred to as the Fund IX, Fund X, Fund XI, and REIT Joint Venture. The Company owns an interest in one property through each of two unique joint ventures between the Operating Partnership and Fund X and XI Associates, a joint venture between Wells Fund X and Wells Fund XI. In addition, the Company owns interests in four properties through a joint venture between the Operating Partnership, Wells Fund XI, and Wells Real Estate Fund XII, L.P. ("Wells Fund XII"), which is referred to as the Fund XI, XII, and REIT Joint Venture. The Company owns interests in three properties through a joint venture between the Operating Partnership and Wells Fund XII, which is referred to as the Fund XII and REIT Joint Venture. The Company also owns interests in two properties through a joint venture between the Operating Partnership and Wells Fund XIII, which is referred to as the Fund XIII and REIT Joint Venture.

Through its investment in the Fund VIII, IX, and REIT Joint Venture, the Company owns an interest in a two-story office building in Irvine, California (the "Quest Building").

The following properties are owned by the Company through its investment in the Fund IX, X, XI, and REIT Joint Venture: (i) a three-story office building in Knoxville, Tennessee (the "Alstom Power Building"), (ii) a two-story office building in Louisville, Colorado (the "Ohmeda Building"), (iii) a three-story office building in Broomfield, Colorado (the "360 Interlocken Building"), (iv) a one-story office and warehouse building in Ogden, Utah (the "Iomega Building"), and (v) a one-story office building in Oklahoma City, Oklahoma (the "Avaya Building").

Through its investment in two joint ventures with Fund X and XI Associates, the Company owns interests in the following properties: (i) a one-story office and warehouse building in Fountain Valley, California (the "Cort Furniture Building"), owned by Wells/Orange County Associates and (ii) a two-story manufacturing and office building in Fremont, California (the "Fairchild Building"), owned by Wells/Fremont Associates.

The following properties are owned by the Company through its investment in the Fund XI, XII, and REIT Joint Venture: (i) a two-story manufacturing and office building in Fountain Inn, South Carolina (the "EYBL CarTex Building"), (ii) a three-story office building Leawood, Kansas (the "Sprint Building"), (iii) an office and warehouse building in Chester County, Pennsylvania (the "Johnson Matthey Building"), and (iv) a two-story office building in Ft. Myers, Florida (the "Gartner Building").

Through its investment in the Fund XII and REIT Joint Venture, the Company owns interests in the following properties: (i) a three-story office building in Troy, Michigan (the "Siemens Building"), (ii) a one-story office building and a two-story office building in Oklahoma City, Oklahoma (collectively referred to as the "AT&T Call Center Buildings"), and (iii) a three-story office building in Brentwood, Tennessee (the "Comdata Building").

The following properties are owned by the Company through its investment in the Fund XIII and REIT Joint Venture: (i) a one-story office building in Orange Park, Florida (the "AmeriCredit Building"), and (ii) two connected one-story office and assembly buildings in Parker, Colorado (the "ADIC Buildings").

Use of Estimates and Factors Affecting the Company

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The carrying values of real estate are based on management's current intent to hold the real estate assets as long-term investments. The success of the Company's future operations and the ability to realize the investment in its assets will be dependent on the Company's ability to maintain rental rates, occupancy, and an appropriate level of operating expenses in future years. Management believes that the steps it is taking will enable the Company to realize its investment in its assets.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to shareholders. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to federal income tax on distributed taxable income. Even if the Company qualifies as a REIT, it may be subject to certain state and local taxes on its income and real estate assets, and to federal income and excise taxes on its undistributed taxable income. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as the Company made distributions equal to or in excess of its taxable income in each of the three years in the period ended December 31, 2001.

Real Estate Assets

Real estate assets held by the Company and joint ventures are stated at cost less accumulated depreciation. Major improvements and betterments are capitalized when they extend the useful life of the related asset. All repair and maintenance expenditures are expensed as incurred.

Management continually monitors events and changes in circumstances which could indicate that carrying amounts of real estate assets may not be recoverable. When events or changes in circumstances are present which indicate that the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of real estate assets by determining whether the carrying value of such real estate assets will be recovered through the future cash flows expected from the use of the asset and its eventual disposition. Management has determined that there has been no impairment in the carrying value of real estate assets held by the Company or the joint ventures as of December 31, 2001 and 2000.

Depreciation of building and improvements is calculated using the straight-line method over 25 years. Tenant improvements are amortized over the life of the related lease or the life of the asset, whichever is shorter.

Revenue Recognition

All leases on real estate assets held by the Company or the joint ventures are classified as operating leases, and the related rental income is recognized on a straight-ine basis over the terms of the respective leases.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value, and consist of investments in money market accounts.

Deferred Lease Acquisition Costs

Costs incurred to procure operating leases are capitalized and amortized on a straight-line basis over the terms of the related leases.

Earnings Per Share

Earnings per share are calculated based on the weighted average number of common shares outstanding during each period. The weighted average number of common shares outstanding is identical for basic and fully diluted earnings per share, as there is no dilutive impact created from the Company's stock option plan (Note 10) using the treasury stock method.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year financial statement presentation.

Investment in Joint Ventures

Basis of Presentation

The Operating Partnership does not have control over the operations of the joint ventures; however, it does exercise significant influence. Accordingly, the Operating Partnership's investments in joint ventures are recorded using the equity method of accounting.

Partners' Distributions and Allocations of Profit and Loss

Cash available for distribution and allocations of profit and loss to the Operating Partnership by the joint ventures are made in accordance with the terms of the individual joint venture agreements. Generally, these items are allocated in proportion to the partners' respective ownership interests. Cash is paid from the joint ventures to the Operating Partnership on a quarterly basis.

Deferred Lease Acquisition Costs

Costs incurred to procure operating leases are capitalized and amortized on a straight-line basis over the terms of the related leases. Deferred lease acquisition costs are included in prepaid expenses and other assets, net, in the balance sheets presented in Note 5.

2. DEFERRED PROJECT COSTS

The Company paid a percentage of shareholder contributions to the Advisor for acquisition and advisory services and acquisition expenses. These payments, as stipulated in the prospectus, can be up to 3.5% of shareholder contributions, subject to certain overall limitations contained in the prospectus. Aggregate fees paid through December 31, 2001 were $29,122,286 and amounted to 3.5% of shareholders' contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint ventures or real estate assets. Deferred project costs at December 31, 2001 and 2000 represent fees not yet applied to properties.

3. DEFERRED OFFERING COSTS

Offering expenses, to the extent they exceed 3% of gross offering proceeds, will be paid by the Advisor and not by the Company. Offering expenses include such costs as legal and accounting fees, printing costs, and other offering expenses and specifically exclude sales costs and underwriting commissions.

As of December 31, 2001, the Advisor paid offering expenses on behalf of the Company in the aggregate amount of $20,459,289, of which the Advisor had been reimbursed $18,551,241, which did not exceed the 3% limitation.

4. RELATED-PARTY TRANSACTIONS

Due from affiliates at December 31, 2001 and 2000 represents the Operating Partnership's share of the cash to be distributed from its joint venture investments for the fourth quarter of 2001 and 2000 and advances due from the Advisor as of December 31, 2000:

	2001	2000
Fund VIII, IX, and REIT Joint Venture	**$ 46,875**	$ 21,605
Fund IX, X, XI, and REIT Joint Venture	**36,073**	12,781
Wells/Orange County Associates	**83,847**	24,583
Wells/Fremont Associates	**164,196**	53,974
Fund XI, XII, and REIT Joint Venture	**429,980**	136,648
Fund XII and REIT Joint Venture	**680,542**	49,094
Fund XIII and REIT	**251,214**	0
Advisor	**0**	10,995
	$ 1,692,727	$ 309,680

The Operating Partnership entered into a property management and leasing agreement with Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor. In consideration for supervising the management and leasing of the Operating Partnership's properties, the Operating Partnership will pay management and leasing fees equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) .6% of the net asset value of the properties (excluding vacant properties) owned by the Company to Wells Management. These management and leasing fees are calculated on an annual basis plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent.

The Operating Partnership's portion of the management and leasing fees and lease acquisition costs paid to Wells Management, both directly and at the joint venture level, were $2,468,294, $1,111,748, and $336,517 for the years ended December 31, 2001, 2000, and 1999, respectively.

The Advisor performs certain administrative services for the Operating Partnership, such as accounting and other partnership administration, and incurs the related expenses. Such expenses are allocated among the Operating Partnership and the various Wells Real Estate Funds based on time spent on each fund by individual administrative personnel. In the opinion of management, such allocation is a reasonable basis for allocating such expenses.

The Advisor is a general partner in various Wells Real Estate Funds. As such, there may exist conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with the Operating Partnership for tenants in similar geographic markets.

5. INVESTMENT IN JOINT VENTURES

The Operating Partnership's investment and percentage ownership in joint ventures at December 31, 2001 and 2000 are summarized as follows:

	2001		2000	
	Amount	Percent	Amount	Percent
Fund VIII, IX, and REIT Joint Venture	**$ 1,189,067**	**16%**	$ 1,276,551	16%
Fund IX, X, XI, and REIT Joint Venture	**1,290,360**	**4**	1,339,636	4
Wells/Orange County Associates	**2,740,000**	**44**	2,827,607	44
Wells/Fremont Associates	**6,575,358**	**78**	6,791,287	78
Fund XI, XII, and REIT Joint Venture	**17,187,985**	**57**	17,688,615	57
Fund XII and REIT Joint Venture	**30,299,872**	**55**	14,312,901	47
Fund XIII and REIT Joint Venture	**18,127,338**	**68**	0	0
	$ 77,409,980		$ 44,236,597	

The following is a roll forward of the Operating Partnership's investment in joint ventures for the years ended December 31, 2001 and 2000:

	2001	2000
Investment in joint ventures, beginning of year	**$ 44,236,597**	$ 29,431,176
Equity in income of joint ventures	**3,720,959**	2,293,873
Contributions to joint ventures	**35,085,897**	15,691,281
Distributions from joint ventures	**(5,633,473)**	(3,179,733)
Investment in joint ventures, end of year	**$ 77,409,980**	$ 44,236,597

Fund VIII, IX, and REIT Joint Venture

On June 15, 2000, Fund VIII and IX Associates, a joint venture between Wells Real Estate Fund VIII, L.P. ("Fund VIII") and Wells Real Estate Fund IX, L.P. ("Fund IX"), entered into a joint venture with the Operating Partnership to form Fund VIII, IX, and REIT Joint Venture, for the purpose of acquiring, developing, operating, and selling real properties.

On July 1, 2000, Fund VIII and IX Associates contributed the Quest Building (formerly the Bake Parkway Building) to the joint venture. Fund VIII, IX, and REIT Joint Venture recorded the net assets of the Quest Building at an amount equal to the respective historical net book values. The Quest Building is a two-story office building containing approximately 65,006 rentable square feet on a 4.4-acre tract of land in Irvine, California. During 2000, the Operating Partnership contributed $1,282,111 to the Fund VIII, IX, and REIT Joint Venture. Ownership percentage interests were recomputed accordingly.

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Following are the financial statements for Fund VIII, IX, and REIT Joint Venture:

Fund VIII, IX, and REIT Joint Venture
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

	2001	2000
Assets		
Real estate assets, at cost:		
Land	**$ 2,220,993**	$ 2,220,993
Building and improvements, less accumulated depreciation of $649,436 in 2001 and $187,891 in 2000	**4,952,724**	5,408,892
Total real estate assets	**7,173,717**	7,629,885
Cash and cash equivalents	**297,533**	170,664
Accounts receivable	**164,835**	197,802
Prepaid expenses and other assets, net	**191,799**	283,864
Total assets	**$ 7,827,884**	$ 8,282,215
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable	**$ 676**	$ 0
Partership distributions payable	**296,856**	170,664
Total liabilities	**297,532**	170,664
Partners' capital:		
Fund VIII and IX Associates	**6,341,285**	6,835,000
Wells Operating Partnership, L.P.	**1,189,067**	1,276,551
Total partners' capital	**7,530,352**	8,111,551
Total liabilities and partners' capital	**$ 7,827,884**	$ 8,282,215

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Fund VIII, IX, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Income
for the Year Ended December 31, 2001 and
the Period from June 15, 2000 (Inception) Through
December 31, 2000

	2001	2000
Revenues:		
Rental income	**$ 1,207,995**	$ 563,049
Interest income	**729**	0
	1,208,724	563,049
Expenses:		
Depreciation	**461,545**	187,891
Management and leasing fees	**142,735**	54,395
Property administration expenses	**22,278**	5,692
Operating costs, net of reimbursements	**15,326**	5,178
	641,884	253,156
Net income	**$ 566,840**	$ 309,893
Net income allocated to Fund VIII and IX Associates	**$ 477,061**	$ 285,006
Net income allocated to Wells Operating Partnership, L.P.	**$ 89,779**	$ 24,887

Fund VIII, IX, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Year Ended December 31, 2001 and
the Period from June 15, 2000 (Inception) Through
December 31, 2000

	Fund VIII and IX Associates	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, June 15, 2000 (inception)	$ 0	$ 0	$ 0
Net income	285,006	24,887	309,893
Partnership contributions	6,857,889	1,282,111	8,140,000
Partnership distributions	(307,895)	(30,447)	(338,342)
Balance, December 31, 2000	6,835,000	1,276,551	8,111,551
Net income	**477,061**	**89,779**	**566,840**
Partnership contributions	**0**	**5,377**	**5,377**
Partnership distributions	**(970,776)**	**(182,640)**	**(1,153,416)**
Balance, December 31, 2001	**$ 6,341,285**	**$ 1,189,067**	**$ 7,530,352**

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Fund VIII, IX, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Cash Flows
for the Year Ended December 31, 2001 and
the Period from June 15, 2000 (Inception) Through
December 31, 2000

	2001	2000
Cash flows from operating activities:		
Net income	**$ 566,840**	$ 309,893
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**461,545**	187,891
Changes in assets and liabilities:		
Accounts receivable	**32,967**	(197,802)
Prepaid expenses and other assets, net	**92,065**	(283,864)
Accounts payable	**676**	0
Total adjustments	**587,253**	(293,775)
Net cash provided by operating activities	**1,154,093**	16,118
Cash flows from investing activities:		
Investment in real estate	**(5,377)**	(959,887)
Cash flows from financing activities:		
Contributions from joint venture partners	**5,377**	1,282,111
Distributions to joint venture partners	**(1,027,224)**	(167,678)
Net cash (used in) provided by financing activities	**(1,021,847)**	1,114,433
Net increase in cash and cash equivalents	**126,869**	170,664
Cash and cash equivalents, beginning of period	**170,664**	0
Cash and cash equivalents, end of year	**$ 297,533**	$ 170,664
Supplemental disclosure of noncash activities:		
Real estate contribution received from joint venture partner	**$ 0**	$6,857,889

Fund IX, X, XI, and REIT Joint Venture

On March 20, 1997, Fund IX and Wells Real Estate Fund X, L.P. ("Fund X") entered into a joint venture agreement. The joint venture, Fund IX and X Associates, was formed to acquire, develop, operate, and sell real properties. On March 20, 1997, Wells Fund IX contributed a 5.62-acre tract of real property in Knoxville, Tennessee, and improvements thereon, known as the Alstom Power Building, to the Fund IX and X Associates joint venture. An 84,404-square foot, three-story building was constructed and commenced operations at the end of 1997.

On February 13, 1998, the joint venture purchased a two-story office building, known as the Ohmeda Building, in Louisville, Colorado. On March 20, 1998, the joint venture purchased a three-story office building, known as the 360 Interlocken Building, in Broomfield, Colorado. On June 11, 1998, Fund IX and X Associates was amended and restated to admit Wells Real Estate Fund XI, L.P. ("Fund XI") and the Operating Partnership. The joint venture was renamed the Fund IX, X, XI, and REIT Joint Venture. On June 24, 1998, the new joint venture purchased a one-story office building, known as the Avaya Building, in Oklahoma City, Oklahoma. On April 1, 1998, Wells Fund X purchased a one-story warehouse facility, known as the Iomega Building, in Ogden, Utah. On July 1, 1998, Wells Fund X contributed the Iomega Building to the Fund IX, X, XI, and REIT Joint Venture.

During 1999, Fund IX and Fund XI made contributions to the Fund IX, X, XI, and REIT Joint Venture; during 2000, Fund IX and Fund X made contributions to the Fund IX, X, XI, and REIT Joint Venture.

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Following are the financial statements for the Fund IX, X, XI, and REIT Joint Venture:

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

	2001	2000
Assets		
Real estate assets, at cost:		
Land	**$ 6,698,020**	$ 6,698,020
Building and improvements, less accumulated depreciation of $5,619,744 in 2001 and $4,203,502 in 2000	**27,178,526**	28,594,768
Total real estate assets, net	**33,876,546**	35,292,788
Cash and cash equivalents	**1,555,917**	1,500,044
Accounts receivable	**596,050**	422,243
Prepaid expenses and other assets, net	**439,002**	487,276
Total assets	**$ 36,467,515**	$ 37,702,351
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable and accrued liabilities	**$ 620,907**	$ 568,517
Refundable security deposits	**100,336**	99,279
Due to affiliates	**13,238**	9,595
Partnership distributions payable	**966,912**	931,151
Total liabilities	**1,701,393**	1,608,542
Partners' capital:		
Wells Real Estate Fund IX	**13,598,505**	14,117,803
Wells Real Estate Fund X	**16,803,586**	17,445,277
Wells Real Estate Fund XI	**3,073,671**	3,191,093
Wells Operating Partnership, L.P.	**1,290,360**	1,339,636
Total partners' capital	**34,766,122**	36,093,809
Total liabilities and partners' capital	**$ 36,467,515**	$ 37,702,351

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The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Income
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Revenues:			
Rental income	**$4,174,379**	$ 4,198,388	$3,932,962
Other income	**119,828**	116,129	61,312
Interest income	**50,002**	73,676	58,768
	4,344,209	4,388,193	4,053,042
Expenses:			
Depreciation	**1,416,242**	1,411,434	1,538,912
Management and leasing fees	**357,761**	362,774	286,139
Operating costs, net of reimbursements	**(232,601)**	(133,505)	(34,684)
Property administration expense	**91,747**	57,924	59,886
Legal and accounting	**26,223**	20,423	30,545
	1,659,372	1,719,050	1,880,798
Net income	**$ 2,684,837**	$ 2,669,143	$ 2,172,244
Net income allocated to Wells Real Estate Fund IX	**$ 1,050,156**	$ 1,045,094	$ 850,072
Net income allocated to Wells Real Estate Fund X	**$ 1,297,665**	$ 1,288,629	$ 1,056,316
Net income allocated to Wells Real Estate Fund XI	**$ 237,367**	$ 236,243	$ 184,355
Net income allocated to Wells Operating Partnership, L.P.	**$ 99,649**	$ 99,177	$ 81,501

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Years Ended December 31, 2001, 2000, and 1999

	Wells Real Estate Fund IX	Wells Real Estate Fund X	Wells Real Estate Fund XI	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, December 31, 1998	$ 14,960,100	$ 18,707,139	$ 2,521,003	$ 1,443,378	$ 37,631,620
Net income	850,072	1,056,316	184,355	81,501	2,172,244
Partnership contributions	198,989	0	911,027	0	1,110,016
Partnership distributions	(1,418,535)	(1,762,586)	(307,982)	(135,995)	(3,625,098)
Balance, December 31, 1999	14,590,626	18,000,869	3,308,403	1,388,884	37,288,782
Net income	1,045,094	1,288,629	236,243	99,177	2,669,143
Partnership contributions	46,122	84,317	0	0	130,439
Partnership distributions	(1,564,039)	(1,928,538)	(353,553)	(148,425)	(3,994,555)
Balance, December 31, 2000	14,117,803	17,445,277	3,191,093	1,339,636	36,093,809
Net income	**1,050,156**	**1,297,665**	**237,367**	**99,649**	**2,684,837**
Partnership distributions	**(1,569,454)**	**(1,939,356)**	**(354,789)**	**(148,925)**	**(4,012,524)**
Balance, December 31, 2001	**$ 13,598,505**	**$ 16,803,586**	**$ 3,073,671**	**$ 1,290,360**	**$ 34,766,122**

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Cash Flows
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Cash flows from operating activities:			
Net income	**$ 2,684,837**	$ 2,669,143	$ 2,172,244
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**1,416,242**	1,411,434	1,538,912
Changes in assets and liabilities:			
Accounts receivable	**(173,807)**	132,722	(421,708)
Prepaid expenses and other assets, net	**48,274**	39,133	(85,281)
Accounts payable and accrued liabilities, and refundable security deposits	**53,447**	(37,118)	295,177
Due to affiliates	**3,643**	3,216	1,973
Total adjustments	**1,347,799**	1,549,387	1,329,073
Net cash provided by operating activities	**4,032,636**	4,218,530	3,501,317
Cash flows from investing activities:			
Investment in real estate	**0**	(127,661)	(930,401)
Cash flows from financing activities:			
Distributions to joint venture partners	**(3,976,763)**	(3,868,138)	(3,820,491)
Contributions received from partners	**0**	130,439	1,066,992
Net cash used in financing activities	**(3,976,763)**	(3,737,699)	(2,753,499)
Net increase (decrease) in cash and cash equivalents	**55,873**	353,170	(182,583)
Cash and cash equivalents, beginning of year	**1,500,044**	1,146,874	1,329,457
Cash and cash equivalents, end of year	**$ 1,555,917**	$ 1,500,044	$ 1,146,874
Supplemental disclosure of noncash activities:			
Deferred project costs contributed to joint venture	**$ 0**	$ 0	$ 43,024

Wells/Orange County Associates

On July 27, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Orange County Associates. On July 31, 1998, Wells/Orange County Associates acquired a 52,000-square foot warehouse and office building located in Fountain Valley, California, known as the Cort Furniture Building.

On September 1, 1998, Fund X and XI Associates acquired Wells Development Corporation's interest in Wells/Orange County Associates, which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Cort Furniture Building.

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Following are the financial statements for Wells/Orange County Associates:

Wells/Orange County Associates
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

Assets

	2001	2000
Real estate assets, at cost:		
Land	**$ 2,187,501**	$ 2,187,501
Building, less accumulated depreciation of $651,780 in 2001 and $465,216 in 2000	**4,012,335**	4,198,899
Total real estate assets	**6,199,836**	6,386,400
Cash and cash equivalents	**188,407**	119,038
Accounts receivable	**80,803**	99,154
Prepaid expenses and other assets	**9,426**	0
Total assets	**$ 6,478,472**	$6,604,592

Liabilities and Partners' Capital

	2001	2000
Liabilities:		
Accounts payable	**$ 11,792**	$ 1,000
Partnership distributions payable	**192,042**	128,227
Total liabilities	**203,834**	129,227
Partners' capital:		
Wells Operating Partnership, L.P.	**2,740,000**	2,827,607
Fund X and XI Associates	**3,534,638**	3,647,758
Total partners' capital	**6,274,638**	6,475,365
Total liabilities and partners' capital	**$ 6,478,472**	$6,604,592

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Wells/Orange County Associates
(A Georgia Joint Venture)

Statements of Income
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Revenues:			
Rental income	**$ 795,528**	$795,545	$795,545
Interest income	**2,409**	0	0
	797,937	795,545	795,545
Expenses:			
Depreciation	**186,564**	186,564	186,565
Management and leasing fees	**33,547**	30,915	30,360
Operating costs, net of reimbursements	**21,855**	5,005	22,229
Legal and accounting	**9,800**	4,100	5,439
	251,766	226,584	244,593
Net income	**$ 546,171**	$568,961	$550,952
Net income allocated to Wells Operating Partnership, L.P.	**$ 238,542**	$ 248,449	$ 240,585
Net income allocated to Fund X and XI Associates	**$ 307,629**	$ 320,512	$ 310,367

Wells/Orange County Associates
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Years Ended December 31, 2001, 2000, and 1999

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1998	$2,958,617	$3,816,766	$ 6,775,383
Net income	240,585	310,367	550,952
Partnership distributions	(306,090)	(394,871)	(700,961)
Balance, December 31, 1999	2,893,112	3,732,262	6,625,374
Net income	248,449	320,512	568,961
Partnership distributions	(313,954)	(405,016)	(718,970)
Balance, December 31, 2000	2,827,607	3,647,758	6,475,365
Net income	**238,542**	**307,629**	**546,171**
Partnership distributions	**(326,149)**	**(420,749)**	**(746,898)**
Balance, December 31, 2001	**$ 2,740,000**	**$ 3,534,638**	**$ 6,274,638**

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Wells/Orange County Associates
(A Georgia Joint Venture)

Statements of Cash Flows
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Cash flows from operating activities:			
Net income	**$ 546,171**	$568,961	$550,952
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**186,564**	186,564	186,565
Changes in assets and liabilities:			
Accounts receivable	**18,351**	(49,475)	(36,556)
Accounts payable	**10,792**	1,000	(1,550)
Prepaid and other expenses	**(9,426)**	0	0
Total adjustments	**206,281**	138,089	148,459
Net cash provided by operating activities	**752,452**	707,050	699,411
Cash flows from financing activities:			
Distributions to partners	**(683,083)**	(764,678)	(703,640)
Net increase (decrease) in cash and cash equivalents	**69,369**	(57,628)	(4,229)
Cash and cash equivalents, beginning of year	**119,038**	176,666	180,895
Cash and cash equivalents, end of year	**$ 188,407**	$ 119,038	$176,666

Wells/Fremont Associates

On July 15, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Fremont Associates. On July 21, 1998, Wells/Fremont Associates acquired a 58,424-square foot two-story manufacturing and office building located in Fremont, California, known as the Fairchild Building.

On October 8, 1998, Fund X and XI Associates acquired Wells Development Corporation’s interest in Wells/Fremont Associates, which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Fairchild Building.

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Following are the financial statements for Wells/Fremont Associates:

Wells/Fremont Associates
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

Assets

	2001	2000
Real estate assets, at cost:		
Land	**$ 2,219,251**	$2,219,251
Building, less accumulated depreciation of $999,301 in 2001 and $713,773 in 2000	**6,138,857**	6,424,385
Total real estate assets	**8,358,108**	8,643,636
Cash and cash equivalents	**203,750**	92,564
Accounts receivable	**133,801**	126,433
Total assets	**$ 8,695,659**	$ 8,862,633

Liabilities and Partners' Capital

	2001	2000
Liabilities:		
Accounts payable	**$ 1,896**	$ 3,016
Due to affiliate	**8,030**	7,586
Partnership distributions payable	**201,854**	89,549
Total liabilities	**211,780**	100,151
Partners' capital:		
Wells Operating Partnership, L.P.	**6,575,358**	6,791,287
Fund X and XI Associates	**1,908,521**	1,971,195
Total partners' capital	**8,483,879**	8,762,482
Total liabilities and partners' capital	**$ 8,695,659**	$ 8,862,633

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Wells/Fremont Associates
(A Georgia Joint Venture)

Statements of Income
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Revenues:			
Rental income	**$ 902,945**	$ 902,946	$ 902,946
Interest income	**2,713**	0	0
Other income	**2,015**	0	0
	907,673	902,946	902,946
Expenses:			
Depreciation	**285,528**	285,527	285,526
Management and leasing fees	**36,267**	36,787	37,355
Operating costs, net of reimbursements	**16,585**	13,199	16,006
Legal and accounting	**6,400**	4,300	4,885
	344,780	339,813	343,772
Net income	**$ 562,893**	$ 563,133	$ 559,174
Net income allocated to Wells Operating Partnership, L.P.	**$ 436,265**	$ 436,452	$ 433,383
Net income allocated to Fund X and XI Associates	**$ 126,628**	$ 126,681	$ 125,791

Wells/Fremont Associates
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Years Ended December 31, 2001, 2000, and 1999

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1998	$7,166,682	$ 2,080,155	$ 9,246,837
Net income	433,383	125,791	559,174
Partnership distributions	(611,855)	(177,593)	(789,448)
Balance, December 31, 1999	6,988,210	2,028,353	9,016,563
Net income	436,452	126,681	563,133
Partnership distributions	(633,375)	(183,839)	(817,214)
Balance, December 31, 2000	6,791,287	1,971,195	8,762,482
Net income	**436,265**	**126,628**	**562,893**
Partnership distributions	**(652,194)**	**(189,302)**	**(841,496)**
Balance, December 31, 2001	**$ 6,575,358**	**$ 1,908,521**	**$ 8,483,879**

Wells/Fremont Associates
(A Georgia Joint Venture)

Statements of Cash Flows
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Cash flows from operating activities:			
Net income	**$ 562,893**	$ 563,133	$ 559,174
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**285,528**	285,527	285,526
Changes in assets and liabilities:			
Accounts receivable	**(7,368)**	(33,454)	(58,237)
Accounts payable	**(1,120)**	1,001	(1,550)
Due to affiliate	**444**	2,007	3,527
Total adjustments	**277,484**	255,081	229,266
Net cash provided by operating activities	**840,377**	818,214	788,440
Cash flows from financing activities:			
Distributions to partners	**(729,191)**	(914,662)	(791,940)
Net increase (decrease) in cash and cash equivalents	**111,186**	(96,448)	(3,500)
Cash and cash equivalents, beginning of year	**92,564**	189,012	192,512
Cash and cash equivalents, end of year	**$ 203,750**	$ 92,564	$ 189,012

Fund XI, XII, and REIT Joint Venture

On May 1, 1999, the Operating Partnership entered into a joint venture with Fund XI and Wells Real Estate Fund XII, L.P. (“Fund XII”). On May 18, 1999, the joint venture purchased a 169,510-square foot, two-story manufacturing and office building, known as EYBL CarTex Building, in Fountain Inn, South Carolina. On July 21, 1999, the joint venture purchased a 68,900-square foot, three-story-office building, known as the Sprint Building, in Leawood, Kansas. On August 17, 1999, the joint venture purchased a 130,000-square foot office and warehouse building, known as the Johnson Matthey Building, in Chester County, Pennsylvania. On September 20, 1999, the joint venture purchased a 62,400-square foot, two-story office building, known as the Gartner Building, in Fort Myers, Florida.

Following are the financial statements for the Fund XI, XII, and REIT Joint Venture:

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

	2001	2000
Assets		
Real estate assets, at cost:		
Land	$ 5,048,797	$ 5,048,797
Building and improvements, less accumulated depreciation of $2,692,116 in 2001 and $1,599,263 in 2000	24,626,336	25,719,189
Total real estate assets	29,675,133	30,767,986
Cash and cash equivalents	775,805	541,089
Accounts receivable	675,022	394,314
Prepaid assets and other expenses	26,486	26,486
Total assets	$ 31,152,446	$ 31,729,875
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable	$ 114,612	$ 114,180
Partnership distributions payable	757,500	453,395
Total liabilities	872,112	567,575
Partners' capital:		
Wells Real Estate Fund XI	7,917,646	8,148,261
Wells Real Estate Fund XII	5,174,703	5,325,424
Wells Operating Partnership, L.P.	17,187,985	17,688,615
Total partners' capital	30,280,334	31,162,300
Total liabilities and partners' capital	$ 31,152,446	$ 31,729,875

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Income
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Revenues:			
Rental income	**$ 3,346,227**	$ 3,345,932	$ 1,443,446
Interest income	**24,480**	2,814	0
Other income	**360**	440	57
	3,371,067	3,349,186	1,443,503
Expenses:			
Depreciation	**1,092,853**	1,092,680	506,582
Management and leasing fees	**156,987**	157,236	59,230
Operating costs, net of reimbursements	**(27,449)**	(30,718)	4,639
Property administration	**65,765**	36,707	15,979
Legal and accounting	**18,000**	14,725	4,000
	1,306,156	1,270,630	590,430
Net income	**$ 2,064,911**	$2,078,556	$ 853,073
Net income allocated to Wells Real Estate Fund XI	**$ 539,930**	$ 543,497	$ 240,031
Net income allocated to Wells Real Estate Fund XII	**$ 352,878**	$ 355,211	$ 124,542
Net income allocated to Wells Operating Partnership, L.P.	**$ 1,172,103**	$ 1,179,848	$ 488,500

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Years Ended December 31, 2001, 2000, and 1999

	Wells Real Estate Fund XI	Wells Real Estate Fund XII	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, December 31, 1998	$ 0	$ 0	$ 0	$ 0
Net income	240,031	124,542	488,500	853,073
Partnership contributions	8,470,160	5,520,835	18,376,267	32,367,262
Partnership distributions	(344,339)	(177,743)	(703,797)	(1,225,879)
Balance, December 31, 1999	8,365,852	5,467,634	18,160,970	31,994,456
Net income	543,497	355,211	1,179,848	2,078,556
Partnership distributions	(761,088)	(497,421)	(1,652,203)	(2,910,712)
Balance, December 31, 2000	8,148,261	5,325,424	17,688,615	31,162,300
Net income	**539,930**	**352,878**	**1,172,103**	**2,064,911**
Partnership distributions	**(770,545)**	**(503,599)**	**(1,672,733)**	**(2,946,877)**
Balance, December 31, 2001	**$ 7,917,646**	**$ 5,174,703**	**$ 17,187,985**	**$ 30,280,334**

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The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Cash Flows
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Cash flows from operating activities:			
Net income	**$ 2,064,911**	$2,078,556	$ 853,073
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**1,092,853**	1,092,680	506,582
Changes in assets and liabilities:			
Accounts receivable	**(280,708)**	(260,537)	(133,777)
Prepaid expenses and other assets	**0**	0	(26,486)
Accounts payable	**432**	1,723	112,457
Total adjustments	**812,577**	833,866	458,776
Net cash provided by operating activities	**2,877,488**	2,912,422	1,311,849
Cash flows from financing activities:			
Distributions to joint venture partners	**(2,642,772)**	(3,137,611)	(545,571)
Net increase (decrease) in cash and cash equivalents	**234,716**	(225,189)	766,278
Cash and cash equivalents, beginning of year	**541,089**	766,278	0
Cash and cash equivalents, end of year	**$ 775,805**	$ 541,089	$ 766,278
Supplemental disclosure of noncash activities:			
Deferred project costs contributed to joint venture	**$ 0**	$ 0	$ 1,294,686
Contribution of real estate assets to joint venture	**$ 0**	$ 0	$31,072,562

Fund XII and REIT Joint Venture

On May 10, 2000, the Operating Partnership entered into a joint venture with Fund XII. The joint venture, Fund XII and REIT Joint Venture, was formed to acquire, develop, operate, and sell real property. On May 20, 2000, the joint venture purchased a 77,054-square foot, three-story office building known as the Siemens Building in Troy, Oakland County, Michigan. On December 28, 2000, the joint venture purchased a 50,000-square foot, one-story office building and a 78,500-square foot two-story office building collectively known as the AT&T Call Center Buildings in Oklahoma City, Oklahoma County, Oklahoma. On May 15, 2001, the joint venture purchased a 201,237-square foot, three-story office building known as the Comdata Building located in Brentwood, Williamson County, Tennessee.

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Following are the financial statements for Fund XII and REIT Joint Venture:

Fund XII and REIT Joint Venture
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

	2001	2000
Assets		
Real estate assets, at cost:		
Land	**$ 8,899,574**	$ 4,420,405
Building and improvements, less accumulated depreciation of $2,131,838 in 2001 and $324,732 in 2000	**45,814,781**	26,004,918
Total real estate assets	**54,714,355**	30,425,323
Cash and cash equivalents	**1,345,562**	207,475
Accounts receivable	**442,023**	130,490
Total assets	**$ 56,501,940**	$ 30,763,288
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable	**$ 134,969**	$ 0
Partnership distributions payable	**1,238,205**	208,261
Total liabilities	**1,373,174**	208,261
Partners' capital:		
Wells Real Estate Fund XII	**24,828,894**	16,242,127
Wells Operating Partnership, L.P.	**30,299,872**	14,312,900
Total partners' capital	**55,128,766**	30,555,027
Total liabilities and partners' capital	**$ 56,501,940**	$ 30,763,288

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Fund XII and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Income
for the Year Ended December 31, 2001 and
the Period From May 10, 2000 (Inception) Through
December 31, 2000

	2001	2000
Revenues:		
Rental income	**$ 4,683,323**	$ 974,796
Interest income	**25,144**	2,069
	4,708,467	976,865
Expenses:		
Depreciation	**1,807,106**	324,732
Management and leasing fees	**224,033**	32,756
Partnership administration	**38,928**	3,917
Legal and accounting	**16,425**	0
Operating costs, net of reimbursements	**10,453**	1,210
	2,096,945	362,615
Net income	**$ 2,611,522**	$ 614,250
Net income allocated to Wells Real Estate Fund XII	**$ 1,224,645**	$ 309,190
Net income allocated to Wells Operating Partnership, L.P.	**$ 1,386,877**	$ 305,060

Fund XII and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Year Ended December 31, 2001 and
the Period From May 10, 2000 (Inception) Through
December 31, 2000

	Wells Real Estate Fund XII	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, May 10, 2000 (inception)	$ 0	$ 0	$ 0
Net income	309,190	305,060	614,250
Partnership contributions	16,340,884	14,409,171	30,750,055
Partnership distributions	(407,948)	(401,330)	(809,278)
Balance, December 31, 2000	16,242,126	14,312,901	30,555,027
Net income	**1,224,645**	**1,386,877**	**2,611,522**
Partnership contributions	**9,298,084**	**16,795,441**	**26,093,525**
Partnership distributions	**(1,935,961)**	**(2,195,347)**	**(4,131,308)**
Balance, December 31, 2001	**$ 24,828,894**	**$ 30,299,872**	**$ 55,128,766**

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Fund XII and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Cash Flows
for the Year Ended December 31, 2001 and
the Period From May 10, 2000 (Inception) Through
December 31, 2000

	2001	2000
Cash flows from operating activities:		
Net income	**$ 2,611,522**	$ 614,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**1,807,106**	324,732
Changes in assets and liabilities:		
Accounts receivable	**(311,533)**	(130,490)
Accounts payable	**134,969**	0
Total adjustments	**1,630,542**	194,242
Net cash provided by operating activities	**4,242,064**	808,492
Cash flows from investing activities:		
Investment in real estate	**(26,096,138)**	(29,520,043)
Cash flows from financing activities:		
Distributions to joint venture partners	**(3,101,364)**	(601,017)
Contributions received from partners	**26,093,525**	29,520,043
Net cash provided by financing activities	**22,992,161**	28,919,026
Net increase in cash and cash equivalents	**1,138,087**	207,475
Cash and cash equivalents, beginning of period	**207,475**	0
Cash and cash equivalents, end of year	**$ 1,345,562**	$ 207,475
Supplemental disclosure of noncash activities:		
Deferred project costs contributed to joint venture	**$ 0**	$ 1,230,012

Fund XIII and REIT Joint Venture

On June 27, 2001, Wells Real Estate Fund XIII, L.P. ("Fund XIII") entered into a joint venture with the Operating Partnership to form the Fund XIII and REIT Joint Venture. On July 16, 2001, the Fund XIII and REIT Joint Venture purchased an 85,000-square foot, two-story office building known as the AmeriCredit Building in Clay County, Florida. On December 21, 2001, the Fund XIII and REIT Joint Venture purchased two connected one-story office and assembly buildings consisting of 148,200 square feet known as the ADIC Buildings in Douglas County, Colorado.

Following are the financial statements for the Fund XIII and REIT Joint Venture:

The Fund XIII and REIT Joint Venture
(A Georgia Joint Venture)

Balance Sheet
December 31, 2001

Assets

Real estate assets, at cost:	
Land	$ 3,724,819
Building and improvements, less accumulated depreciation of $266,605 in 2001	22,783,948
Total real estate assets	26,508,767
Cash and cash equivalents	460,380
Accounts receivable	71,236
Prepaid assets and other expenses	773
Total assets	$ 27,041,156

Liabilities and Partners' Capital

Liabilities:	
Accounts payable	$ 145,331
Partnership distributions payable	315,049
Total liabilities	460,380
Partners' capital:	
Wells Real Estate Fund XIII	8,453,438
Wells Operating Partnership, L.P.	18,127,338
Total partners' capital	26,580,776
Total liabilities and partners' capital	$ 27,041,156

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The Fund XIII and REIT Joint Venture
(A Georgia Joint Venture)

Statement of Income
for the Period From June 27, 2001 (Inception) Through
December 31, 2001

Revenues:	
Rental income	$ 706,373
Expenses:	
Depreciation	266,605
Management and leasing fees	26,954
Operating costs, net of reimbursements	53,659
Legal and accounting	2,800
	350,018
Net income	$ 356,355
Net income allocated to Wells Real Estate Fund XIII	$ 58,610
Net income allocated to Wells Operating Partnership, L.P.	$ 297,745

The Fund XIII and REIT Joint Venture
(A Georgia Joint Venture)

Statement of Partners' Capital
for the Period From June 27, 2001 (Inception) Through
December 31, 2001

	Wells Real Estate Fund XIII	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, June 27, 2001 (inception)	$ 0	$ 0	$ 0
Net income	58,610	297,745	356,355
Partnership contributions	8,491,069	18,285,076	26,776,145
Partnership distributions	(96,241)	(455,483)	(551,724)
Balance, December 31, 2001	$ 8,453,438	$ 18,127,338	$26,580,776

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The Fund XIII and REIT Joint Venture
(A Georgia Joint Venture)

Statement of Cash Flows
for the Period From June 27, 2001 (Inception) Through
December 31, 2001

Cash flows from operating activities:	
Net income	$ 356,355
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	266,605
Changes in assets and liabilities:	
Accounts receivable	(71,236)
Prepaid expenses and other assets	(773)
Accounts payable	145,331
Total adjustments	339,927
Net cash provided by operating activities	696,282
Cash flows from investing activities:	
Investment in real estate	(25,779,337)
Cash flows from financing activities:	
Contributions from joint venture partners	25,780,110
Distributions to joint venture partners	(236,675)
Net cash provided by financing activities	25,543,435
Net increase in cash and cash equivalents	460,380
Cash and cash equivalents, beginning of period	0
Cash and cash equivalents, end of year	$ 460,380
Supplemental disclosure of noncash activities:	
Deferred project costs contributed to Joint Venture	$ 996,035

6. INCOME TAX BASIS NET INCOME AND PARTNERS' CAPITAL

The Operating Partnership's income tax basis net income for the years ended December 31, 2001 and 2000 are calculated as follows:

	2001	2000
Financial statement net income	**$21,723,967**	$ 8,552,967
Increase (decrease) in net income resulting from:		
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	**7,347,459**	3,511,353
Rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	**(2,735,237)**	(1,822,220)
Expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	**25,658**	37,675
Income tax basis net income	**$ 26,361,847**	$10,279,775

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The Operating Partnership's income tax basis partners' capital at December 31, 2001 and 2000 is computed as follows:

	2001	2000
Financial statement partners' capital	**$ 710,285,758**	$265,341,612
Increase (decrease) in partners' capital resulting from:		
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	**11,891,061**	4,543,602
Capitalization of syndication costs for income tax purposes, which are accounted for as cost of capital for financial reporting purposes	**12,896,312**	12,896,312
Accumulated rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	**(5,382,483)**	(2,647,246)
Accumulated expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	**114,873**	89,215
Dividends payable	**1,059,026**	1,025,010
Other	**(222,378)**	(222,378)
Income tax basis partners' capital	**$ 730,642,169**	$281,026,127

7. RENTAL INCOME

The future minimum rental income due from the Operating Partnership's direct investment in real estate or its respective ownership interest in the joint ventures under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:	
2002	$ 69,364,229
2003	70,380,691
2004	71,184,787
2005	70,715,556
2006	71,008,821
Thereafter	270,840,299
	$ 623,494,383

One tenant contributed 10% of rental income for the year ended December 31, 2001. In addition, one tenant will contribute 12% of future minimum rental income.

Future minimum rental income due from Fund VIII, IX, and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:	
2002	$1,287,119
2003	1,287,119
2004	107,260
2005	0
2006	0
Thereafter	0
	$2,681,498

One tenant contributed 100% of rental income for the year ended December 31, 2001. In addition, one tenant will contribute 100% of future minimum rental income.

The future minimum rental income due from Fund IX, X, XI, and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:	
2002	$ 3,648,769
2003	3,617,432
2004	3,498,472
2005	2,482,815
2006	2,383,190
Thereafter	3,053,321
	$18,683,999

Four tenants contributed 26%, 23%, 13%, and 13% of rental income for the year ended December 31, 2001. In addition, four tenants will contribute 38%, 21%, 20%, and 17% of future minimum rental income.

The future minimum rental income due Wells/Orange County Associates under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:	
2002	$ 834,888
2003	695,740
	$ 1,530,628

One tenant contributed 100% of rental income for the year ended December 31, 2001 and will contribute 100% of future minimum rental income.

The future minimum rental income due Wells/Fremont Associates under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:	
2002	$ 922,444
2003	950,118
2004	894,832
	$ 2,767,394

One tenant contributed 100% of rental income for the year ended December 31, 2001 and will contribute 100% of future minimum rental income.

The future minimum rental income due from Fund XI, XII, and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:	
2002	$ 3,277,512
2003	3,367,510
2004	3,445,193
2005	3,495,155
2006	3,552,724
Thereafter	2,616,855
	$19,754,949

Four tenants contributed approximately 30%, 28%, 24%, and 18% of rental income for the year ended December 31, 2001. In addition, four tenants will contribute approximately 30%, 27%, 25%, and 18% of future minimum rental income.

The future minimum rental income due from Fund XII and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:	
2002	$ 5,352,097
2003	5,399,451
2004	5,483,564
2005	5,515,926
2006	5,548,289
Thereafter	34,677,467
	$61,976,794

Three tenants contributed approximately 31%, 29%, and 27% of rental income for the year ended December 31, 2001. In addition, three tenants will contribute approximately 58%, 21%, and 18% of future minimum rental income.

The future minimum rental income due Fund XIII and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:	
2002	$ 2,545,038
2003	2,602,641
2004	2,661,228
2005	2,721,105
2006	2,782,957
Thereafter	13,915,835
	$ 27,228,804

One tenant contributed approximately 95% of rental income for the year ended December 31, 2001. In addition, two tenants will contribute approximately 51% and 49% of future minimum rental income.

8. INVESTMENT IN BONDS AND OBLIGATION UNDER CAPITAL LEASE

On September 27, 2001, the Operating Partnership acquired a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the “Bond Lease”). The ground leasehold interest under the Bond Lease, along with the Bond and Bond Deed of Trust described below, were purchased from Ingram Micro, L.P. (“Ingram”) in a sale lease-back transaction for a purchase price of $21,050,000. The Bond Lease expires on December 31, 2026. At closing, the Operating Partnership also entered into a new lease with Ingram pursuant to which Ingram agreed to lease the entire Ingram Micro Distribution Facility for a lease term of 10 years with two successive 10-year renewal options.

In connection with the original development of the Ingram Micro Distribution Facility, the Industrial Development Board of the City of Milington, Tennessee (the “Industrial Development Board”) issued an Industrial Development Revenue Note dated December 20, 1995 in the principal amount of $22,000,000 (the “Bond”) to Lease Plan North America, Inc. (the “Original Bond Holder”). The proceeds from the issuance of the Bond were utilized to finance the construction of the Ingram Micro Distribution Facility. The Bond is secured by a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases also dated December 20, 1995 (the “Bond Deed of Trust”) executed by the Industrial Development Board for the benefit of the Original Bond Holder. Beginning in 2006, the holder of the Bond Lease has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100.00 plus satisfaction of the indebtedness evidenced by the Bond which, as set forth below, was acquired and is currently held by the Operating Partnership.

On December 20, 2000, Ingram purchased the Bond and the Bond Deed of Trust from the Original Bond Holder. On September 27, 2001, along with purchasing the Ingram Micro Distribution Facility through its acquisition of the ground leasehold interest under the Bond Lease, the Operating Partnership also acquired the Bond and the Bond Deed of Trust from Ingram. Because the Operating Partnership is technically subject to the obligation to pay the $22,000,000 indebtedness evidenced by the Bond, the obligation to pay the Bond is carried on the Company’s books as a liability;

however, since Operating Partnership is also the owner of the Bond, the Bond is also carried on the Company's books as an asset.

9. NOTES PAYABLE

As of December 31, 2001, the Operating Partnership's notes payable included the following:

Note payable to Bank of America, interest at 5.9%, interest payable monthly, due July 30, 2003, collateralized by the Nissan property	$ 468,844
Note payable to SouthTrust Bank, interest at LIBOR plus 175 basis points, principal and interest payable monthly, due June 10, 2002; collateralized by the Operating Partnership's interests in the Cinemark Building, the Dial Building, the ASML Building, the Motorola Tempe Building, the Avnet Building, the Matsushita Building, and the PwC Building	7,655,600
Total	$ 8,124,444

The contractual maturities of the Operating Partnership's notes payable are as follows as of December 31, 2001:

2002	$7,655,600
2003	468,844
Total	$ 8,124,444

10. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's board of directors, it is anticipated that Wells OP will enter into a take out purchase and escrow agreement or similar contract providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interest in that particular property to 1031 Participants, the Operating Partnership will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

As a part of the initial transaction in the Wells Section 1031 Program, and in consideration for the payment of a take out fee in the amount of $137,500 to the Company, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing that, among other things, Wells OP is obligated to acquire, at Wells Exchange's cost ($839,694 in cash plus $832,060 of assumed debt for each 7.63358% interest of co-tenancy interest unsold), any co-tenancy interest in the building known as the Ford Motor Credit Complex which remains unsold at the expiration of the offering of Wells Exchange, which has been extended to April 15, 2002, which is also the maturity date of the interim loan relating to such property. The Ford Motor Credit Complex consists of two connecting office buildings containing 167,438 rentable square feet located in Colorado Springs, Colorado, currently under a triple-net lease with Ford Motor Credit Company, a wholly owned subsidiary of Ford Motor Company.

The obligations of Wells OP under the take out purchase and escrow agreement are secured by reserving against a portion of Wells OP's existing line of credit with Bank of America, N.A. (the "Interim Lender"). If, for any reason, Wells OP fails to acquire any of the co-tenancy interest in the Ford Motor Credit Complex which remains unsold as of

April 15, 2002, or there is otherwise an uncured default under the interim loan or the line of credit documents, the Interim Lender is authorized to draw down Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of co-tenancy interest in the Ford Motor Credit Complex would be deeded to Wells OP. Wells OP's maximum economic exposure in the transaction is $21,900,000, in which event Wells OP would acquire the Ford Motor Credit Complex for $11,000,000 in cash plus assumption of the first mortgage financing in the amount of $10,900,000. If some, but not all, of the co-tenancy interests are sold, Wells OP's exposure would be less, and it would own an interest in the property in co-tenancy with the 1031 Participants who had previously acquired co-tenancy interests in the Ford Motor Credit Complex from Wells Exchange.

Development of the Nissan Property

The Operating Partnership has entered into an agreement with an independent third-party general contractor for the purpose of designing and constructing a three-story office building containing 268,290 rentable square feet on the Nissan Property. The construction agreement provides that the Operating Partnership will pay the contractor a maximum of $25,326,017 for the design and construction of the building. Construction commenced on January 25, 2002 and is scheduled to be completed within 20 months.

General

Management, after consultation with legal counsel, is not aware of any significant litigation or claims against the Company, the Operating Partnership, or the Advisor. In the normal course of business, the Company, the Operating Partnership, or the Advisor may become subject to such litigation or claims.

11. SHAREHOLDERS' EQUITY

Common Stock Option Plan

The Wells Real Estate Investment Trust, Inc. Independent Director Stock Option Plan ("the Plan") provides for grants of stock to be made to independent nonemployee directors of the Company. Options to purchase 2,500 shares of common stock at $12 per share are granted upon initially becoming an independent director of the Company. Of these shares, 20% are exercisable immediately on the date of grant. An additional 20% of these shares become exercisable on each anniversary following the date of grant for a period of four years. Effective on the date of each annual meeting of shareholders of the Company, beginning in 2000, each independent director will be granted an option to purchase 1,000 additional shares of common stock. These options vest at the rate of 500 shares per full year of service thereafter. All options granted under the Plan expire no later than the date immediately following the tenth anniversary of the date of grant and may expire sooner in the event of the disability or death of the optionee or if the optionee ceases to serve as a director.

The Company has adopted the disclosure provisions in Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." As permitted by the provisions of SFAS No. 123, the Company applies Accounting Principles Board Opinion No. 25 and the related interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost.

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A summary of the Company's stock option activity during 2001 and 2000 is as follows:

	Number	Exercise Price
Outstanding at December 31, 1999	17,500	$ 12
Granted	7,000	12
Outstanding at December 31, 2000	24,500	12
Granted	7,000	12
Outstanding at December 31, 2001	31,500	12
Outstanding options exercisable as of December 31, 2001	10,500	12

For SFAS No. 123 purposes, the fair value of each stock option for 2001 and 2000 has been estimated as of the date of the grant using the minimum value method. The weighted average risk-free interest rates assumed for 2001 and 2000 were 5.05% and 6.45%, respectively. Dividend yields of 7.8% and 7.3% were assumed for 2001 and 2000, respectively. The expected life of an option was assumed to be six years and four years for 2001 and 2000, respectively. Based on these assumptions, the fair value of the options granted during 2001 and 2000 is $0.

Treasury Stock

During 1999, the Company's board of directors authorized a dividend reinvestment program (the "DRP"), through which common shareholders may elect to reinvest an amount equal to the dividends declared on their common shares into additional shares of the Company's common stock in lieu of receiving cash dividends. During 2000, the Company's board of directors authorized a common stock repurchase plan subject to the amount reinvested in the Company's common shares through the DRP, less shares already redeemed, and a limitation in the amount of 3% of the average common shares outstanding during the preceding year. During 2001 and 2000, the Company repurchased 413,743 and 141,297 of its own common shares at an aggregate cost of $4,137,427 and $1,412,969, respectively. These transactions were funded with cash on hand and did not exceed either of the foregoing limitations.

12. QUARTERLY RESULTS (UNAUDITED)

Presented below is a summary of the unaudited quarterly financial information for the years ended December 31, 2001 and 2000:

	2001 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	**$ 10,669,713**	**$ 10,891,240**	**$ 12,507,904**	**$ 15,239,945**
Net income	**3,275,345**	**5,038,898**	**6,109,137**	**7,300,587**
Basic and diluted earnings per share(a)	**$ 0.10**	**$ 0.12**	**$ 0.11**	**$ 0.10**
Dividends per share(a)	**0.19**	**0.19**	**0.19**	**0.19**

(a) The totals of the four quarterly amounts for the year ended December 31, 2001 do not equal the totals for the year. This difference results from rounding differences between quarters.

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	2000 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 3,710,409	$5,537,618	$6,586,611	$7,538,568
Net income	1,691,288	1,521,021	2,525,228	2,815,430
Basic and diluted earnings per share	$ 0.11	$ 0.08	$ 0.11	$ 0.10
Dividends per share	0.18	0.18	0.18	0.19

13. SUBSEQUENT EVENT

On January 11, 2002, the Operating Partnership purchased a three-story office building on a 9.8-acre tract of land located in Sarasota County, Florida known as the Arthur Andersen Building, from an unaffiliated third party for $21,400,000. The Operating Partnership incurred additional related acquisition expenses, including attorneys' fees, recording fees, structural report and environmental report fees, and other closing costs, of approximately $30,000.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

SCHEDULE III—REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION December 31, 2001
(Unaudited)

	Cost	Accumulated Depreciation
BALANCE AT DECEMBER 31, 1998	$ 76,201,910	$ 1,487,963
1999 additions	103,916,288	4,243,688
BALANCE AT DECEMBER 31, 1999	180,118,198	5,731,651
2000 additions	293,450,036	11,232,378
BALANCE AT DECEMBER 31, 2000	473,568,234	16,964,029
2001 additions	294,740,403	20,821,037
BALANCE AT DECEMBER 31, 2001	**$ 768,308,697**	**$ 37,785,066**

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY
(A Georgia Public Limited Partnership)

SCHEDULE III—REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION
December 31, 2001
(Unaudited)

			Initial Cost			Gross Amount at Which Carried at December 31, 2001							
Description	Ownership Percentage	Encumbrances	Land	Buildings and Improvements	Costs of Capitalized Improvements	Land	Buildings and Improvements	Construction in Progress	Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation is Computed (dd)
ALSTOM POWER—KNOXVILLE PROPERTY(a)	4%	None	$ 582,897	$ 744,164	$ 6,744,547	$ 607,930	$ 7,463,678	$ 0	$ 8,071,608	$ 1,844,482	1997	12/10/96	20 to 25 years
AVAYA BUILDING	4	None	1,002,723	4,386,374	242,241	1,051,138	4,580,200	0	5,631,338	656,495	1998	6/24/98	20 to 25 years
360 INTERLOCKEN (c)	4	None	1,570,000	6,733,500	437,266	1,650,070	7,090,696	0	8,740,766	1,098,339	1996	3/20/98	20 to 25 years
IOMEGA PROPERT(d)	4	None	597,000	4,674,624	876,459	641,988	5,506,095	0	6,148,083	742,404	1998	7/01/98	20 to 25 years
OHMEDA PROPERTY(e)	4	None	2,613,600	7,762,481	528,415	2,746,894	8,157,602	0	10,904,496	1,278,024	1998	2/13/98	20 to 25 years
FAIRCHILD PROPERTY(f)	78	None	2,130,480	6,852,630	374,300	2,219,251	7,138,159	0	9,357,410	999,301	1998	7/21/98	20 to 25 years
ORANGE COUNTY PROPERTY(g)	44	None	2,100,000	4,463,700	287,916	2,187,501	4,664,115	0	6,851,616	651,780	1988	7/31/98	20 to 25 years
PRICEWATER-HOUSECOOPERS PROPERTY(h)	100	None	1,460,000	19,839,071	825,560	1,520,834	20,603,797	0	22,124,631	2,469,792	1998	12/31/98	20 to 25 years
EYBL CARTEX PROPERTY(i)	57	None	330,000	4,791,828	213,411	343,750	4,991,489	0	5,335,239	532,416	1998	5/18/99	20 to 25 years
SPRINT BUILDING (j)	57	None	1,696,000	7,850,726	397,783	1,766,667	8,177,842	0	9,944,509	817,785	1998	7/2/99	20 to 25 years
JOHNSON MATTHEY(k)	57	None	1,925,000	6,131,392	335,685	2,005,209	6,386,868	0	8,392,077	617,438	1973	8/17/99	20 to 25 years
GARTNER PROPERTY(l)	57	None	895,844	7,451,760	347,820	933,171	7,762,253	0	8,695,424	724,477	1998	9/20/99	20 to 25 years
AT&T—PA PROPERTY(m)	100	None	662,000	11,836,368	265,740	689,583	12,074,525	0	12,764,108	1,408,686	1998	2/4/99	20 to 25 years
MARCONI PROPERTY(n)	100	None	5,000,000	28,161,665	1,381,747	5,208,335	29,335,077	0	34,543,412	2,737,941	1991	9/10/99	20 to 25 years
CINEMARK PROPERTY(o)	100	None	1,456,000	20,376,881	908,217	1,516,667	21,224,431	0	22,741,098	1,768,692	1999	12/21/99	20 to 25 years

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Description	Ownership Percentage	Encumbrances	Initial Cost: Land	Initial Cost: Buildings and Improvements	Costs of Capitalized Improvements	Gross Amount at Which Carried at December 31, 2001: Land	Gross Amount at Which Carried at December 31, 2001: Buildings and Improvements	Gross Amount at Which Carried at December 31, 2001: Construction in Progress	Gross Amount at Which Carried at December 31, 2001: Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation is Computed (dd)
MATSUSHITA PROPERTY (p)	100	None	4,577,485	0	13,860,142	4,768,215	13,773,660	0	18,541,875	2,032,803	1999	3/15/99	20 to 25 years
ALSTOM POWER—RICHMOND PROPERTY (q)	100	None	948,401	0	9,938,308	987,918	9,923,454	0	10,911,372	921,980	1999	7/22/99	20 to 25 years
METRIS—OK PROPERTY (r)	100	None	1,150,000	11,569,583	541,489	1,197,917	12,063,155	0	13,261,072	881,413	2000	2/11/00	20 to 25 years
DIAL PROPERTY (s)	100	None	3,500,000	10,785,309	601,264	3,645,835	11,240,738	83,125	14,969,698	821,315	1997	3/29/00	20 to 25 years
ASML PROPERTY (t)	100	None	0	17,392,633	731,685	0	18,124,318	0	18,124,318	1,314,573	1995	3/29/00	20 to 25 years
MOTOROLA—AZ PROPERTY (u)	100	None	0	16,036,219	669,639	0	16,705,858	0	16,705,858	1,218,400	1998	3/29/00	20 to 25 years
AVNET PROPERTY (v)	100	None	0	13,271,502	551,156	0	13,822,658	0	13,822,658	868,060	2000	6/12/00	20 to 25 years
DELPHI PROPERTY (w)	100	None	2,160,000	16,775,971	1,676,956	2,250,008	18,469,408	14,877	20,734,293	1,286,705	2000	6/29/00	20 to 25 years
SIEMENS PROPERTY (x)	47	None	2,143,588	12,048,902	591,358	2,232,905	12,550,943	43,757	14,827,605	959,465	2000	5/10/00	20 to 25 years
QUEST PROPERTY (y)	16	None	2,220,993	5,545,498	51,285	2,220,993	5,602,160	0	7,823,153	649,436	1997	9/10/97	20 to 25 years
MOTOROLA—NJ PROPERTY (z)	100	None	9,652,500	20,495,243	0	10,054,720	25,540,919	392,104	35,987,743	1,541,768	2000	11/1/00	20 to 25 years
METRIS—MN PROPERTY (aa)	100	None	7,700,000	45,151,969	2,181	8,020,859	47,042,309	0	55,063,168	2,000,737	2000	12/21/00	20 to 25 years
STONE & WEBSTER PROPERTY (bb)	100	None	7,100,000	37,914,954	0	7,395,857	39,498,469	0	46,894,326	1,679,981	1994	12/21/00	20 to 25 years
AT&T—OK PROPERTY (cc)	47	None	2,100,000	13,227,555	638,651	2,187,500	13,785,631	0	15,973,131	597,317	1999	12/28/00	20 to 25 years
COMDATA PROPERTY	64	None	4,300,000	20,650,000	572,944	4,479,168	21,566,287	0	26,045,455	575,056	1986	5/15/2001	20 to 25 years
AMERICREDIT PROPERTY	87	None	1,610,000	10,890,000	563,257	1,677,084	11,386,174	0	13,063,258	227,724	2001	7/16/2001	20 to 25 years
STATE STREET PROPERTY	100	None	10,600,000	38,962,988	4,344,837	11,041,670	40,666,305	2,201,913	53,909,888	807,903	1998	7/30/2001	20 to 25 years
IKON PROPERTY	100	None	2,735,000	17,915,000	985,856	2,847,300	18,792,672	0	21,639,972	250,689	2000	9/7/2001	20 to 25 years
NISSAN PROPERTY	100	$ 8,124,444	5,545,700	0	21,353	5,567,053	0	2,653,777	8,220,830	0	2002	9/19/2001	20 to 25 years
INGRAM MICRO PROPERTY	100	$ 22,000,000	333,049	20,666,951	922,657	333,049	21,590,010	0	21,923,059	292,307	1997	9/27/2001	20 to 25 years
LUCENT PROPERTY	100	None	7,000,000	10,650,000	1,106,240	7,275,830	11,484,562	0	18,760,392	153,093	2000	9/28/2001	20 to 25 years

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Description	Ownership Percentage	Encumbrances	Initial Cost: Land	Initial Cost: Buildings and Improvements	Costs of Capitalized Improvements	Gross Amount at Which Carried at December 31, 2001: Land	Gross Amount at Which Carried at December 31, 2001: Buildings and Improvements	Gross Amount at Which Carried at December 31, 2001: Construction in Progress	Gross Amount at Which Carried at December 31, 2001: Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation is Computed (dd)
CONVERGYS PROPERTY	100	None	3,500,000	9,755,000	791,672	3,642,442	10,404,230	0	14,046,672	34,681	2001	12/21/2001	20 to 25 years
ADIC PROPERTY	51	None	1,954,213	11,000,000	757,902	2,047,735	11,664,380	0	13,712,115	38,881	2001	12/21/2001	20 to 25 years
WINDY POINT I PROPERTY	100	None	4,360,000	29,298,642	1,440,568	4,536,862	30,562,349	0	35,099,211	101,875	1999	12/31/2001	20 to 25 years
WINDY POINT II PROPERTY	100	None	3,600,000	52,016,358	2,385,402	3,746,033	54,255,727	0	58,001,760	180,852	2001	12/31/2001	20 to 25 years
Total		$ 30,124,444	$ 112,812,473	$ 584,077,441	$ 57,913,909	$ 117,245,941	$ 645,673,203	$ 5,389,553	$ 768,308,697	$ 37,785,066			

(a) The Alstom Power Knoxville Property consists of a three-story office building located in Knoxville, Tennessee. It is owned by Fund IX-X-XI-REIT Joint Venture.
(b) The Avaya Building consists of a one-story office building located in Oklahoma City, Oklahoma. It is owned by Fund IX-X-XI-REIT Joint Venture.
(c) The 360 Interlocken Property consists of a three-story multi-tenant office building located in Broomfield, Colorado. It is owned by Fund IX-X-XI-REIT Joint Venture.
(d) The Iomega Property consists of a one-story warehouse and office building located in Ogden, Utah. It is owned by Fund IX-X-XI-REIT Joint Venture.
(e) The Ohmeda Property consists of a two-story office building located in Louisville, Colorado. It is owned by Fund IX-X-XI-REIT Joint Venture.
(f) The Fairchild Property consists of a two-story warehouse and office building located in Fremont, California. It is owned by Wells/Freemont Associates.
(g) The Orange County Property consists of a one-story warehouse and office building located in Fountain Valley, California. It is owned by Wells/Orange County Associates.
(h) The PriceWaterhouseCoopers Property consists of a four-story office building located in Tampa, Florida. It is 100% owned by the Company.
(i) The EYBL CarTex Property consists of a one-story manufacturing and office building located in Fountain Inn, South Carolina. It is owned by Fund XI-XII-REIT Joint Venture.
(j) The Sprint Building consists of a three-story office building located in Leawood, Kansas. It is owned by Fund XI-XII-REIT Joint Venture.
(k) The Johnson Matthey Property consists of a one-story research and development office and warehouse building located in Chester County, Pennsylvania. It is owned by Fund XI-XII-REIT Joint Venture.
(l) The Gartner Property consists of a two-story office building located in Ft. Myers, Florida. It is owned by Fund XI-XII-REIT Joint Venture
(m) The AT&T—PA Property consists of a four-story office building located in Harrisburg, Pennsylvania. It is 100% owned by the Company.
(n) The Marconi Property consists of a two-story office building located in Wood Dale, Illinois. It is 100% owned by the Company.
(o) The Cinemark Property consists of a five-story office building located in Plano, Texas. It is 100% owned by the Company.
(p) The Matsushita Property consists of a two-story office building located in Lake Forest, California. It is 100% owned by the Company.
(q) The Alstom Property consists of a four-story office building located in Midlothian, Chesterfield County, Virginia. It is 100% owned by the Company.
(r) The Metris—OK Property consists of a three-story office building located in Tulsa, Oklahoma. It is 100% owned by the Company.
(s) The Dial Property consists of a two-story office building located in Scottsdale, Arizona. It is 100% owned by the Company.
(t) The ASML Property consists of a two-story office building located in Tempe, Arizona. It is 100% owned by the Company.
(u) The Motorola—AZ Property consists of a two-story office building located in Tempe, Arizona. It is 100% owned by the Company.
(v) The Avnet Property consists of a two-story office building located in Tempe, Arizona. It is 100% owned by the Company.
(w) The Delphi Property consists of a three-story office building located in Troy, Michigan. It is 100% owned by the Company.
(x) The Siemens Property consists of a three-story office building located in Troy, Michigan. It is owned by Fund XII-REIT Joint Venture.
(y) The Quest Property consists of a two-story office building located in Orange County, California. It is owned by Fund VIII-IX-REIT Joint Venture.
(z) The Motorola—NJ Property consists of a three-story office building located in South Plainfield, New Jersey. It is 100% owned by the Company.
(aa) The Metris—MN Property consists of a nine-story office building located in Minnetonka, Minnesota. It is 100% owned by the Company.
(bb) The Stone & Webster Property consists of a six-story office building located in Houston, Texas. It is 100% owned by the Company.
(cc) The AT&T—OK Property consists of a two-story office building located in Oklahoma City, Oklahoma. It is owned by the Fund XII-REIT Joint Venture.
(dd) Depreciation lives used for buildings are 25 years. Depreciation lives used for land improvements are 20 years.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 2002	December 31, 2001
	(Unaudited)	
ASSETS		
REAL ESTATE ASSETS, at cost:		
Land	$ 94,273,542	$ 86,246,985
Building and improvements, less accumulated depreciation of $30,558,906 in 2002 and $24,814,454 in 2001	563,639,005	472,383,102
Construction in progress	8,827,823	5,738,573
Total real estate assets	666,740,370	564,368,660
INVESTMENT IN JOINT VENTURES	76,811,543	77,409,980
CASH AND CASH EQUIVALENTS	187,022,573	75,586,168
INVESTMENT IN BONDS	22,000,000	22,000,000
ACCOUNTS RECEIVABLE	7,697,487	6,003,179
DEFERRED PROJECT COSTS	7,739,896	2,977,110
DEFERRED LEASE ACQUISITION COSTS, net	1,868,674	1,525,199
DUE FROM AFFILIATES	1,820,241	1,692,727
PREPAID EXPENSES AND OTHER ASSETS, net	1,584,942	718,389
DEFERRED OFFERING COSTS	244,761	0
Total assets	$ 973,530,487	$ 752,281,412
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 11,071,586	$ 8,124,444
Obligation under capital lease	22,000,000	22,000,000
Accounts payable and accrued expenses	8,570,735	8,727,473
Dividends payable	3,657,498	1,059,026
Due to affiliates	990,923	2,166,161
Deferred rental income	1,567,241	661,657
Total liabilities	47,857,983	42,738,761
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 125,000,000 shares authorized, 109,331,764 shares issued and 108,472,526 shares outstanding at March 31, 2002, and 83,761,469 shares issued and 83,206,429 shares outstanding at December 31, 2001	1,093,317	837,614
Additional paid-in capital	966,577,500	738,236,525
Cumulative distributions in excess of earnings	(33,555,824)	(24,181,092)
Treasury stock, at cost, 859,238 shares at March 31, 2002 and 555,040 shares at December 31, 2001	(8,592,377)	(5,550,396)
Other comprehensive loss	(50,112)	0
Total shareholders' equity	925,472,504	709,342,651
Total liabilities and shareholders' equity	$ 973,530,487	$ 752,281,412

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

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended	
	March 31, 2002	March 31, 2001
REVENUES:		
Rental income	$ 16,738,163	$ 9,860,085
Equity in income of joint ventures	1,206,823	709,713
Interest income	1,113,715	99,915
Take out fee	134,102	0
	19,192,803	10,669,713
EXPENSES:		
Depreciation	5,744,452	3,187,179
Management and leasing fees	899,495	565,714
Operating costs, net of reimbursements	624,698	1,091,185
General and administrative	529,031	175,107
Interest expense	440,001	2,160,426
Amortization of deferred financing costs	175,462	214,757
	8,413,139	7,394,368
NET INCOME	$10,779,664	$ 3,275,345
EARNINGS PER SHARE		
Basic and diluted	$ 0.11	$ 0.10

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

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the year ended December 31, 2001
and for the three months ended March 31, 2002

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,509,807	$ 315,097	$ 275,573,339	$ (9,133,855)	$ 0	(141,297)	$ (1,412,969)	$ 0	$ 265,341,612
Issuance of common stock	52,251,662	522,517	521,994,103	0	0	0	0	0	522,516,620
Treasury stock purchased	0	0	0	0	0	(413,743)	(4,137,427)	0	(4,137,427)
Net income	0	0	0	0	21,723,967	0	0	0	21,723,967
Dividends ($.76 per share)	0	0	0	(15,047,237)	(21,723,967)	0	0	0	(36,771,204)
Sales commissions and discounts	0	0	(49,246,118)	0	0	0	0	0	(49,246,118)
Other offering expenses	0	0	(10,084,799)	0	0	0	0	0	(10,084,799)
BALANCE, December 31, 2001	83,761,469	837,614	738,236,525	(24,181,092)	0	(555,040)	(5,550,396)	0	709,342,651
Issuance of common stock	**25,570,295**	**255,703**	**255,447,240**	**0**	**0**	**0**	**0**	**0**	**255,702,943**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(304,198)**	**(3,041,981)**	**0**	**(3,041,981)**
Net income	**0**	**0**	**0**	**0**	**10,779,664**	**0**	**0**	**0**	**10,779,664**
Dividends ($.19 per share)	**0**	**0**	**0**	**(9,374,732)**	**(10,779,664)**	**0**	**0**	**0**	**(20,154,396)**
Sales commissions and discounts	**0**	**0**	**(24,579,655)**	**0**	**0**	**0**	**0**	**0**	**(24,579,655)**
Other offering expenses	**0**	**0**	**(2,526,610)**	**0**	**0**	**0**	**0**	**0**	**(2,526,610)**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(50,112)**	**(50,112)**
BALANCE, March 31, 2002 (UNAUDITED)	**109,331,764**	**$ 1,093,317**	**$ 966,577,500**	**$ (33,555,824)**	**$ 0**	**(859,238)**	**$ (8,592,377)**	**$ (50,112)**	**$ 925,472,504**

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

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 2002	March 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,779,664	$ 3,275,345
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(1,206,823)	(709,713)
Depreciation	5,744,452	3,187,179
Amortization of deferred financing costs	175,462	214,757
Amortization of deferred leasing costs	72,749	75,837
Deferred lease acquisition costs paid	(400,000)	0
Changes in assets and liabilities:		
Accounts receivable	(1,694,308)	(264,416)
Due from affiliates	(13,740)	0
Deferred rental income	905,584	(142,888)
Prepaid expenses and other assets, net	(1,092,127)	2,481,643
Accounts payable and accrued expenses	(156,738)	96,828
Due to affiliates	(626)	20,742
Net cash provided by operating activities	13,113,549	8,235,314
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(104,051,998)	(2,703,858)
Investment in joint ventures	0	(5,749)
Deferred project costs paid	(9,461,180)	(2,288,936)
Distributions received from joint ventures	1,691,486	734,286
Net cash used in investing activities	(111,821,692)	(4,264,257)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	2,947,142	5,800,000
Repayment of notes payable	0	(56,923,187)
Dividends paid to shareholders	(17,555,924)	(6,213,236)
Issuance of common stock	255,702,943	66,174,705
Sales commissions paid	(24,579,655)	(6,212,824)
Offering costs paid	(3,327,977)	(1,961,945)
Treasury stock purchased	(3,041,981)	(776,555)
Net cash (used in) provided by financing activities	210,144,548	(113,042)
NET INCREASE IN CASH AND CASH EQUIVALENTS	111,436,405	3,858,015
CASH AND CASH EQUIVALENTS, beginning of year	75,586,168	4,298,301
CASH AND CASH EQUIVALENTS, end of period	$ 187,022,573	$ 8,156,316
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 4,080,388	$ 1,430,111
Deferred project costs due to affiliate	$ 496,134	$ 0
Interest rate swap	$ (50,112)	$ 0
Deferred offering costs due to affiliate	$ 244,761	$ 0
Other offering costs due to affiliate	$ 141,761	$ 0
Write-off of deferred offering costs due to affiliate	$ 0	$ 709,686

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONDENSED NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(Unaudited)

1. Summary of Significant Accounting Policies

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16,500,000 shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998, upon receiving and accepting subscriptions for 125,000 shares. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132,181,919 had been received from the sale of approximately 13,218,192 shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175,229,193 from the sale of approximately 17,522,919 shares from the second public offering. The Company commenced its third public offering of the shares of common stock on December 20, 2000. As of March 31, 2002, the Company has received gross proceeds of approximately $785,906,526 from the sale of approximately 78,590,653 shares from its third public offering. Accordingly, as of March 31, 2002, the Company has received aggregate gross offering proceeds of approximately $1,093,317,638 from the sale of 109,331,764 shares of its common stock to 27,900 investors. After payment of $37,965,419 in acquisition and advisory fees and acquisition expenses, payment of $125,647,820 in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $735,821,825 for property acquisitions, and common stock redemptions of $8,592,377 pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $185,290,197 available for investment in properties, as of March 31, 2002.

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(b) Properties

As of March 31, 2002, the Company owned interests in 44 properties listed in the table below through its ownership in Wells OP. As of March 31, 2002, all of these properties were 100% leased.

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Dana Detroit Building	Dana Corporation	Detroit, MI	100%	$ 23,650,000	112,480	$ 2,330,600
Dana Kalamazoo Building	Dana Corporation	Kalamazoo, MI	100%	$ 18,300,000	147,004	$ 1,842,800
Novartis Building	Novartis Opthalmics, Inc.	Atlanta, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston Building	Transocean Deepwater Offshore Drilling, Inc. Newpark Resources, Inc.	Houston, TX	100%	$ 22,000,000	103,260 52,731	$ 2,110,035 $ 1,153,227
Andersen Building	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,704	$ 1,988,454
Windy Point Buildings	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Zurich American Insurance Various other tenants	Schaumburg, IL	100%	$ 89,275,000	129,157 28,322 22,028 300,000 8,884	$ 1,940,404 $ 242,948 $ 358,094 $ 4,718,285 $ 129,947
Convergys Building	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,144,176
ADIC Buildings	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,200	$ 1,124,868
Lucent Building	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,813,500
Ingram Micro Building	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan Property	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 5,545,700(1)	268,290	$ 4,225,860(2)
IKON Buildings	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street Building	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit Building	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,322,388
Comdata Building	Comdata Network, Inc.	Nashville, TN	55.0%	$ 24,950,000	201,237	$ 2,443,647
AT&T Oklahoma Buildings	AT&T Corp. Jordan Associates, Inc.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,504
Metris Minnesota Building	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster Building	Stone & Webster, Inc. SYSCO Corporation	Houston, TX	100%	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield Building	Motorola, Inc.	South Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,427
Quest Building	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi Building	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,937,664
Avnet Building	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens Building	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,371,946
Motorola Tempe Building	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 1,913,999
ASML Building	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial Building	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa Building	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark Building	Cinemark USA, Inc. The Coca-Cola Co.	Plano, TX	100%	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,354,524
Gartner Building	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,968

Videojet Technologies Chicago (formerly known as the “Marconi Building”)	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,743
Johnson Matthey Building	Johnson Matthey, Inc.	Tredyffrin Township, PA	56.8%	$ 8,000,000	130,000	$ 841,750
Alstom Power Richmond Building	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,225,963
Sprint Building	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,062,949
EYBL CarTex Building	EYBL CarTex, Inc.	Greenville, SC	56.8%	$ 5,085,000	169,510	$ 543,845
Matsushita Building	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 1,995,704
AT&T Pennsylvania Building	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC Building	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$ 21,127,854	130,091	$ 2,093,382
Fairchild Building	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 922,444
Cort Furniture Building	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Iomega Building	Iomega Corporation	Ogden City, UT	3.7%	$ 5,025,000	108,250	$ 539,958
Interlocken Building	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,031,003
Ohmeda Building	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,517
Alstom Power Knoxville Building	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,519
Avaya Building	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977

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(1) This represents the costs incurred by Wells OP to purchase the land. Total costs to be incurred for development of the Nissan Property are currently estimated to be $42,259,000.
(2) Annual rent does not take effect until construction of the building is completed and the tenant is occupying the building.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	The AmeriCredit Building The ADIC Buildings
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	The Siemens Building The AT&T Oklahoma Buildings The Comdata Building
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	The EYBL CarTex Building The Sprint Building The Johnson Matthey Building The Gartner Building
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	The Alstom Power Knoxville Building The Ohmeda Building The Interlocken Building The Avaya Building The Iomega Building
Wells/Fremont Associates Joint Venture (the "Fremont Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	The Fairchild Building
Wells/Orange County Associates Joint Venture (the "Orange County Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	The Cort Building
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest Building

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight–line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets in 2002 or 2001.

Deferred Project Costs

Wells Capital, Inc. (the "Advisor") expects to continue to fund 100% of the acquisition and advisory fees and acquisition expenses and recognize related expenses, to the extent that such costs exceed 3.5% of cumulative capital raised (subject to certain overall limitations described in the prospectus), on behalf of the Company. The Company records acquisition and advisory fees and acquisition expenses by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, at an amount equal to 3.5% of each investment and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of March 31, 2002, amounted to $37,965,419 and represented approximately 3.5% of shareholders' capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at March 31, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third–parties less reimbursements paid to the Advisor. As the actual equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of March 31, 2002, the Advisor had paid offering expenses on behalf of the Company in an aggregate amount of $23,230,560, of which the Advisor had been reimbursed $22,021,962, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts taxable income. The Company intends to make regular quarterly distributions to holders of the shares. Distributions will be made to those shareholders who are shareholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, shareholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the shareholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the “Code”), to be taxed as a Real Estate Investment Trust (“REIT”) under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company’s net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc., perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

(j) Basis of Presentation

Substantially all of the Company’s business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of the Board of Directors, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company’s Form 10-K for the year ended December 31, 2001.

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2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of March 31, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of March 31, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months ended March 31, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended		Three Months Ended		Three Months Ended	
	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,379,059	$ 1,449,856	$ 554,268	$ 638,435	$ 20,572	$ 23,696
Cort Joint Venture	212,006	199,586	129,750	133,753	56,658	58,406
Fremont Joint Venture	225,161	225,178	135,948	142,612	105,365	110,530
Fund XI-XII-REIT Joint Venture	858,219	847,030	497,149	514,277	282,197	291,918
Fund XII-REIT Joint Venture	1,670,863	947,943	805,513	445,321	442,726	208,634
Fund VIII-IX-REIT Joint Venture	323,746	267,624	160,696	105,033	273,931	16,529
Fund XIII-REIT Joint Venture	700,648	0	401,674	0	25,374	0
	$ 5,369,702	$ 3,937,217	$ 2,684,998	$ 1,979,431	$ 1,206,823	$ 709,713

3. INVESTMENTS IN REAL ESTATE

As of March 31, 2002, the Company, through its ownership in Wells OP, owns 27 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended March 31, 2002.

The Andersen Building

On January 11, 2002, Wells OP purchased the Andersen Building, a three-story office building containing approximately 157,700 rentable square feet on a 9.8 acre tract of land located in Sarasota County, Florida for a purchase price of $21,400,000, excluding closing costs. The Andersen Building is leased to Arthur Andersen LLP ("Andersen"). The current term of the Andersen lease is 10 years, which commenced on November 11, 1998 and expires on October 31, 2009. Andersen has the right to extend the initial 10-year term of its lease for two additional five-year periods at 90% of the then-current market rental rate. The current annual base rent payable under the Andersen lease is $1,988,454. Andersen has the option to purchase the Andersen Building prior to the end of the fifth lease year for $23,250,000 and again at the expiration of the initial lease term for $25,148,000.

The Transocean Houston Building

On March 15, 2002, Wells OP purchased the Transocean Houston Building, a six story office building containing approximately 156,000 rentable square feet located in Houston, Harris County, Texas for a purchase price of

$22,000,000, excluding closing costs. The Transocean Houston Building is 100% leased to Transocean Deepwater Offshore Drilling, Inc. (“Transocean”) and Newpark Drilling Fluids, Inc. (“Newpark”).

The Transocean lease is a triple net lease which covers approximately 103,260 square feet commencing in December 2001 and expiring in March 2011. The initial annual base rent payable under the Transocean lease is $2,110,035. Transocean has the option to extend the initial term of its lease for either (1) two additional five-year periods, or (2) one additional ten-year period, at the then-current market rental rate. In addition, Transocean has an expansion option and a right of first refusal for up to an additional 51,780 rentable square feet.

The Newpark lease covers approximately 52,731 rentable square feet and is a net lease that commenced in August 1999 and expires in August 2009. The current annual base rent payable under the Newpark lease is $1,153,227.

The Novartis Atlanta Building

On March 28, 2002, Wells OP purchased the Novartis Atlanta Building, a four-story office building containing approximately 100,000 rentable square feet located in Duluth, Fulton County, Georgia for a purchase price of $15,000,000, excluding closing costs. The Novartis Atlanta Building is 100% leased to Novartis Opthalmics, Inc. (“Novartis”). The Novartis lease is a net lease which commenced in August 2001 and expires in July 2011. Novartis Corporation, the parent of Novartis, has guaranteed the lease. The current annual base rent payable is $1,426,240. Novartis, at its option, may extend the initial term of its lease for three additional five-year periods at the then-current market rental rate. In addition, Novartis may terminate the lease at the end of the fifth lease year by paying a $1,500,000 termination fee.

The Dana Corporation Buildings

On March 29, 2002, Wells OP purchased all of the membership interests in Dana Farmington Hills, LLC and Dana Kalamazoo, LLC, which respectively owned a three-story office and research development building containing approximately 112,400 rentable square feet located in Farmington Hills, Oakland County, Michigan (the “Dana Detroit Building”) and a two-story office and industrial building containing approximately 147,000 rentable square feet located in Kalamazoo, Kalamazoo County, Michigan (the “Dana Kalamazoo Building”) for an aggregate purchase price of $41,950,000, excluding closing costs.

The Dana Detroit Building is 100% leased to the Dana Corporation (“Dana”) under a net lease that commenced in October 2001 and expires in October 2021. The current annual base rent payable under the Dana lease for Detroit is $2,330,600. Dana may, at its option, extend the initial term of its lease for six additional five-year periods at the then-current market rental rate. Additionally, Dana may terminate the lease after the eleventh year of its initial lease term subject to certain conditions.

The Dana Kalamazoo Building is also 100% leased to Dana. The Dana lease for Kalamazoo is a net lease which commenced in October 2001 and expires in October 2011. The current annual base rent payable is $1,842,800. Dana has the option to extend the initial term of the Dana lease in Kalamazoo for six additional five-year periods at the then-current market rental rate. Additionally, Dana may terminate the lease at any time after the sixth year of the initial lease term and before the end of the nineteenth lease year, subject to certain conditions.

4. NOTES PAYABLE

Notes payable consists of (i) $7,655,600 of draws on a line of credit from SouthTrust Bank secured by a first mortgage against the Cinemark, ASML, Dial, PwC, Motorola Tempe and Avnet Buildings and (ii) $3,415,986 outstanding on the construction loan from Bank of America which is being used to fund the development of the Nissan Property.

5. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for Acquisitions and Advisory Fees and Acquisition Expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in detail in the financial statements and footnotes included in the Company’s Form 10-K for the year ended December 31, 2001. Payments of $601,963 have been made as of March 31, 2002 toward funding the obligation under the Matsushita agreement.

6. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a Take Out Fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, and in consideration for the payment of a take out fee in the amount of $137,500 to the Company, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange on April 15, 2002. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex and, accordingly, Wells OP has been released from its prior obligations under the take out purchase and escrow agreement relating to such property.

PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (Tables) provide information relating to real estate investment programs sponsored by Wells Capital, Inc., our advisor, and its affiliates (Wells Public Programs) which have investment objectives similar to Wells Real Estate Investment Trust, Inc. (Wells REIT). (See "Investment Objectives and Criteria.") Except for the Wells REIT, all of the Wells Public Programs have used capital, and no acquisition indebtedness, to acquire their properties.

Prospective investors should read these Tables carefully together with the summary information concerning the Wells Public Programs as set forth in the "Prior Performance Summary" section of this prospectus.

Investors in the Wells REIT will not own any interest in the other Wells Public Programs and should not assume that they will experience returns, if any, comparable to those experienced by investors in other Wells Public Programs.

The advisor is responsible for the acquisition, operation, maintenance and resale of the real estate properties. The financial results of the Wells Public Programs, thus, may provide some indication of the advisor's 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 (As a Percentage of Investment)

Table II—Compensation to Sponsor (in Dollars)

Table III—Annual Operating Results of Wells Public Programs

Table IV (Results of completed programs) has been omitted since none of the Wells Public Programs have been liquidated.

Table V—Sales or Disposals of Property

Additional information relating to the acquisition of properties by the Wells Public Programs is contained in **Table VI**, which is included in Part II of the registration statement which the Wells REIT has filed with the Securities and Exchange Commission. Copies of any or all information will be provided to prospective investors at no charge upon request.

The following are definitions of certain terms used in the Tables:

"**Acquisition Fees**" shall mean fees and commissions paid by a Wells Public Program in connection with its purchase or development of a property, except development fees paid to a person not affiliated with the Wells Public Program or with a general partner or advisor of the Wells Public Program in connection with the actual development of a project after acquisition of the land by the Wells Public Program.

"**Organization Expenses**" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the sponsor in connection with the planning and formation of the Wells Public Program.

"**Underwriting Fees**" shall include selling commissions and wholesaling fees paid to broker-dealers for services provided by the broker-dealers during the offering.

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TABLE I
(UNAUDITED)

EXPERIENCE IN RAISING AND INVESTING FUNDS

This Table provides a summary of the experience of the sponsors of Wells Public Programs for which offerings have been completed since December 31, 1998. Information is provided with regard to the manner in which the proceeds of the offerings have been applied. Also set forth is information pertaining to the timing and length of these offerings and the time period over which the proceeds have been invested in the properties. All figures are as of December 31, 2001.

	Wells Real Estate Fund XI, L.P.	Wells Real Estate Fund XII, L.P.	Wells Real Estate Investment Trust, Inc.
Dollar Amount Raised	$16,532,802(3)	$35,611,192(4)	$307,411,112(5)
Percentage Amount Raised	100%(3)	100%(4)	100%(5)
Less Offering Expenses			
Underwriting Fees	9.5%	9.5%	9.5%
Organizational Expenses	3.0%	3.0%	3.0%
Reserves(1)	0.0%	0.0%	0.0%
Percent Available for Investment	87.5%	87.5%	87.5%
Acquisition and Development Costs			
Prepaid Items and Fees related to Purchase of Property	0.0%	0.0	0.5%
Cash Down Payment	84.0%	84.0%	73.8%
Acquisition Fees(2)	3.5%	3.5%	3.5%
Development and Construction Costs	0.0%	0.0%	9.7%
Reserve for Payment of Indebtedness	0.0%	0.0%	0.0%
Total Acquisition and Development Cost	87.5%	87.5%	87.5%
Percent Leveraged	0.0%	0.0%	30.9%
Date Offering Began	12/31/97	03/22/99	01/30/98
Length of Offering	12 mo.	24 mo.	35 mo.
Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering)	20 mo.	26 mo.	21 mo.
Number of Investors as of 12/31/01	1,338	1,337	7,422

(1) Does not include general partner contributions held as part of reserves.

(2) Includes acquisition fees, real estate commissions, general contractor fees and/or architectural fees paid to affiliates of the general partners.

(3) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund XI, L.P. closed its offering on December 30, 1998, and the total dollar amount raised was $16,532,802.

(4) Total dollar amount registered and available to be offered was $70,000,000. Wells Real Estate Fund XII, L.P. closed its offering on March 21, 2001, and the total dollar amount raised was $35,611,192.

(5) The total dollar amount registered and available to be offered in the first offering was $165,000,000. Wells Real Estate Investment Trust, Inc. closed its initial offering on December 19, 1999, and the total dollar amount raised in its initial offering was $132,181,919. The total dollar amount registered and available to be offered in the second offering was $222,000,000. Wells Real Estate Investment Trust, Inc. closed its second offering on December 19, 2000, and the total dollar amount raised in its second offering was $175,229,193.

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TABLE II
(UNAUDITED)

COMPENSATION TO SPONSOR

The following sets forth the compensation received by Wells Capital, Inc., our advisor, and its affiliates, including compensation paid out of offering proceeds and compensation paid in connection with the ongoing operations of Wells Public Programs having similar or identical investment objectives the offerings of which have been completed since December 31, 1998. All figures are as of December 31, 2001.

	Wells Real Estate Fund XI, L.P.	Wells Real Estate Fund XII, L.P.	Wells Real Estate Investment Trust, Inc.(1)	Other Public Programs(2)
Date Offering Commenced	12/31/97	03/22/99	01/30/98	—
Dollar Amount Raised	$ 16,532,802	$35,611,192	$ 307,411,112	$ 268,370,007
To Sponsor from Proceeds of Offering:				
Underwriting Fees(3)	$ 151,911	$ 362,416	$ 3,076,844	$ 1,494,470
Acquisition Fees				
Real Estate Commissions	—	—	—	—
Acquisition and Advisory Fees(4)	$ 578,648	$ 1,246,392	$ 10,759,389	$ 12,644,556
Dollar Amount of Cash Generated from Operations Before Deducting Payments to Sponsor(5)	$ 3,494,174	$ 3,508,128	$ 116,037,681	$ 58,169,461
Amount Paid to Sponsor from Operations:				
Property Management Fee(2)	$ 90,731	$ 113,238	$ 1,899,140	$ 2,257,424
Partnership Management Fee	—	—	—	—
Reimbursements	$ 164,746	$ 142,990	$ 1,047,449	$ 2,503,609
Leasing	$ 90,731	$ 113,238	$ 1,899,140	$ 2,257,426
Commissions General Partner Distributions	—	—	—	—
Other	—	—	—	—
Dollar Amount of Property Sales and Refinancing Payments to Sponsors:				
Cash	—	—	—	—
Notes	—	—	—	—
Amount Paid to Sponsor from Property Sales and Refinancing:				
Real Estate Commissions	—	—	—	—
Incentive Fees	—	—	—	—
Other	—	—	—	—

(1) The total dollar amount registered and available to be offered in the first offering was $165,000,000. Wells Real Estate Investment Trust, Inc. closed its initial offering on December 19, 1999, and the total dollar amount raised in its initial offering was $132,181,919. The total dollar amount registered and available to be offered in the second offering was $222,000,000. Wells Real Estate Investment Trust, Inc. closed its second offering on December 19, 2000, and the total dollar amount raised in its second offering was $175,229,193.

(2) Includes compensation paid to the general partners from Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P. and Wells Real Estate Fund X, L.P. during the past three years. In addition to the amounts shown, affiliates of the general partners of Wells Real Estate Fund I are entitled to certain property management and leasing fees but have elected to defer the payment of such fees until a later year on properties owned by Wells Real Estate Fund I. As of December 31, 2001, the amount of such deferred fees totaled $2,627,841.

(3) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offering which was not reallowed to participating broker-dealers.

(4) Fees paid to the general partners or their affiliates for acquisition and advisory services in connection with the review and evaluation of potential real property acquisitions.

(5) Includes $(161,104) in net cash provided by operating activities, $3,308,970 in distributions to limited partners and $346,208 in payments to sponsor for Wells Real Estate Fund XI, L.P.; $167,620 in net cash used by operating activities, $2,971,042 in distributions to limited partners and $369,466 in payments to sponsor for Wells Real Estate Fund XII, L.P.; $53,677,256 in net cash provided by operating activities, $57,514,696 in dividends and $4,845,729 in payments to sponsor for Wells Real Estate Investment Trust, Inc.; and $956,542 in net cash provided by operating activities, $50,169,329 in distributions to limited partners and $7,018,457 in payments to sponsor for other public programs.

TABLE III
(UNAUDITED)

The following five tables set forth operating results of Wells Public Programs the offerings of which have been completed since December 30, 1996. The information relates only to public programs with investment objectives similar to those of the Wells REIT. All figures are as of December 31 of the year indicated.

TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND IX, L.P.

	2001	2000	1999	1998	1997
Gross Revenues(1)	$ 1,874,290	$ 1,836,768	$ 1,593,734	$ 1,561,456	$ 1,199,300
Profit on Sale of Properties	—	—	—	—	—
Less: Operating Expenses(2)	105,816	78,092	90,903	105,251	101,284
Depreciation and Amortization(3)	0	0	12,500	6,250	6,250
Net Income GAAP Basis(4)	$ 1,768,474	$ 1,758,676	$ 1,490,331	$ 1,449,955	$ 1,091,766
Taxable Income:Operations	$ 2,251,474	$ 2,147,094	$ 1,924,542	$ 1,906,011	$ 1,083,824
Cash Generated (Used By):					
Operations	$ (101,573)	$ (66,145)	$ (94,403)	$ 80,147	$ 501,390
Joint Ventures	2,978,785	2,831,329	2,814,870	2,125,489	527,390
	$ 2,877,212	$ 2,765,184	$ 2,720,467	$ 2,205,636	$ 1,028,780
Less Cash Distributions to Investors:					
Operating Cash Flow	2,877,212	2,707,684	2,720,467	2,188,189	1,028,780
Return of Capital	—	—	15,528	—	41,834
Undistributed Cash Flow From Prior Year Operations	20,074	—	17,447	—	1,725
Cash Generated (Deficiency) after Cash Distributions	$ (20,074)	$ 57,500	$ (32,975)	$ 17,447	$ (43,559)
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	—	—	—	—	—
Increase in Limited Partner Contributions	—	—	—	—	—
	$ (20,074)	$ 57,500	$ (32,975)	$ 17,447	$ (43,559)
Use of Funds:					
Sales Commissions and Offering Expenses	—	—	—	—	323,039
Return of Original Limited Partner's Investment	—	—	—	—	100
Property Acquisitions and Deferred Project Costs	—	44,357	190,853	9,455,554	13,427,158
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (20,074)	$ 13,143	$ (223,828)	$(9,438,107)	$ (13,793,856)
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
—Operations Class A Units	57	93	89	88	53
—Operations Class B Units	(0)	(267)	(272)	(218)	(77)
Capital Gain (Loss)	—	—	—	—	—
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
—Operations Class A Units	94	91	86	85	46
—Operations Class B Units	(195)	(175)	(164)	(123)	(47)
Capital Gain (Loss)	—	—	—	—	—
Cash Distributions to Investors:					
Source (on GAAP Basis)					
—Investment Income Class A Units	56	87	88	73	36
—Return of Capital Class A Units	36	—	2	—	—
—Return of Capital Class B Units	—	—	—	—	—
Source (on Cash Basis)					
—Operations Class A Units	92	87	89	73	35
—Return of Capital Class A Units	—	—	1	—	1
—Operations Class B Units	—	—	—	—	—
Source (on a Priority Distribution Basis)(5)					
—Investment Income Class A Units	81	76	77	61	29
—Return of Capital Class A Units	11	11	13	12	7
—Return of Capital Class B Units	—	—	—	—	—
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes $593,914 in equity in earnings of joint ventures and $605,386 from investment of reserve funds in 1997; $1,481,869 in equity in earnings of joint ventures and $79,587 from investment of reserve funds in 1998; $1,593,734 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999; and $1,829,216 in equity in earnings of joint ventures and $7,552 from investment of reserve funds in 2000; and $1,870,378 in equity in earnings of joint ventures and $3,912 from investment of reserve funds in 2001. As of December 31, 2001, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $469,126 for 1997; $1,143,407 for 1998; $1,210,939 for 1999; $1,100,915 for 2000; and $1,076,802 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $1,564,778 to Class A Limited Partners, $(472,806) to Class B Limited Partners and $(206) to the General Partners for 1997; $2,597,938 to Class A Limited Partners, $(1,147,983) to Class B Limited Partners and $0 to the General Partners for 1998; $2,713,636 to Class A Limited Partners, $(1,223,305) to Class B Limited Partners and $0 to the General Partners for 1999; $2,858,806 to Class A Limited Partners, $(1,100,130) to Class B Limited Partners and $0 to the General Partners for 2000; and $1,768,474 to Class A Limited Partners, $(0) to Class B Limited Partners and $0 to the General Partners for 2001.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,668,253.

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TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND X, L.P.

	2001	2000	1999	1998	1997
Gross Revenues(1)	$ 1,559,026	$ 1,557,518	$ 1,309,281	$ 1,204,597	$ 372,507
Profit or Sale of Properties	—	—	—	—	—
Less: Operating Expenses (2)	109,177	81,338	98,213	99,034	88,232
Depreciation and Amortization (3)	0	0	18,750	55,234	6,250
Net Income GAAP Basis (4)	$ 1,449,849	$ 1,476,180	$ 1,192,318	$ 1,050,329	$ 278,025
Taxable Income: Operations	$ 1,688,775	$ 1,692,792	$ 1,449,771	$ 1,277,016	$ 382,543
Cash Generated (Used By):					
Operations	(100,983)	(59,595)	(99,862)	300,019	200,668
Joint Ventures	2,307,137	2,192,397	2,175,915	886,846	—
	$ 2,206,154	$ 2,132,802	$ 2,076,053	$ 1,186,865	$ 200,668
Less Cash Distributions to Investors:					
Operating Cash Flow	2,206,154	2,103,260	2,067,801	1,186,865	—
Return of Capital	—	—	—	19,510	—
Undistributed Cash Flow From Prior Year Operations	25,647	—	—	200,668	—
Cash Generated (Deficiency) after Cash Distributions	$ (25,647)	$ 29,542	$ 8,252	$ (220,178)	$ 200,668
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	—	—	—	—	—
Increase in Limited Partner Contributions	—	—	—	—	27,128,912
	$ (25,647)	$ 29,542	$ 8,252	$ (220,178)	$ 27,329,580
Use of Funds:					
Sales Commissions and Offering Expenses	—	—	—	300,725	3,737,363
Return of Original Limited Partner's Investment	—	—	—	—	100
Property Acquisitions and Deferred Project Costs	0	81,022	0	17,613,067	5,188,485
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (25,647)	$ (51,480)	$ 8,252	$ (18,133,970)	$ 18,403,632
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
—Operations Class A Units	99	104	97	85	28
—Operations Class B Units	(188)	(159)	(160)	(123)	(9)
Capital Gain (Loss)	—	—	—	—	—
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
—Operations Class A Units	95	98	92	78	35
—Operations Class B Units	(130)	(107)	(100)	(64)	0
Capital Gain (Loss)	—	—	—	—	—
Cash Distributions to Investors:					
Source (on GAAP Basis)					
—Investment Income Class A Units	96	94	95	66	—
—Return of Capital Class A Units	—	—	—	—	—
—Return of Capital Class B Units	—	—	—	—	—
Source (on Cash Basis)					
—Operations Class A Units	96	94	95	56	—
—Return of Capital Class A Units	—	—	—	10	—
—Operations Class B Units	—	—	—	—	—
Source (on a Priority Distribution Basis) (5)					
—Investment Income Class A Units	80	74	71	48	—
—Return of Capital Class A Units	16	20	24	18	—
—Return of Capital Class B Units	—	—	—	—	—
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes $(10,035) in equity in earnings of joint ventures and $382,542 from investment of reserve funds in 1997; $869,555 in equity in earnings of joint ventures and $215,042 from investment of reserve funds in 1998; $1,309,281 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999; 1,547,664 in equity in earnings of joint ventures and $9,854 from investment of reserve funds in 2000; and $1,549,588 in equity in earnings of joint ventures and $9,438 from investment of reserve funds in 2001. As of December 31, 2001, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $18,675 for 1997; $674,986 for 1998; $891,911 for 1999; $816,544 for 2000; and $814,502 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $302,862 to Class A Limited Partners, $(24,675) to Class B Limited Partners and $(162) to the General Partners for 1997; $1,779,191 to Class A Limited Partners, $(728,524) to Class B Limited Partners and $(338) to General Partners for 1998; $2,084,229 to Class A Limited Partners, $(891,911) to Class B Limited Partners and $0 to the General Partners for 1999; $2,292,724 to Class A Limited Partners, $(816,544) to Class B Limited Partners and $0 to the General Partners for 2000; and $2,264,351 to Class A Limited Partners, $(814,502) to Class B Limited Partners and $0 to the General Partners for 2001.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,735,882.

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TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND XI, L.P.

	2001	2000	1999	1998	1997
Gross Revenues(1)	$ 960,676	$ 975,850	$ 766,586	$ 262,729	N/A
Profit on Sale of Properties	—	—	—	—	
Less: Operating Expenses(2)	90,326	79,861	111,058	113,184	
Depreciation and Amortization(3)	0	—	25,000	6,250	
Net Income GAAP Basis(4)	$ 870,350	$ 895,989	$ 630,528	$ 143,295	
Taxable Income: Operations	$ 1,038,394	$ 944,775	$ 704,108	$ 177,692	
Cash Generated (Used By):					
Operations	(128,985)	(72,925)	40,906	(50,858)	
Joint Ventures	1,376,673	1,333,337	705,394	102,662	
	$ 1,247,688	$ 1,260,412	$ 746,300	$ 51,804	
Less Cash Distributions to Investors:					
Operating Cash Flow	1,247,688	1,205,303	746,300	51,804	
Return of Capital	4,809	—	49,761S	48,070	
Undistributed Cash Flow From Prior Year Operations	55,109	—	—	—	
Cash Generated (Deficiency) after Cash Distributions	$ (59,918)	$ 55,109	$ (49,761)	$ (48,070)	
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	—	—	—	—	
Increase in Limited Partner Contributions	—	—	—	16,532,801	
	$ (59,918)	$ 55,109	$ (49,761)	$ 16,484,731	
Use of Funds:					
Sales Commissions and Offering Expenses	—	—	214,609	1,779,661	
Return of Original Limited Partner's Investment	—	—	100	—	
Property Acquisitions and Deferred Project Costs	—	—	9,005,979	5,412,870	
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (59,918)	$ 55,109	$ (9,270,449)	$ 9,292,200	
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
—Operations Class A Units	101	103	77	50	
—Operations Class B Units	(158)	(155)	(112)	(77)	
Capital Gain (Loss)	—	—	—	—	
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
—Operations Class A Units	100	97	71	18	
—Operations Class B Units	(100)	(112)	(73)	(17)	
Capital Gain (Loss)	—	—	—	—	
Cash Distributions to Investors:					
Source (on GAAP Basis)					
—Investment Income Class A Units	97	90	60	8	
—Return of Capital Class A Units	—	—	—	—	
—Return of Capital Class B Units	—	—	—	—	
Source (on Cash Basis)					
—Operations Class A Units	97	90	56	4	
—Return of Capital Class A Units	—	—	4	4	
—Operations Class B Units	—	—	—	—	
Source (on a Priority Distribution Basis)(5)					
—Investment Income Class A Units	75	69	46	6	
—Return of Capital Class A Units	22	21	14	2	
—Return of Capital Class B Units	—	—	—	—	
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes $142,163 in equity in earnings of joint ventures and $120,566 from investment of reserve funds in 1998; $607,579 in equity in earnings of joint ventures and $159,007 from investment of reserve funds in 1999; $967,900 in equity in earnings of joint ventures and $7,950 from investment of reserve funds in 2000; and $959,631 in equity in earnings of joint ventures and $1,045 from investment of reserve funds in 2001. As of December 31, 2001, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $105,458 for 1998; $353,840 for 1999; $485,558 for 2000; and $491,478 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $254,862 to Class A Limited Partners, $(111,067) to Class B Limited Partners and $(500) to General Partners for 1998; $1,009,368 to Class A Limited Partners, $(378,840) to Class B Limited Partners and $0 to the General Partners for 1999; $1,381,547 to Class A Limited Partners, $(485,558) to Class B Limited Partners and $0 to General Partners for 2000; and $1,361,828 to Class A Limited Partners, $(491,478) to Class B Limited Partners and $0 to the General Partners for 2001.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $791,502.

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TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND XII, L.P.

	2001	2000	1999
GrossRevenues(1)	$ 1,661,194	$ 929,868	$ 160,379
Profit on Sale of Properties	—	—	—
Less: Operating Expenses(2)	105,776	73,640	37,562
Depreciation and Amortization(3)	0	0	0
Net Income GAAP Basis(4)	$ 1,555,418	$ 856,228	$ 122,817
Taxable Income: Operations	$ 1,850,674	$ 863,490	$ 130,108
Cash Generated (Used By):			
Operations	(83,406)	247,244	3,783
Joint Ventures	2,036,837	737,266	61,485
	$ 1,953,431	$ 984,510	$ 65,268
Less Cash Distributions to Investors:			
Operating Cash Flow	1,953,431	779,818	62,934
Return of Capital	—	—	—
Undistributed Cash Flow From Prior Year Operations	174,859	—	—
Cash Generated (Deficiency) after Cash Distributions	$ (174,859)	$ 204,692	$ 2,334
Special Items (not including sales and financing):			
Source of Funds:			
General Partner Contributions	—	—	—
Increase in Limited Partner Contributions	10,625,431	15,617,575	9,368,186
	$ 10,450,572	$ 15,822,267	$ 9,370,520
Use of Funds:			
Sales Commissions and Offering Expenses	1,328,179	1,952,197	1,171,024
Return of Original Limited Partner's Investment	—	—	100
Property Acquisitions and Deferred Project Costs	9,298,085	16,246,485	5,615,262
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (175,692)	$ (2,376,415)	$ 2,584,134
Net Income and Distributions Data per $1,000 Invested:			
Net Income on GAAP Basis:			
Ordinary Income (Loss)			
—Operations Class A Units	98	89	50
—Operations Class B Units	(131)	(92)	(56)
Capital Gain (Loss)	—	—	—
Tax and Distributions Data per $1,000 Invested:			
Federal Income Tax Results:			
Ordinary Income (Loss)			
—Operations Class A Units	84	58	23
—Operations Class B Units	(74)	(38)	(25)
Capital Gain (Loss)	—	—	—
Cash Distributions to Investors:			
Source (on GAAP Basis)			
—Investment Income Class A Units	77	41	8
—Return of Capital Class A Units	—	—	—
—Return of Capital Class B Units	—	—	—
Source (on Cash Basis)			
—Operations Class A Units	77	41	8
—Return of Capital Class A Units	—	—	—
—Operations Class B Units	—	—	—
Source (on a Priority Distribution Basis)(5)			
—Investment Income Class A Units	55	13	6
—Return of Capital Class A Units	22	28	2
—Return of Capital Class B Units	—	—	—
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%		

(1) Includes $124,542 in equity in earnings of joint ventures and $35,837 from investment of reserve funds in 1999; $664,401 in equity in earnings of joint ventures and $265,467 from investment of reserve funds in 2000; and $1,577,523 in equity in earnings of joint ventures and $83,671 from investment of reserve funds in 2001. As of December 31, 2001, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $72,427 for 1999; $355,210 for 2000; and $1,035,609 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $195,244 to Class A Limited Partners, $(71,927) to Class B Limited Partners and $(500) to the General Partners for 1999; $1,209,438 to Class A Limited Partners, $(353,210) to Class B Limited Partners and $0 to General Partners for 2000; and $2,591,027 to Class A Limited Partners, $(1,035,609) to Class B Limited Partners and $0 to the General Partners for 2001.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $870,747.

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TABLE V (UNAUDITED)

SALES OR DISPOSALS OF PROPERTIES

The following Table sets forth sales or other disposals of properties by Wells Public Programs within the most recent three years. The information relates to only public programs with investment objectives similar to those of Wells Real Estate Investment Trust, Inc. All figures are as of December 31, 2001.

			Selling Price, Net Of Closing Costs And GAAP Adjustments						Cost Of Properties Including Closing And Soft Costs		
Property	**Date Acquired**	**Date Of Sale**	**Cash Received Net Of Closing Costs**	**Mortgage Balance At Time Of Sale**	**Purchase Money Mortgage Taken Back By Program**	**Adjustments Resulting From Application Of GAAP**	**Total**	**Original Mortgage Financing**	**Total Acquisition Cost, Capital Improvement, Closing And Soft Costs(1)**	**Total**	**Excess (Deficiency) Of Property Operating Cash Receipts Over Cash Expenditures**
3875 Peachtree Place, Atlanta, Georgia	12/1/85	08/31/00	$ 727,982	-0-	-0-	-0-	$ 727,982(2)	-0-	$ 647,648	$ 647,648	
Crowe's Crossing Shopping Center, DeKalb Count, Georgia	12/31/86	01/11/01	$ 6,487,000	-0-	-0-	-0-	$ 6,487,000(3)	-0-	$ 9,388,869	$ 9,368,869	
Cherokee Commons Shopping Center, Cherokee County, Georgia	10/30/87	10/01/01	$ 8,434,089	-0-	-0-	-0-	$ 8,434,089(4)	-0-	$ 10,650,750	$ 10,650,750	

(1) Amount shown does not include *pro rata* share of original offering costs.
(2) Includes Wells Real Estate Fund I's share of taxable gain from this sale in the amount of $205,019, of which $205,019 is allocated to capital gain and $0 is allocated to ordinary gain.
(3) Includes taxable gain from this sale in the amount of $11,496, of which $11,496 is allocated to capital gain and $0 is allocated to ordinary gain.
(4) Includes taxable gain from this sale in the amount of $207,613, of which $207,613 is allocated to capital gain and $0 is allocated to ordinary gain.

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EXHIBIT A

SUBSCRIPTION AGREEMENT

To: **Wells Real Estate Investment Trust, Inc.**
Suite 250
6200 The Corners Parkway
Atlanta, Georgia 30092

Ladies and Gentlemen:

The undersigned, by signing and delivering a copy of the attached Subscription Agreement Signature Page, hereby tenders this subscription and applies for the purchase of the number of shares of common stock ("Shares") of Wells Real Estate Investment Trust, Inc., a Maryland corporation ("Wells REIT"), set forth on such Subscription Agreement Signature Page. Payment for the Shares is hereby made by check payable to "Wells Real Estate Investment Trust, Inc."

I hereby acknowledge receipt of the Prospectus of the Wells REIT dated July 26, 2002 (the "Prospectus").

I agree that if this subscription is accepted, it will be held, together with the accompanying payment, on the terms described in the Prospectus. Subscriptions may be rejected in whole or in part by the Wells REIT in its sole and absolute discretion.

Prospective investors are hereby advised of the following:

(a) The assignability and transferability of the Shares is restricted and will be governed by the Wells REIT's Articles of Incorporation and Bylaws and all applicable laws as described in the Prospectus.

(b) Prospective investors should not invest in Shares unless they have an adequate means of providing for their current needs and personal contingencies and have no need for liquidity in this investment.

(c) There is no public market for the Shares and, accordingly, it may not be possible to readily the liquidate an investment in the Wells REIT.

SPECIAL NOTICE FOR CALIFORNIA RESIDENTS ONLY
CONDITIONS RESTRICTING TRANSFER OF SHARES

260.141.11 Restrictions on Transfer.

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Sections 260.102.6, 260.141.10 or 260.534 of the Rules (the "Rules") adopted under the California Corporate Securities Law (the "Code") shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time the certificate evidencing the security is delivered to the issuee or transferee.

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of the Rules), except:

(1) to the issuer;

(2) pursuant to the order or process of any court;

(3) to any person described in subdivision (i) of Section 25102 of the Code or Section 260.105.14 of the Rules;

(4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;

(5) to holders of securities of the same class of the same issuer;

(6) by way of gift or donation inter vivos or on death;

(7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities laws of the foreign state, territory or country concerned;

(8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or selling group;

(9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;

(10) by way of a sale qualified under Sections 25111, 25112, 25113 or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;

(11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;

(12) by way of an exchange qualified under Section 25111, 25112 or 25113 of the Code provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;

(13) between residents of foreign states, territories or countries who are neither domiciled or actually present in this state;

(14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state;

(15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities;

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

(c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

"IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."

[Last amended effective January 21, 1988.]

SPECIAL NOTICE FOR MAINE, MASSACHUSETTS, MINNESOTA, MISSOURI AND NEBRASKA RESIDENTS ONLY

In no event may a subscription for Shares be accepted until at least five business days after the date the subscriber receives the Prospectus. Residents of the States of Maine, Massachusetts, Minnesota, Missouri and Nebraska who first received the Prospectus only at the time of subscription may receive a refund of the subscription amount upon request to the Wells REIT within five days of the date of subscription.

STANDARD REGISTRATION REQUIREMENTS

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 AND SIGNATURE(S) REQUIRED

1. **INDIVIDUAL**: One signature required.

2. **JOINT TENANTS WITH RIGHT OF SURVIVORSHIP**: All parties must sign.

3. **TENANTS IN COMMON**: All parties must sign.

4. **COMMUNITY PROPERTY**: Only one investor signature required.

5. **PENSION OR PROFIT SHARING PLANS**: The trustee signs the Signature Page.

6. **TRUST**: The trustee signs the Signature Page. Provide the name of the trust, the name of the trustee and the name of the beneficiary.

7. **PARTNERSHIP**: Identify whether the entity is a general or limited partnership. The general partners must be identified and their signatures obtained on the Signature Page. 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 (1) 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 (2) a certified copy of the Board’s resolution authorizing the investment.

9. **IRA AND IRA ROLLOVERS**: 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 the trustee 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)** or **UNIFORM TRANSFERS TO MINORS ACT (UTMA)**: 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 UGMA or UTMA. In addition, designate the state under which the gift is being made.

INSTRUCTIONS TO SUBSCRIPTION AGREEMENT SIGNATURE PAGE TO WELLS REAL ESTATE INVESTMENT TRUST, INC. SUBSCRIPTION AGREEMENT

INVESTOR INSTRUCTIONS

Please follow these instructions carefully. Failure to do so may result in the rejection of your subscription. All information on the Subscription Agreement Signature Page should be completed as follows:

1. **INVESTMENT**

a. **GENERAL**: A minimum investment of $1,000 (100 Shares) is required, except for certain states which require a higher minimum investment. **A CHECK FOR THE FULL PURCHASE PRICE OF THE SHARES SUBSCRIBED FOR SHOULD BE MADE PAYABLE TO THE ORDER OF "WELLS REAL ESTATE INVESTMENT TRUST, INC."** Investors who have satisfied the minimum purchase requirements in Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Rea Estate Fund XI, L.P., Wells Real Estate Fund XII, L.P., or Wells Real Estate Fund XIII, L.P., or in any other public real estate program may invest as little as $25 (2.5 Shares) except for residents of Maine, Minnesota, Nebraska or Washington. Shares may be purchased only by persons meeting the standards set forth under the Section of the Prospectus entitled "Suitability Standards." Please indicate the state in which the sale was made. **WE WILL NOT ACCEPT CASH, MONEY ORDERS OR TRAVELERS CHECKS FOR INITIAL INVESTMENTS.**

b. **DEFERRED COMMISSION OPTION:** Please check the box if you have agreed with your Broker-Dealer to elect the Deferred Commission Option, as described in the Prospectus, as supplemented to date. By electing the Deferred Commission Option, you are required to pay only $9.40 per Share purchased upon subscription. For the next six years following the year of subscription, you will have a 1% sales commission ($.10 per Share) per year deducted from and paid out of dividends or other cash distributions otherwise distributable to you. Election of the Deferred Commission Option shall authorize the Wells REIT to withhold such amounts from dividends or other cash distributions otherwise payable to you as is set forth in the "Plan of Distribution" section of the Prospectus.

2. **ADDITIONAL INVESTMENTS**

Please check if you plan to make one or more additional investments in the Wells REIT. All additional investments must be in increments of at least $25. Additional investments by residents of Maine must be for the minimum amounts stated under "Suitability Standards" in the Prospectus, and residents of Maine must execute a new Subscription Agreement Signature Page to make additional investments in the Wells REIT. If additional investments in the Wells REIT are made, the investor agrees to notify the Wells REIT and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations or warranties set forth in the Prospectus or the Subscription Agreement. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive commissions on such additional investments as described in the Prospectus.

3. **TYPE OF OWNERSHIP**

Please check the appropriate box to indicate the type of entity or type of individuals subscribing.

4.	**REGISTRATION NAME AND ADDRESS**	Please enter the exact name in which the Shares are to be held. For joint tenants with right of survivorship or tenants in common, include the names of both investors. In the case of partnerships or corporations, include the name of an individual to whom correspondence will be addressed. Trusts should include the name of the trustee. All investors must complete the space provided for taxpayer identification number or social security number. By signing in Section 6, the investor is certifying that this number is correct. Enter the mailing address and telephone numbers of the registered owner of this investment. In the case of a Qualified Plan or trust, this will be the address of the trustee. Indicate the birthdate and occupation of the registered owner unless the registered owner is a partnership, corporation or trust.
5.	**INVESTOR NAME AND ADDRESS**	Complete this Section only if the investor's name and address is different from the registration name and address provided in Section 4. If the Shares are registered in the name of a trust, enter the name, address, telephone number, social security number, birthdate and occupation of the beneficial owner of the trust.
6.	**SUBSCRIBER SIGNATURES**	Please separately initial each representation made by the investor where indicated. Except in the case of fiduciary accounts, the investor may not grant any person a power of attorney to make such representations on his or her behalf. Each investor must sign and date this Section. If title is to be held jointly, all parties must sign. If the registered owner is a partnership, corporation or trust, a general partner, officer or trustee of the entity must sign. **PLEASE NOTE THAT THESE SIGNATURES DO NOT HAVE TO BE NOTARIZED.**
7.	**DIVIDENDS**	a. **DIVIDEND REINVESTMENT PLAN**: By electing the Dividend Reinvestment Plan, the investor elects to reinvest the stated percentage of dividends otherwise payable to such investor in Shares of the Wells REIT. The investor agrees to notify the Wells REIT and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations and warranties as set forth in the Prospectus or Subscription Agreement or in the prospectus and subscription agreement of any future limited partnerships sponsored by the Advisor or its affiliates. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive commissions not to exceed 7% of any reinvested dividends. b. **DIVIDEND ADDRESS** : If cash dividends are to be sent to an address other than that provided in Section 4 (i.e., a bank, brokerage firm or savings and loan, etc.), please provide the name, account number and address.
8.	**BROKER-DEALER**	This Section is to be completed by the Registered Representative. Please complete all BROKER-DEALER information contained in Section 8 including suitability certification. **SIGNATURE PAGE MUST BE SIGNED BY AN AUTHORIZED REPRESENTATIVE.**

The Subscription Agreement Signature Page, which has been delivered with this Prospectus, together with a check for the full purchase price, should be delivered or mailed to your Broker-Dealer. Only original, completed copies of Subscription Agreements can be accepted. Photocopied or otherwise duplicated Subscription Agreements cannot be accepted by the Wells REIT.

IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS SUBSCRIPTION AGREEMENT SIGNATURE PAGE, PLEASE CALL 1-800-448-1010

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Special Instructions:

REIT

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUBSCRIPTION AGREEMENT SIGNATURE PAGE

See page A5-A6 in the Prospectus for instructions.

1. INVESTMENT

_______ # of Shares _______ Total $ Invested

(# Shares x $10 = $ Invested)

Minimum purchase $1,000 or 100 Shares

Make Investment Check Payable to: Wells Real Estate Investment Trust, Inc.

☐ Initial Investment (Minimum $1,000)
☐ Additional Investment (Minimum $25)
State in which sale was made _______

Check the following box to elect the Deferred Commission Option: ☐
(This election must be agreed to by the Broker-Dealer listed below)

2. ADDITIONAL INVESTMENTS

Please check if you plan to make additional investments in the Wells REIT: ☐
[If additional investments are made, please include social security number or other taxpayer identification number on your check. All additional investments must be made in increments of at least $25. By checking this box, I agree to notify the Wells REIT in writing if at any time I fail to meet the suitability standards or am unable to make the representations in Section 6.]

3. TYPE OF OWNERSHIP

☐ IRA (06)
(Enter Custodial Information under section 4)
☐ Keogh (10)
☐ Qualified Pension Plan (11)
☐ Qualified Profit Sharing Plan (12)
☐ Trust / Trust Type: _______
(Please specify, i.e. Family, Living, Revocable, etc.)

☐ Individual (01)
☐ Joint Tenants With Right of Survivorship (02)
☐ Community Property (03)
☐ Tenants in Common (04)
☐ Custodian: A Custodian for _______ under the Uniform Gift to Minors Act or the Uniform Transfers to Minors Act of the State of _______ (08)
☐ Other _______

4. REGISTRATION NAME AND ADDRESS

Please print name(s) in which Shares are to be registered. **Include trust or custodial name if applicable. If Wells Advisors Inc. is the designated custodian, please complete the Wells IRA Application Booklet in addition to this form.**

☐ Mr ☐ Mrs ☐ Ms ☐ MD ☐ PhD ☐ DDS ☐ Other _______

Taxpayer Identification Number
Social Security Number

Street Address or P.O. Box
City
State
Zip Code
Home Telephone No. ( )
Business Telephone No. ( )
Birth Date
Occupation
Email Address (Optional)
Provide only if you would like to receive updated information about Wells via email.

5. INVESTOR NAME AND ADDRESS

(COMPLETE ONLY IF DIFFERENT FROM REGISTRATION NAME AND ADDRESS)

☐ Mr ☐ Mrs ☐ Ms ☐ MD ☐ PhD ☐ DDS ☐ Other _______

Name
Social Security Number

Street Address or P.O. Box
City
State
Zip Code
Home Telephone No. ( )
Business Telephone No. ( )
Birth Date
Occupation
Email Address (Optional)
Provide only if you would like to receive updated information about Wells via email.

(REVERSE SIDE MUST BE COMPLETED)

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6. SUBSCRIBER SIGNATURES

Please separately initial each of the representations below. Except in the case of fiduciary accounts, you may not grant any person a power of attorney to make such representations on your behalf. In order to induce the Wells REIT to accept this subscription, I hereby represent and warrant to you as follows:

(a) I have received the Prospectus. — Initials / Initials

(b) I have (i) a net worth (exclusive of home, home furnishings and automobiles) of $150,000 or more; or (ii) a net worth (as described above) of at least $45,000 and had during the last tax year or estimate that I will have during the current tax year a minimum of $45,000 annual gross income, or that I meet the higher suitability requirements imposed by my state of primary residence as set forth in the Prospectus under "SUITABILITY STANDARDS". — Initials / Initials

(c) I acknowledge that the shares are not liquid. — Initials / Initials

(d) If I am a California resident or if the Person to whom I subsequently propose to assign or transfer any Shares is a California resident, I may not consummate a sale or transfer of my Shares, or any interest therein, or receive any consideration therefor, without the prior written consent of the Commissioner of the Department of Corporations of the State of California, except as permitted in the Commissioner's Rules, and I understand that my Shares, or any document evidencing my Shares, will bear a legend reflecting the substance of the foregoing understanding. — Initials / Initials

(e) ARKANSAS, NEW MEXICO AND TEXAS RESIDENTS ONLY: I am purchasing the Shares for my own account and acknowledge that the investment is not liquid. — Initials / Initials

I declare that the information supplied above is true and correct and may be relied upon by the Wells REIT in connection with my investment in the Wells REIT. Under penalties of perjury, by signing this Signature Page, I hereby certify that (a) I have provided herein my correct Taxpayer Identification Number, and (b) I am not subject to back-up withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to back-up withholding.

Signature of Investor or Trustee ____________ Signature of Joint Owner, if applicable ____________ Date ____________

(MUST BE SIGNED BY TRUSTEE(S) IF IRA, KEOGH OR QUALIFIED PLAN.)

7. DIVIDENDS (YOU MUST CHECK ONE OF THE FOLLOWING)

NOTE: If you have checked "IRA" in section 3 and listed Wells Advisors, Inc. as custodian under Section 4, please disregard this section. You must instead complete page 7 of the Well Advisors, Inc. IRA Application Booklet.

- ☐ I prefer to participate in the Dividend Reinvestment Plan
- ☐ I prefer to direct dividends to a party other than the registered owner per my instructions below
- ☐ I prefer dividends to be deposited directly into the following account: ___Checking ___ Savings

(For deposits into checking or savings accounts): Please enclose a voided check or deposit slip. By enclosing a voided check or deposit slip I (we) authorize and direct the Wells REIT to begin making electronic deposits to the checking or savings account designated by the enclosed voided check or deposit slip. An automated deposit entry shall constitute my (our) receipt for each transaction. This authority is to remain in force until the Wells REIT has received written notification from me (us) of its termination at such time and in such manner as to give the Wells REIT reasonable time to act on it.

Institution Name ____________ Account Number ____________

Name on Account ____________

Street Address or P.O. Box ____________

City ____________ State ____________ Zip Code ____________

- ☐ I prefer dividends be paid to me at my address listed under Section 4

8. BROKER-DEALER (TO BE COMPLETED BY REGISTERED REPRESENTATIVE)

- ☐ PLEASE CHECK IF THIS IS A CHANGE IN BROKER-DEALER
- ☐ PLEASE CHECK IF THIS IS A NEW BRANCH ADDRESS FOR THE REGISTERED REPRESENTATIVE

The Broker-Dealer or authorized representative must sign below to complete order. Broker-Dealer or authorized representative warrants that it is a duly licensed Broker-Dealer or authorized representative and may lawfully offer Shares in the state designated as the investor's address or the state in which the sale was made, if different. The Broker-Dealer or authorized representative warrants that he has reasonable grounds to believe this investment is suitable for the subscriber and that he has informed subscriber of all aspects of liquidity and marketability of this investment.

Broker-Dealer Name ____________ Telephone No. (   )

Broker-Dealer Street Address or P.O. Box ____________

City ____________ State ____________ Zip Code ____________

Registered Representative Name ____________ Telephone No. (   )

Reg. Rep. Street Address or P.O. Box ____________

City ____________ State ____________ Zip Code ____________

Email Address (Optional) ____________ Provide only if you would like to receive updated information about Wells via email.

Broker-Dealer Signature, if required ____________ Registered Representative Signature ____________

Please mail completed Subscription Agreement (with all signatures) and personal check(s) made payable to

Wells Real Estate Investment Trust, Inc.
800-557-4830 or 770-449-7800

Overnight address:
6200 The Corners Parkway, Suite 250
Atlanta, Georgia 30092-2295

Mailing address:
P.O. Box 926040
Atlanta, Georgia 30010-6040

Cash, money orders and travelers checks will not be accepted.

ACCEPTANCE BY WELLS REIT Received and Subscription Accepted by:

EXHIBIT B

AMENDED AND RESTATED
DIVIDEND REINVESTMENT PLAN
As of December 20, 1999

Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), pursuant to its Amended and Restated Articles of Incorporation, adopted a Dividend Reinvestment Plan (the "DRP"), which is hereby amended and restated in its entirety as set forth below. Capitalized terms shall have the same meaning as set forth in the Articles unless otherwise defined herein.

1. *Dividend Reinvestment*. As agent for the shareholders ("Shareholders") of the Company who (a) purchased shares of the Company's common stock (the "Shares") pursuant to the Company's initial public offering (the "Initial Offering"), which commenced on January 30, 1998 and will terminate on or before January 30, 2000, (b) purchase Shares pursuant to the Company's second public offering (the "Second Offering"), which will commence immediately upon the termination of the Initial Offering, or (c) purchase Shares pursuant to any future offering of the Company ("Future Offering"), and who elect to participate in the DRP (the "Participants"), the Company will apply all dividends and other distributions declared and paid in respect of the Shares held by each Participant (the "Dividends"), including Dividends paid with respect to any full or fractional Shares acquired under the DRP, to the purchase of the Shares for such Participants directly, if permitted under state securities laws and, if not, through the Dealer Manager or Soliciting Dealers registered in the Participant's state of residence.

2. *Effective Date*. The effective date of this Amended and Restated Dividend Reinvestment Plan (the "DRP") shall be the date that the Second Offering becomes effective with the Securities and Exchange Commission (the "Commission").

3. *Procedure for Participation*. Any Shareholder who purchased Shares pursuant to the Initial Offering, the Second Offering or any Future Offering and who has received a prospectus, as contained in the Company's registration statement filed with the Commission, may elect to become a Participant by completing and executing the Subscription Agreement, an enrollment form or any other appropriate authorization form as may be available from the Company, the Dealer Manager or Soliciting Dealer. Participation in the DRP will begin with the next Dividend payable after receipt of a Participant's subscription, enrollment or authorization. Shares will be purchased under the DRP on the date that Dividends are paid by the Company. Dividends of the Company are currently paid quarterly. Each Participant agrees that if, at any time prior to the listing of the Shares on a national stock exchange or inclusion of the Shares for quotation on the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq"), he or she fails to meet the suitability requirements for making an investment in the Company or cannot make the other representations or warranties set forth in the Subscription Agreement, he or she will promptly so notify the Company in writing.

4. *Purchase of Shares*. Participants will acquire DRP Shares from the Company at a fixed price of $10 per Share until (i) all 2,200,000 of the DRP Shares registered in the Second Offering are issued or (ii) the Second Offering terminates and the Company elects to deregister with the Commission the unsold DRP Shares. Participants in the DRP may also purchase fractional Shares so that 100% of the Dividends will be used to acquire Shares. However, a Participant will not be able to acquire DRP Shares to the extent that any such purchase would cause such Participant to exceed the Ownership Limit as set forth in the Articles.

Shares to be distributed by the Company in connection with the DRP may (but are not required to) be supplied from: (a) the DRP Shares which will be registered with the Commission in connection with the Company's Second Offering, (b) Shares to be registered with the Commission in a Future Offering for use in the DRP (a "Future Registration"), or (c) Shares of the Company's common stock purchased by the Company for the DRP in a secondary market (if available) or on a stock exchange or Nasdaq (if listed) (collectively, the "Secondary Market").

Shares purchased on the Secondary Market as set forth in (c) above will be purchased at the then-prevailing market price, which price will be utilized for purposes of purchases of Shares in the DRP. Shares acquired by the Company on the Secondary Market or registered in a Future Registration for use in the DRP may be at prices lower or higher than the $10 per Share price which will be paid for the DRP Shares pursuant to the Initial Offering and the Second Offering.

If the Company acquires Shares in the Secondary Market for use in the DRP, the Company shall use reasonable efforts to acquire Shares for use in the DRP at the lowest price then reasonably available. However, the Company does not in any respect guarantee or warrant that the Shares so acquired and purchased by the Participant in the DRP will be at the lowest possible price. Further, irrespective of the Company's ability to acquire Shares in the Secondary Market or to complete a Future Registration for shares to be used in the DRP, the Company is in no way obligated to do either, in its sole discretion.

It is understood that reinvestment of Dividends does not relieve a Participant of any income tax liability which may be payable on the Dividends.

5. *Share Certificates*. The ownership of the Shares purchased through the DRP will be in book-entry form only until the Company begins to issue certificates for its outstanding common stock.

6. *Reports*. Within 90 days after the end of the Company's fiscal year, the Company shall provide each Shareholder with an individualized report on his or her investment, including the purchase date(s), purchase price and number of Shares owned, as well as the dates of Dividend distributions and amounts of Dividends paid during the prior fiscal year. In addition, the Company shall provide to each Participant an individualized quarterly report at the time of each Dividend payment showing the number of Shares owned prior to the current Dividend, the amount of the current Dividend and the number of Shares owned after the current Dividend.

7. *Commissions and Other Charges*. In connection with Shares sold pursuant to the DRP, the Company will pay selling commissions of 7%; a dealer manager fee of 2.5%; and, in the event that proceeds from the sale of DRP Shares are used to acquire properties, acquisition and advisory fees and expenses of 3.5%, of the purchase price of the DRP Shares.

8. *Termination by Participant*. A Participant may terminate participation in the DRP at any time, without penalty by delivering to the Company a written notice. Prior to listing of the Shares on a national stock exchange or Nasdaq, any transfer of Shares by a Participant to a non-Participant will terminate participation in the DRP with respect to the transferred Shares. If a Participant terminates DRP participation, the Company will ensure that the terminating Participant's account will reflect the whole number of shares in his or her account and provide a check for the cash value of any fractional share in such account. Upon termination of DRP participation, Dividends will be distributed to the Shareholder in cash.

9. *Amendment or Termination of DRP by the Company*. The Board of Directors of the Company may by majority vote (including a majority of the Independent Directors) amend or terminate the DRP for any reason upon 10 days' written notice to the Participants.

10. *Liability of the Company*. The Company shall not be liable for any act done in good faith, or for any good faith omission to act, including, without limitation, any claims or liability; (a) arising out of failure to terminate a Participant's account upon such Participant's death prior to receipt of notice in writing of such death; and (b) with respect to the time and the prices at which Shares are purchased or sold for a Participant's account. To the extent that indemnification may apply to liabilities arising under the Securities Act of 1933, as amended, or the securities act of a sate, the Company has been advised that, in the opinion of the Commission and certain state securities commissioners, such indemnification is contrary to public policy and, therefore, unenforceable.

Until October 24, 2002 (90 days after the date of this prospectus), all dealers that affect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as soliciting dealers.

We have not authorized any dealer, salesperson or other individual to give any information or to make any representations that are not contained in this prospectus. If any such information or statements are given or made, you should not rely upon such information or representation. This prospectus does not constitute an offer to sell any securities other than those to which this prospectus relates, or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. This prospectus speaks as of the date set forth below. You should not assume that the delivery of this prospectus or that any sale made pursuant to this prospectus implies that the information contained in this prospectus will remain fully accurate and correct as of any time subsequent to the date of this prospectus.

ALPHABETICAL INDEX

Shares of the Wells REIT are not FDIC insured, may lose value and are not bank guaranteed. Investments in real estate and REITs may be affected by adverse economic and regulatory changes. Properties that incur vacancies may be difficult to sell or re-lease. Non-traded REITs have certain risks, including illiquidity of the investment, and should be considered a long-term investment. Past performance does not guarantee future performance. When you sell your shares, they could be worth less than what you paid for them.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Up to 300,000,000 Shares of Common Stock Offered to the Public

PROSPECTUS

WELLS INVESTMENT

SECURITIES, INC.

July 26, 2002

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 1 DATED AUGUST 14, 2002 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Properties" section of the prospectus to describe the following real property acquisitions:

- (A) Acquisition of a two-story office building in San Antonio, Texas (PacifiCare San Antonio Building);
- (B) Acquisition of a 4.2 acre tract of land in Houston, Texas (Kerr-McGee Property);
- (C) Acquisition of two adjacent one-story distribution facility buildings in Duncan, South Carolina (BMG Greenville Buildings); and
- (D) Acquisition of a one-story office building in Suwanee, Georgia (Kraft Atlanta Building);

(3) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(4) Unaudited Financial Statements of the Wells REIT for the quarter ended June 30, 2002; and

(5) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of the PacifiCare San Antonio Building, the Kerr-McGee Property, the BMG Greenville Buildings and the Kraft Atlanta Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 10, 2002, we had received gross proceeds of approximately $46,430,189 from the sale of approximately 4,643,019 shares in our fourth public offering. Accordingly, as of August 10, 2002, we had received aggregate gross offering proceeds of approximately $1,645,873,533 from the sale of approximately 164,587,353 shares in all of our public offerings. After payment of $57,110,749 in acquisition and advisory fees and acquisition expenses, payment of $183,457,253 in selling commissions and organization and offering expenses, and common stock redemptions of $14,137,852 pursuant to our share redemption program, as of August 10, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,391,167,679, out of which $968,778,340 had been invested in real estate properties, and $422,389,339 remained available for investment in real estate properties.

Description of Properties

As of August 10, 2002, we had purchased interests in 57 real estate properties located in 19 states, each of which was 100% leased to tenants. Below are the descriptions of our recent real property acquisitions through August 10, 2002.

The PacifiCare San Antonio Building

On July 12, 2002, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas (PacifiCare San Antonio Building) for a purchase price of $14,650,000, plus closing costs. The PacifiCare San Antonio Building was built in 2000 and is located at 6200 Northwest Parkway, San Antonio, Texas.

The PacifiCare San Antonio Building is leased entirely to PacifiCare Health Systems, Inc. (PacifiCare), a corporation whose shares are traded on NASDAQ. PacifiCare is one of the leading health and consumer service companies in the United States. The services PacifiCare provides include health insurance products, pharmacy and medical management, behavioral health services, and dental and vision services. PacifiCare reported a net worth, as of December 31, 2001, of approximately $2 billion.

The PacifiCare lease commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is $1,471,700. PacifiCare, at its option, has the right to extend the initial term of its lease for one additional five-year period at an annual base rent of $1,967,925, and two subsequent five-year terms at the then-current market rental rate. In addition, PacifiCare has an expansion option for between approximately 20,000 and 45,000 rentable square feet, which it may exercise prior to the end of the 42nd month of the initial term of the PacifiCare lease.

Kerr-McGee Property

Purchase of the Kerr-McGee Property. On July 29, 2002 Wells OP purchased the Kerr-McGee Property, which is a build-to-suit property located in Houston, Texas, for a purchase price of $1,738,044, plus closing costs. We commenced construction on a four-story office building containing approximately 100,000 rentable square feet (Kerr-McGee Project) on August 1, 2002. Wells OP obtained a construction loan in the amount of $13,700,000 from Bank of America, N.A. (BOA) to fund the construction of the Kerr-McGee Project. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan, as of August 6, 2002, was 3.80%. The BOA loan is secured by a first priority mortgage on the Kerr-McGee Property.

Wells OP entered into a development agreement, an architect agreement and a construction agreement to construct the Kerr-McGee Project on the Kerr-McGee Property.

Development Agreement. Wells OP entered into a development agreement (Development Agreement) with Means-Knaus, LLC, a Texas limited liability company (Developer), as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the Kerr-McGee Project. As compensation for the services to be rendered by the Developer under the Development Agreement, Wells OP is paying a development fee of $699,740. The fee is due and payable ratably as the construction and development of the Kerr-McGee Project is completed.

We anticipate that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr-McGee Project will total approximately $15,760,000.

Construction Agreement. Wells OP entered into a design and build construction agreement (Construction Agreement) with Hoar Construction, LLC (Contractor) for the construction of the Kerr-McGee Project. The Construction Agreement provides that Wells OP will pay the Contractor a maximum of $6,391,255 for the construction of the Kerr-McGee Project that includes all estimated fees and costs. The Contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the Kerr-McGee Project. In addition, the Contractor will be required to secure and pay for any additional building permits which may be necessary for construction of the Kerr-McGee Project.

Kerr-McGee Lease. The Kerr-McGee Property is leased to Kerr-McGee Oil & Gas Corporation, a wholly owned subsidiary of Kerr-McGee Corporation (Kerr-McGee), a Delaware corporation whose shares are publicly traded on the New York Stock Exchange (NYSE). Kerr-McGee, which has guaranteed the Kerr-McGee lease, operates a worldwide business in oil and gas exploration and production, and titanium dioxide pigment production and marketing. It has oil fields in the Gulf of Mexico, the North Sea, the South China Sea, and onshore in the United States, Ecuador, Indonesia and Kazakhstan. Kerr-McGee reported a net worth, as of December 31, 2001, of approximately $3.1 billion.

The Kerr-McGee lease will commence shortly after completion of the Kerr-McGee Project, which we expect to occur in approximately July 2003. The Kerr-McGee lease will expire 11 years and one month after commencement, or approximately July 31, 2014. Kerr-McGee has the right to extend the initial term of this lease for (1) one additional 20-year period or (2) a combination of five-year terms or ten-year terms totaling not more than 20 years at 95% of the then-current market rental rate. The annual base rent payable for the Kerr-McGee lease beginning on the rent commencement date is expected to be approximately $1,655,000.

BMG Greenville Buildings

On July 31, 2002, Wells OP purchased two adjacent one-story distribution facility buildings containing 473,398 rentable square feet and 313,380 rentable square feet, respectively, located at 110 & 112 Hidden Lake Circle in Duncan, South Carolina (BMG Greenville Buildings) for a purchase price of $26,900,000, plus closing costs. The BMG Greenville Buildings were originally built in 1987.

The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. (BMG Marketing) and BMG Music, respectively. BMG Marketing and BMG Music are wholly owned subsidiaries of Bertelsmann AG (Bertelsmann), a German corporation with its international headquarters in Gütersloh, Germany and its U.S. headquarters in New York, New York. Bertlesmann, a guarantor on both the BMG Marketing lease and the BMG Music lease, operates in the media industry, specializing in a wide range of markets including: television and radio; book publishing; magazines and newspapers; music labels; professional information; print and media services; book and music clubs; and media e-commerce.

Bertelsmann has operations in approximately 51 countries. Bertelsmann reported a net worth, as of June 30, 2001, of approximately $8.15 billion.

The BMG Marketing lease commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is $1,394,156. BMG Marketing, at its option, has the right to extend the initial term of its lease for two additional ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is $763,600. BMG Music, at its option, has the right to extend the initial term of its lease for two additional ten-year periods at 95% of the then-current market rental rate.

Kraft Atlanta Building

On August 1, 2002, Wells OP purchased a one-story building containing an aggregate of 87,219 rentable square feet located at 4000 Johns Creek Court in Suwanee, Georgia (Kraft Atlanta Building) for a purchase price of $11,625,000. The Kraft Atlanta Building was built in 2001.

Kraft Foods North America, Inc. (Kraft) leases 73,264 rentable square feet (84%) of the Kraft Atlanta Building. Kraft, a wholly owned subsidiary of Kraft Foods, Inc., a Virginia corporation whose shares are publicly traded on the NYSE, is one of the largest food and beverage companies in the world with operations in 145 countries.

The Kraft lease commenced in February 2002 and expires in January 2012. The annual base rent payable under the Kraft lease beginning on September 1, 2002 will be $1,263,804. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the Kraft lease (1) at the end of the third lease year, by paying a $7,000,000 termination fee, or (2) at the end of the seventh lease year, by paying a $1,845,296 termination fee.

PerkinElmer Instruments, LLC (PerkinElmer) leases the remaining 13,955 rentable square feet (16%) of the Kraft Atlanta Building. PerkinElmer provides analytical solutions for the pharmaceutical, food and beverage, environmental, chemical, and semiconductor industries. PerkinElmer is a wholly owned subsidiary of PerkinElmer, Inc., a Massachusetts corporation whose shares are publicly traded on the NYSE. PerkinElmer, Inc. is a global technology company focusing on life sciences, optoelectronics and analytical instruments. PerkinElmer, Inc. operates in more than 125 countries.

The PerkinElmer lease commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is $194,672. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the PerkinElmer lease at the end of the 10th lease year by paying a $325,000 termination fee.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of 4.5% of gross revenues from the PacifiCare San Antonio Building, the Kerr-McGee Property, the BMG Greenville Buildings, and the Kraft Atlanta Building subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the Kerr-McGee Property equal to the first month’s rent estimated to be approximately $140,000.

Management's Discussion and Analysis of Financial Condition and Results of Operation

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus.

Forward Looking Statements

This section and other sections of the prospectus supplement contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of the financial condition of the Wells REIT, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in the supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

Liquidity and Capital Resources

During the six months ended June 30, 2002, we received aggregate gross offering proceeds of $618,275,931 from the sale of 61,827,594 shares of our common stock. After payment of $21,406,085 in acquisition and advisory fees and acquisition expenses, payment of $65,035,665 in selling commissions and organization and offering expenses, and common stock redemptions of $6,673,412 pursuant to the our share redemption program, we raised net offering proceeds of $525,160,769 during the first two quarters of 2002, of which $344,269,118 remained available for investment in properties at quarter end.

During the six months ended June 30, 2001, we received aggregate gross offering proceeds of $162,606,610 from the sale of 16,260,661 shares of our common stock. After payment of $5,642,317 in acquisition and advisory fees and acquisition expenses, payment of $20,151,132 in selling commissions and organizational and offering expenses, and common stock redemptions of $1,397,561 pursuant to the our share redemption program, we raised net offering proceeds of $135,415,600 during the first two quarters of 2001, of which $3,906,869 was available for investment in properties at quarter end.

The significant increase in our available capital resources is due to significantly increased sales of our common stock during the first half of 2002.

As of June 30, 2002, we owned interests in 52 real estate properties either directly or through its interests in joint ventures. These properties are generating operating cash flow sufficient to cover our operating expenses and pay dividends to stockholders. Dividends declared for the first half of 2002 and the first half of 2001 were approximately $0.39 and $0.38 per share, respectively. In June 2002, our Board of Directors declared dividends for the third quarter of 2002 in the amount of approximately $0.19 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraph, dividends paid in the first half of 2002 in the aggregate amount of $40,867,110 exceeded our Adjusted Funds From Operations for this period by $4,813,633.

We acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit—plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria—it appears likely that, in the future, we will be required to lower our dividends.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $33,138,287 and $16,288,309 for the six months ended June 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $278,447,051 and $23,768,731 for the six months ended June 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $511,632,371 and $9,257,047 for the six months ended June 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments which were $138.7 million in the prior year. We raised $618,275,931 in offering proceeds for the six months ended June 30, 2002, as compared to $162,606,610 for the same period in 2001. Additionally, we paid dividends totaling $40.9 million in the first half of 2002 compared to $13.8 million in the first half of 2001.

Results of Operations

As of June 30, 2002, our real estate properties were 100% leased to tenants. Gross revenues were $43,832,954 and $21,560,953 for the six months ended June 30, 2002 and 2001, respectively. Gross revenues for the six months ended June 30, 2002 and 2001 were attributable to rental income, interest income earned on funds held by the Wells REIT prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of $259,535,578 in additional properties during 2002 and the purchase of $227,933,858 in additional properties during the second half of 2001 which were not owned for the full first half of 2001. The purchase of additional properties also resulted in an increase in expenses which totaled $19,296,812 for the six months ended June 30, 2002, as compared to $13,246,710 for the six months ended June 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $8,314,243 for the six months ended June 30, 2001 to $24,536,142 for the six months ended June 30, 2002.

While earnings of $0.22 per share remained stable for the six months ended June 30, 2002, compared to the six months ended June 30, 2001, earnings per share for the second quarter decreased from $0.12 per share for the three months ended June 30, 2001 to $0.11 per share for the three months ended June 30, 2002, primarily due to a substantial increase in the number of shares outstanding which was not completely matched by a corresponding increase in net income from new property investments.

Funds From Operations

Funds From Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations ("AFFO") is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and six months ended June 30, 2002 and 2001, respectively:

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
FUNDS FROM OPERATIONS:				
Net income	$ 13,756,478	$ 5,038,898	$ 24,536,142	$ 8,314,243
Add:				
Depreciation	7,158,830	3,206,638	12,903,282	6,393,817
Amortization of deferred leasing costs	78,066	75,837	150,815	151,673
Depreciation and amortization— unconsolidated partnerships	700,689	504,711	1,406,865	913,674
Funds from operations (FFO)	21,694,063	8,826,084	38,997,104	15,773,407
Adjustments:				
Loan cost amortization	249,530	77,142	424,992	291,899
Straight line rent	(2,127,906)	(613,155)	(3,166,284)	(1,222,716)
Straight line rent—unconsolidated Partnerships	(103,020)	(71,768)	(202,335)	(132,246)
Adjusted funds from operations	$ 19,712,667	$ 8,218,303	$ 36,053,477	$ 14,710,344
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	126,037,819	42,192,347	110,885,641	38,328,405

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases which are intended to protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

Our reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements of the Wells REIT contained in this supplement.

Financial Statements

Unaudited Financial Statements

The financial statements of the Wells REIT, as of June 30, 2002, and for the six month periods ended June 30, 2002 and June 30, 2001, which are included in this supplement, have not been audited.

The Pro Forma Balance Sheet of the Wells REIT, as of June 30, 2002, the Pro Forma Statement of Income for the year ended December 31, 2001, and the Pro Forma Statement of Income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30, 2002	December 31, 2001
	(unaudited)	
ASSETS		
REAL ESTATE, at cost:		
Land	$ 110,330,449	$ 86,246,985
Building and improvements, less accumulated depreciation of $37,717,737 in 2002 and $24,814,454 in 2001	689,490,969	472,383,102
Construction in progress	16,081,841	5,738,573
Total real estate	815,903,259	564,368,660
INVESTMENT IN JOINT VENTURES	76,217,870	77,409,980
CASH AND CASH EQUIVALENTS	341,909,775	75,586,168
INVESTMENT IN BONDS	22,000,000	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	6,003,179
NOTES RECEIVABLE	5,149,792	0
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	1,525,199
DEFERRED PROJECT COSTS	14,314,914	2,977,110
DUE FROM AFFILIATES	1,897,309	1,692,727
DEFERRED OFFERING COSTS	1,392,934	0
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	718,389
Total assets	$ 1,293,166,873	$ 752,281,412
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 15,658,141	$ 8,124,444
Obligation under capital lease	22,000,000	22,000,000
Accounts payable and accrued expenses	11,840,214	8,727,473
Dividends payable	4,538,635	1,059,026
Deferred rental income	1,013,544	661,657
Due to affiliates	2,106,790	2,166,161
Total liabilities	57,157,324	42,738,761
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002, and 83,761,469 shares issued and 83,206,429 shares outstanding at December 31, 2001	1,455,890	837,614
Additional paid-in capital	1,290,858,515	738,236,525
Cumulative distributions in excess of earnings	(43,991,669)	(24,181,092)
Treasury stock, at cost, 1,222,381 shares at June 30, 2002 and 555,040 shares at December 31, 2001	(12,223,808)	(5,550,396)
Other comprehensive loss	(289,379)	0
Total shareholders' equity	1,235,809,549	709,342,651
Total liabilities and shareholders' equity	$ 1,293,166,873	$ 752,281,412

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
REVENUES:				
Rental income	$ 21,833,652	$ 9,851,167	$ 38,571,815	$ 19,711,252
Equity in income of joint ventures	1,271,863	809,481	2,478,686	1,519,194
Interest income	1,534,636	93,092	2,648,351	193,007
Take out fee	0	137,500	134,102	137,500
	24,640,151	10,891,240	43,832,954	21,560,953
EXPENSES:				
Depreciation	7,158,830	3,206,638	12,903,282	6,393,817
Operating costs, net of reimbursements	1,439,299	783,244	2,063,997	1,874,428
Management and leasing fees	1,003,587	552,188	1,903,082	1,117,902
Administrative costs	592,426	584,184	1,121,457	759,291
Interest expense	440,001	648,946	880,002	2,809,373
Amortization of deferred financing costs	249,530	77,142	424,992	291,899
	10,883,673	5,852,342	19,296,812	13,246,710
NET INCOME	$ 13,756,478	$ 5,038,898	$ 24,536,142	$ 8,314,243
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.11	$ 0.12	$ 0.22	$ 0.22
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	126,037,819	42,192,347	110,885,641	38,328,405

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001
AND FOR THE SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,509,807	$ 315,097	$ 275,573,339	$ (9,133,855)	$ 0	(141,297)	$ (1,412,969)	$ 0	$ 265,341,612
Issuance of common stock	52,251,662	522,517	521,994,103	0	0	0	0	0	522,516,620
Treasury stock purchased	0	0	0	0	0	(413,743)	(4,137,427)	0	(4,137,427)
Net income	0	0	0	0	21,723,967	0	0	0	21,723,967
Dividends ($.76 per share)	0	0	0	(15,047,237)	(21,723,967)	0	0	0	(36,771,204)
Sales commissions and discounts	0	0	(49,246,118)	0	0	0	0	0	(49,246,118)
Other offering expenses	0	0	(10,084,799)	0	0	0	0	0	(10,084,799)
BALANCE, December 31, 2001	83,761,469	837,614	738,236,525	(24,181,092)	0	(555,040)	(5,550,396)	0	709,342,651
Issuance of common stock	**61,827,594**	**618,276**	**617,657,655**	**0**	**0**	**0**	**0**	**0**	**618,275,931**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(667,341)**	**(6,673,412)**	**0**	**(6,673,412)**
Net income	**0**	**0**	**0**	**0**	**24,536,142**	**0**	**0**	**0**	**24,536,142**
Dividends ($.39 per share)	**0**	**0**	**0**	**(19,810,577)**	**(24,536,142)**	**0**	**0**	**0**	**(44,346,719)**
Sales commissions and discounts	**0**	**0**	**(58,958,984)**	**0**	**0**	**0**	**0**	**0**	**(58,958,984)**
Other offering expenses	**0**	**0**	**(6,076,681)**	**0**	**0**	**0**	**0**	**0**	**(6,076,681)**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(289,379)**	**(289,379)**
BALANCE, June 30, 2002 (unaudited)	**145,589,063**	**$ 1,455,890**	**$ 1,290,858,515**	**$ (43,991,669)**	**$ 0**	**(1,222,381)**	**$ (12,223,808)**	**$ (289,379)**	**$ 1,235,809,549**

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 24,536,142	$ 8,314,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint venture	(2,478,686)	(1,519,194)
Depreciation	12,903,282	6,393,817
Amortization of deferred financing costs	424,992	291,899
Amortization of deferred leasing costs	150,815	151,674
Changes in assets and liabilities:		
Accounts receivable	(4,705,925)	(1,304,851)
Due from affiliates	(30,532)	
Deferred rental income	351,887	(285,776)
Accounts payable and accrued expenses	3,112,741	425,824
Prepaid expenses and other assets, net	(1,017,517)	3,525,288
Due to affiliates	(108,912)	295,385
Net cash provided by operating activities	33,138,287	16,288,309
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(259,535,578)	(3,784,088)
Investment in joint venture	0	(16,126,925)
Deferred project costs paid	(22,008,219)	(5,642,317)
Distributions received from joint ventures	3,496,746	1,784,599
Deferred lease acquisition costs paid	(400,000)	0
Net cash used in investing activities	(278,447,051)	(23,768,731)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	7,533,697	21,398,850
Repayment of note payable	0	(138,763,187)
Dividends paid	(40,867,110)	(13,795,534)
Issuance of common stock	618,275,931	162,606,610
Sales commissions paid	(58,958,984)	(15,314,860)
Offering costs paid	(6,817,978)	(4,836,272)
Treasury stock purchased	(6,673,412)	(1,397,561)
Deferred financing costs paid	(859,773)	(640,999)
Net cash provided by financing activities	511,632,371	9,257,047
NET INCREASE IN CASH AND CASH EQUIVALENTS	266,323,607	1,776,625
CASH AND CASH EQUIVALENTS, beginning of year	75,586,168	4,298,301
CASH AND CASH EQUIVALENTS, end of period	$ 341,909,775	$ 6,074,926
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 10,068,319	$ 5,516,763
Deferred project costs applied to joint ventures	$ 0	$ 671,961
Deferred project costs due to affiliate	$ 512,044	$ 335,667
Interest rate swap	$ (289,379)	$ 0
Deferred offering costs due to affiliate	$ 1,392,934	$ 731,573

Other offering costs due to affiliate	$ 201,811	$ 287,715

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16,500,000 shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998, upon receiving and accepting subscriptions for 125,000 shares. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132,181,919 had been received from the sale of approximately 13,218,192 shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175,229,193 from the sale of approximately 17,522,919 shares from the second public offering. The Company commenced its third public offering of the shares of common stock on December 20, 2000. As of June 30, 2002, the Company has received gross proceeds of approximately $1,148,480,413 from the sale of approximately 114,848,041 shares from its third public offering. Accordingly, as of June 30, 2002, the Company has received aggregate gross offering proceeds of approximately $1,455,891,526 from the sale of 145,589,153 shares of its common stock to investors. After payment of $50,528,371 in acquisition and advisory fees and acquisition expenses, payment of $163,576,134 in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $885,294,095 for property acquisitions, and common stock redemptions of $12,223,808 pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $344,269,118 available for investment in properties, as of June 30, 2002.

(b) Properties

As of June 30, 2002, the Company owned interests in 52 properties listed in the table below through its ownership in Wells OP. As of June 30, 2002, all of these properties were 100% leased.

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Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc. Koninklijke Philips Electronics N.V.	Alpharetta, GA	100%	$ 15,100,000	66,811 34,396	$ 1,344,905 $ 692,391
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(1)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above) (1)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc. Newpark Drilling Fluids, Inc.	Houston, TX	100%	$ 22,000,000	103,260 52,731	$ 2,110,035 $ 1,153,227
Arthur Andersen	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Various other tenants	Schaumburg, IL	100%	$ 32,225,000(2)	129,157 28,322 22,028 8,884	$ 2,067,204 $ 477,226 $ 393,776 $ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(2)	300,034	$ 5,091,577
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan (3)	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(4)	268,290	$ 4,225,860(5)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$ 2,458,638
AT&T Oklahoma	AT&T Corp. Jordan Associates, Inc.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc. SYSCO Corporation	Houston, TX	100%	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 1,843,834
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark	Cinemark USA, Inc. The Coca-Cola Company	Plano, TX	100%	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748

Alstom Power Richmond (3)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,213,324
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (3)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$ 21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,520

(1) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(2) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

(3) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(4) Includes estimated costs for the planning, design, development, construction and completion of the Nissan Property.

(5) Annual rent for Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens AT&T Oklahoma Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Sprint Johnson Matthey Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Ohmeda Interlocken Avaya Iomega
Wells/Fremont Associates Joint Venture (the "Fremont Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the "Orange County Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions.

These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets in 2002 or 2001.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the "Advisor") by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of June 30, 2002, amounted to $50,528,371 and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at June 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As the actual equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of June 30, 2002, the

Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of $27,886,146, of which the Advisor had been reimbursed $25,572,034, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the "Code"), to be taxed as a Real Estate Investment Trust ("REIT") under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling $683,535 and $254,000 for the six months ended June 30, 2002 and 2001, respectively and $366,380 and $163,725 for the three months ended June 30, 2002 and 2001, respectively.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

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(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

(j) Basis of Presentation

Substantially all of the Company’s business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of the Board of Directors, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company’s Form 10-K for the year ended December 31, 2001.

2 INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of June 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of June 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months and six months ended June 30, 2002.

	Total Revenues		Net Income		Wells OP’s Share of Net Income	
	Three Months Ended		Three Months Ended		Three Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,436,601	$ 1,087,746	$ 619,173	$ 734,418	$ 22,982	$ 27,258
Cort Joint Venture	208,707	198,881	140,206	131,374	61,224	57,367
Fremont Joint Venture	227,023	225,178	140,944	135,990	109,237	105,398
Fund XI-XII-REIT Joint Venture	859,027	847,767	545,009	499,960	309,363	283,792
Fund XII-REIT Joint Venture	1,483,224	1,102,873	852,672	587,864	468,646	310,812
Fund VIII-IX-REIT Joint Venture	309,605	313,539	147,998	155,320	23,370	24,854
Fund XIII-REIT Joint Venture	707,919	0	406,236	0	277,041	0
	$5,232,106	$3,775,984	$2,852,238	$2,244,926	$1,271,863	$ 809,481

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	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Six Months Ended		Six Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 2,815,660	$ 2,181,096	$ 1,173,441	$ 1,372,853	$ 43,554	$ 50,954
Cort Joint Venture	420,713	398,468	269,956	265,127	117,882	115,773
Fremont Joint Venture	452,184	450,356	276,892	278,602	214,602	215,928
Fund XI-XII-REIT Joint Venture	1,717,246	1,689,191	1,042,158	1,014,237	591,560	575,710
Fund XII-REIT Joint Venture	3,154,087	1,896,195	1,658,185	1,033,184	911,372	519,445
Fund VIII-IX-REIT Joint Venture	633,351	580,923	308,694	260,352	48,744	41,384
Fund XIII-REIT Joint Venture	1,408,567	0	807,910	0	550,972	0
	$ 10,601,808	$ 7,196,229	$ 5,537,236	$ 4,224,355	$ 2,478,686	$ 1,519,194

3. INVESTMENTS IN REAL ESTATE

As of June 30, 2002, the Company, through its ownership in Wells OP, owns 35 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended June 30, 2002.

The Travelers Express Denver Building

On April 10, 2002, Wells OP purchased the Travelers Express Denver Building, a one-story office building containing 68,165 rentable square feet located in Lakewood, Jefferson County, Colorado for a purchase price of $10,395,845, excluding closing costs. Travelers Express Building is 100% leased to Travelers Express Company, Inc. (“Travelers Express”). The Travelers Express lease is a net lease that commenced in April 2002 and expires in March 2012. The current annual base rent payable under the Travelers Express lease is $1,012,250. Travelers Express, at its option, has the right to extend the initial term of its lease for two additional five-year terms. Base rent for the first renewal term shall be $19.00 per square foot for years 1-3 and $20.50 per square foot for years 4-5. The base rent for the second renewal term shall be at the then-current market rental rate.

The Agilent Atlanta Building

On April 18, 2002, Wells OP purchased the Agilent Atlanta Building, a two-story office building containing 101,207 rentable square feet located in Alpharetta, Fulton County, Georgia for a purchase price of $15,100,000, excluding closing costs. The Agilent Atlanta Building is leased to Agilent Technologies, Inc. (“Agilent”) and Koninklijke Philips Electronics N.V. (“Philips”).

The Agilent lease is a net lease that covers approximately 66,811 square feet commencing in September 2001 and expiring in September 2011. The initial annual base rent payable under the Agilent lease is $1,344,905. Agilent, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $763,650 termination fee.

The Philips lease is a net lease that covers approximately 34,396 rentable square feet commencing in September 2001 and expiring in September 2011. The current annual base rent payable under the Philips lease is $692,391. Philips, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Philips may terminate the lease at the end of the seventh lease year by paying a $393,146 termination fee.

The BellSouth Ft. Lauderdale Building

On April 18, 2002, Wells OP purchased the BellSouth Ft. Lauderdale Building, a one-story office building containing 47,400 rentable square feet located in Ft. Lauderdale, Broward County, Florida for a purchase price of $6,850,000, excluding closing costs. The BellSouth Ft. Lauderdale Building is 100% leased to BellSouth Advertising and Publishing Corporation ("BellSouth"). The BellSouth lease is a net lease that commenced in July 2001 and expires in July 2008. The current annual base rent payable under the BellSouth lease is $747,033. BellSouth, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The Experian/TRW Buildings

On May 1, 2002, Wells OP purchased the Experian/TRW Buildings, two two-story office buildings containing 292,700 rentable square feet located in Allen, Collin County, Texas for a purchase price of $35,150,000, excluding closing costs. The Experian/TRW Buildings are both 100% leased to Experian, Inc. ("Experian"). The Experian lease is a net lease that commenced in April 1993 and expires in October 2010. The current annual base rent payable under the Experian lease is $3,438,277. Experian, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate. TRW, Inc., the original tenant on the Experian lease, assigned its interest in the Experian lease to Experian in 1996 but remains as an obligor of the Experian lease.

The Agilent Boston Building

On May 3, 2002, Wells OP purchased the Agilent Boston Building, a three-story office building containing 174,585 rentable square feet located in Boxborough, Middlesex County, Massachusetts for a purchase price of $31,742,274, excluding closing costs. In addition, Wells OP has assumed the obligation, as the landlord, to provide Agilent $3,407,496 for tenant improvements. The Agilent Boston Building is 100% leased to Agilent Technologies, Inc. ("Agilent"). The Agilent Boston lease is a net lease that commenced in September 2001 and expires in September 2011. The current annual base rent payable under the Agilent Boston lease is $3,578,993. Agilent, at its option, has the right to extend the initial term of its lease for one additional five-year period at a rate equal to the greater of (1) the then-current market rental rate, or (2) 75% of the annual base rent in the final year of the initial term of the Agilent Boston lease. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $4,190,000 termination fee.

The TRW Denver Building

On May 29, 2002, Wells OP purchased the TRW Denver Building, a three-story office building containing 108,240 rentable square feet located in Aurora, Arapahoe County, Colorado for a purchase price of $21,060,000, excluding closing costs. The TRW Denver Building is 100% leased to TRW, Inc. ("TRW"). The TRW lease is a net lease that commenced in October 1997 and expires in September 2007. The current annual base rent payable under the TRW lease is $2,870,709. TRW, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

The MFS Phoenix Building

On June 5, 2002, Wells OP purchased the MFS Phoenix Building, a three-story office building containing 148,605 rentable square feet located in Phoenix, Maricopa County, Arizona for a purchase price of $25,800,000, excluding closing costs. The MFS Phoenix Building is 100% leased to Massachusetts Financial Services Company ("MFS"). The MFS lease is a net lease that commenced in April 2001 and expires in July 2011. The current annual base rent payable under the MFS lease is $2,347,959. MFS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of $5,210,000. The loan was made to fund above-standard tenant improvement costs to the building. The note receivable will be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of $107,966.

5. NOTES PAYABLE

Wells OP has established four secured lines of credit with SouthTrust Bank totaling $72,140,000 which are secured by first priority mortgages against the Cinemark, ASML, Dial, PwC, Motorola Tempe, Alstom Power Richmond and Avnet Buildings. Notes payable at June 30, 2002 consists of (i) $7,655,600 of draws on a $7,900,000 line of credit from SouthTrust Bank secured by a first mortgage on the Alstom Power Richmond Building and (ii) $8,002,541 outstanding on the construction loan from Bank of America, N.A.(Bank of America) which is being used to fund the development of the Nissan Property.

6. INTEREST RATE SWAP

Wells OP entered into an interest rate swap agreement with Bank of America in an attempt to hedge its interest rate exposure on the Bank of America construction loan for the Nissan Property. The interest rate swap became effective January 15, 2002 and terminates on June 15, 2003, the maturity date of the construction loan. The notional amount of the interest rate swap is the balance outstanding on the construction loan on the payment date, which is the fifteenth of each month. The interest rate swap agreement involves the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. Wells OP, as the fixed rate payer, has an interest rate of 5.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. During the six months ended June 30, 2002, Wells OP made interest payments totaling approximately $23,100 under the terms of the interest rate swap. At June 30, 2002, the estimated fair value of the interest rate swap was ($289,379).

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company’s consolidated financial statements.

7. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company’s Form 10-K for the year ended December 31, 2001. Payments of $601,963 have been made as of June 30, 2002 toward funding the obligation under the Matsushita agreement.

8. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor (“Wells Exchange”) has developed a program (the “Wells Section 1031 Program”) involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons (“1031 Participants”) who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of $137,500 in 2001 and $134,102 in 2002. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. Pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

9. SUBSEQUENT EVENTS

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of $40,500,000, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling $32,500,000 in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation ("ISS"). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is $4,623,445. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of $14,650,000, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. ("PacifiCare"). The PacifiCare lease is a net lease that commenced on November 20, 2000 and expires on November 30, 2010. The current annual base rent payable under the PacifiCare lease is $1,471,700. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be $163,994 and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr McGee Property

On July 29, 2002, Wells OP purchased the Kerr McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of $1,738,044, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the "Kerr McGee Project") on the Kerr McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately $15,760,000.

The entire 100,000 rentable square feet of the Kerr McGee Project will be leased to Kerr McGee Oil & Gas Corporation ("Kerr McGee"), a wholly owned subsidiary of Kerr McGee Corporation. The initial term of the Kerr McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of $13,700,000 from Bank of America to fund the construction of a building on the Kerr McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr McGee Property.

The BMG Greenville Building

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of $26,900,000, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. ("BMG Marketing") and BMG Music ("BMG Music").

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet commencing in March 1988 and expiring in March 2011. The initial annual base rent payable under the BMG Marketing lease is $1,394,156. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet commencing in December 1987 and expiring in March 2011. The current annual base rent payable under the BMG Music lease is $763,600. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of $11,625,000, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. ("Kraft") and PerkinElmer Instruments, LLC ("PerkinElmer").

The Kraft lease is a net lease that covers approximately 73,264 square feet commencing in February 2002 and expiring in January 2012. The initial annual base rent payable under the Kraft lease is $1,263,804. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a $7,000,000 termination fee, or (2) at the end of the seventh lease year by paying a $1,845,296 termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet commencing in December 2001 and expiring in November 2016. The current annual base rent payable under the PerkinElmer lease is $194,672. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a $325,000 termination fee.

Issuance of Common Stock

From July 1, 2002 through August 7, 2002, the Company raised $170,921,990 through the issuance of 17,092,199 shares of common stock in the Company.

The Fourth Offering of Common Stock

The Company terminated it third public offering and commenced its fourth public offering of common stock on July 26, 2002, the effective date of the Registration Statement initially filed with the Securities and Exchange Commission on April 8, 2002. The Company is offering up to an aggregate of $3,300,000,000 (330,000,000 shares) of which $3,000,000,000 (300,000,000 shares) are being offered to the public and $300,000,000 (30,000,000 shares) are being offered pursuant to the dividend reinvestment plan.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks filed in the previous two years.

The following unaudited pro forma balance sheet as of June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings and the Kraft Atlanta Building (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of the Arthur Andersen Building, the Transocean Houston Building, Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property had no operations during the six months ended June 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings and the Kerr McGee Property had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc (e)	Other	PacifiCare San Antonio	Kerr McGee	BMG Greenville	Kraft Atlanta	Pro Forma Total
REAL ESTATE ASSETS, at cost:							
Land	$ 110,330,449	$ 0	$ 2,450,000(a)	$ 1,738,044(a)	$ 1,600,000(a)	$ 2,700,000(a)	$ 119,163,936
		0	99,709(b)	70,734(b)	65,116(b)	109,884(b)	
Buildings, less accumulated depreciation of $37,717,737	689,490,969	0	12,239,827(a)	0	25,087,017(a)	8,975,771(a)	737,677,992
		0	498,132(b)	0	1,020,983(b)	365,293(b)	
Construction in progress	16,081,841	0	0	379,901(a)	0	0	16,461,742
Total real estate assets	815,903,259	0	15,287,668	2,188,679	27,773,116	12,150,948	873,303,670
CASH AND CASH EQUIVALENTS	341,909,775	145,053,219(c)	(14,689,827)(a)	(2,103,115)(a)	(14,984,256)(a)	(11,675,771)(a)	438,433,162
		(5,076,863)(d)					
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	0	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	0	0	0	0	0	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	0	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	0	0	0	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	5,076,863(d)	(597,841)(b)	(70,734)(b)	(1,086,099)(b)	(475,177)(b)	17,161,926
DEFERRED OFFERING COSTS	1,392,934	0	0	0	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	0	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	0	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	0	0	0	0	0	1,881,308
Total assets	$ 1,293,166,873	$ 145,053,219	$ 0	$ 14,830	$ 11,702,761	$ 0	$ 1,449,937,683

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LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc (e)	Pro Forma Adjustments: Other	Recent Acquisitions: PacifiCare San Antonio	Recent Acquisitions: Kerr McGee	Recent Acquisitions: BMG Greenville	Recent Acquisitions: Kraft Atlanta	Pro Forma Total
LIABILITIES:							
Accounts payable and accrued expenses	$ 11,840,214	$ 0	$ 0	$ 14,830(a)	$ 0	$ 0	$ 11,855,044
Notes payable	15,658,141	0	0	0	11,702,761(a)	0	27,360,902
Obligations under capital lease	22,000,000	0	0	0	0	0	22,000,000
Dividends payable	4,538,635	0	0	0	0	0	4,538,635
Due to affiliates	2,106,790	0	0	0	0	0	2,106,790
Deferred rental income	1,013,544	0	0	0	0	0	1,013,544
Total liabilities	57,157,324	0	0	14,830	11,702,761	0	68,874,915
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:							
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002	1,455,890	145,053(c)	0	0	0	0	1,600,943
Additional paid-in capital	1,290,858,515	144,908,166(c)	0	0	0	0	1,435,766,681
Cumulative distributions in excess of earnings	(43,991,669)	0	0	0	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	0	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	0	0	0	(289,379)
Total shareholders' equity	1,235,809,549	145,053,219	0	0	0	0	1,380,862,768
Total liabilities and shareholders' equity	$ 1,293,166,873	$ 145,053,219	$ 0	$ 14,830	$ 11,702,761	$ 0	$ 1,449,937,683

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the purchase price.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Kraft Atlanta acquisition date.

(d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.

(e) Historical financial information derived from quarterly report on Form 10-Q

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

	Wells Real Estate Investment Trust, Inc. (f)	Pro Forma Adjustments					Pro Forma Total
				Recent Acquisitions			
		2001 Acquisitions	2002 Acquisitions	PacifiCare San Antonio	BMG Greenville	Kraft Atlanta	
REVENUES:							
Rental income	$ 44,204,279	$ 11,349,076(a)	$14,846,431(a)	$1,556,473(a)	$ 2,445,210(a)	$ 18,429(a)	$ 74,419,898
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	137,500
	49,308,802	12,460,926	14,846,431	1,556,473	2,445,210	18,429	80,636,271
EXPENSES:							
Depreciation and amortization	15,344,801	5,772,761(c)	5,356,374(c)	509,518(c)	1,044,320(c)	31,137(c)	28,058,911
Interest	3,411,210	0	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	0	0	5,452(d)	8,493,879
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	70,041(e)	110,034(e)	829(e)	3,866,890
General and administrative	973,785	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	448,776
	27,584,835	9,137,744	7,529,733	579,559	1,154,354	37,418	46,023,643
NET INCOME	$21,723,967	$ 3,323,182	$7,316,698	$ 976,914	$1,290,856	$(18,989)	$ 34,612,628
EARNINGS PER SHARE, basic and diluted	$ 0.43						$ 0.22
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853						158,872,092

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of nonreimbursable operating expenses.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Historical financial information derived from annual report on Form 10-K

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Unaudited)

	Wells Real Estate Investment Trust, Inc. (e)	Pro Forma Adjustments: 2002 Acquisitions	Recent Acquisitions: PacifiCare San Antonio	Recent Acquisitions: BMG Greenville	Recent Acquisitions: Kraft Atlanta	Pro Forma Total
REVENUES:						
Rental income	$ 38,571,815	$ 7,307,774(a)	$ 778,237(a)	$ 1,222,605(a)	$ 651,493(a)	$ 48,531,924
Equity in income of joint ventures	2,478,686	0	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	0	2,648,351
Take out fee	134,102	0	0	0	0	134,102
	43,832,954	7,307,774	778,237	1,222,605	651,493	53,793,063
EXPENSES:						
Depreciation and amortization	12,903,282	2,588,546(b)	254,759(b)	522,160(b)	186,821(b)	16,455,568
Interest	880,002	0	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	0	0	79,067(c)	2,443,082
Management and leasing fees	1,903,082	328,850(d)	35,021(d)	55,017(d)	29,317(d)	2,351,287
General and administrative	1,121,457	0	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	0	424,992
	19,296,812	3,217,414	289,780	577,177	295,205	23,676,388
NET INCOME	$ 24,536,142	$ 4,090,360	$ 488,457	$ 645,428	$ 356,288	$ 30,116,675
EARNINGS PER SHARE, basic and diluted	$ 0.22					$ 0.19
WEIGHTED AVERAGE SHARES, basic and diluted	110,885,641					158,872,092

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of nonreimbursable operating expenses.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Historical financial information derived from quarterly report on Form 10-Q

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 2 DATED AUGUST 29, 2002 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the fourth quarter of 2002;

(3) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property matters:

  (A) Acquisition of three office buildings in Irving, Texas (Nokia Dallas Buildings);

  (B) Acquisition of a seven-story office building in Austin, Texas (Harcourt Austin Building); and

  (C) Execution of a lease with AmeriCredit Financial Services in connection with a build-to-suit three-story office building in Chandler, Arizona (AmeriCredit Arizona Building);

(4) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus; and

(5) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Nokia Dallas Buildings.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 25, 2002, we had received additional gross proceeds of approximately $84,871,857 from the sale of approximately 8,487,186 shares in our fourth public offering.

Dividends

As we described in Supplement No. 1 to the prospectus, we acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

Description of Properties

As of August 25, 2002, we had purchased interests in 59 real estate properties located in 19 states, each of which was 100% leased to tenants. Below are the descriptions of our recent real property acquisitions through August 25, 2002.

Nokia Dallas Buildings

On August 15, 2002, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of $119,550,000, plus closing costs (Nokia Dallas Buildings). The Nokia Dallas Buildings consist of (1) a nine-story office building located at 6031 Connection Drive (Nokia I Building), (2) a seven-story office building located at 6021 Connection Drive (Nokia II Building), and (3) a six-story office building located at 6011 Connection Drive (Nokia III Building). The Nokia I Building and Nokia III Building were built in 1999, and the Nokia II Building was built in 2000.

The Nokia Dallas Buildings are all leased entirely to Nokia, Inc., the U.S. operating subsidiary of Nokia Corporation (Nokia), under long-term net leases (i.e., operating costs and maintenance costs are paid by the tenant) for periods of 10 years, with approximately seven to eight years remaining on such leases. Nokia, the guarantor of the Nokia, Inc. leases, is a Finnish corporation whose shares are traded on the New York Stock Exchange. Nokia is a mobile communications company that supplies mobile phones and mobile, fixed broadband, and Internet protocol networks. Nokia sells its products in over 130 countries worldwide. Nokia reported a net worth, as of December 31, 2001, of approximately $12 billion Euros.

Since the Dallas Nokia Buildings are leased to a single tenant on a long-term basis under net leases that transfer substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the leases, Nokia, is more relevant to investors than financial statements of the property acquired. Nokia is a public company which currently files its financial statements in reports filed with the Securities and Exchange Commission, and following is summary financial data regarding Nokia taken from its previously filed public reports:

Consolidated Profit and Loss Accounts

	For the Fiscal Year Ended		
	December 31, 2001	December 31, 2000	December 31, 1999
		(In millions of Euros)	
Net Sales	31,191	30,376	19,772
Operating Profit	3,362	5,776	3,908
Net Profit	2,200	3,938	2,577

Consolidated Balance Sheet Data

	December 31, 2001	December 31, 2000
	(In millions of Euros)	
Total Assets	22,427	19,890
Long-term liabilities	460	311
Shareholders' Equity	12,205	10,808

If you would like to review more detailed financial information regarding Nokia, please refer to the financial statements of Nokia, which are publicly available with the Securities and Exchange Commission at http://www.sec.gov.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is $4,413,485.

The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is $4,547,614.

The Nokia III Building is a six-story building containing 152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is $3,024,990.

Nokia, Inc. has a right of first offer on the future sale of each of the Nokia Dallas Buildings.

Harcourt Austin Building

On August 15, 2002, Wells OP purchased a seven-story office building containing 195,230 rentable square feet located in Austin, Texas (Harcourt Austin Building) for a purchase price of $39,000,000, plus closing costs. The Harcourt Austin Building was built in 2001 and is located at 10801 North Mopac Expressway, Austin, Texas.

The Harcourt Austin Building is leased entirely to Harcourt, Inc., a wholly owned subsidiary of Harcourt General, Inc. (Harcourt General), the guarantor of the Harcourt lease. Harcourt General is a Delaware corporation having its corporate headquarters in Newton, Massachusetts. Harcourt General is a worldwide education company that provides books, print, and electronic learning materials, assessments, and professional development programs to students and teachers in pre-kindergarten through 12th grade. Harcourt General was acquired in July 2001, by, and became a wholly owned subsidiary of, Reed Elsevier PLC, a privately held company.

The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is $3,353,040.

Lease of AmeriCredit Arizona Building

On August 9, 2002, Wells OP entered into a 10-year lease with AmeriCredit Financial Services, Inc. (AmeriCredit) for a build-to-suit property on a 14-acre tract of land located in Chandler, Arizona (AmeriCredit Arizona Property). Wells OP expects to enter into a definitive agreement to acquire the AmeriCredit Arizona Property in the near future.

AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the NYSE. AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world's largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately $1.2 billion.

The AmeriCredit Arizona lease will commence shortly after completion of construction of a three-story office building containing approximately 153,494 rentable square feet on the AmeriCredit Arizona Property, which we expect to occur in approximately March 2003 at a total estimated cost of $24,700,000. The AmeriCredit Arizona lease expires 10 years and four months after lease commencement. AmeriCredit has the right to extend the initial term of this lease for two additional five-year terms at 95% of the then-current market rental rate. In addition, AmeriCredit may terminate the AmeriCredit Arizona lease at the end of the 88th month by paying a $2,512,697 termination fee.

As an inducement for Wells OP to enter into the AmeriCredit Arizona lease, AmeriCredit has prepaid to Wells OP the first three years of base rent on the AmeriCredit Arizona Building at a discounted amount equal to $4,827,945 rather than the amount of base rent that would otherwise have been payable ratably over the first three years of the lease term. Wells OP will be required to repay this prepaid rent or some portion thereof under certain circumstances described in the AmeriCredit Arizona lease such as failure of Wells OP to substantially complete construction of the building in accordance with specifications by August 1, 2003, damage or destruction of the building, eminent domain taking of the property and failure of Wells OP to make required repairs to the building. Wells OP has obtained and delivered an irrevocable stand-by letter of credit from Bank of America, N.A. to AmeriCredit in the amount of the prepaid rent to secure Wells OP's obligation to repay the prepaid rent under these conditions.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of 4.5% of gross revenues from the Nokia Dallas Buildings, the Harcourt Austin Building and the AmeriCredit Arizona Building, subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the AmeriCredit Arizona Building equal to one month's rent estimated to be approximately $207,000.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002.

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 25, 2002, we had received additional gross proceeds of approximately $84,871,857 from the sale of approximately 8,487,186 shares in our fourth public offering. Accordingly, as of August 25, 2002, we had received aggregate gross offering proceeds of approximately $1,684,315,201 from the sale of approximately 168,431,520 shares in all of our public offerings. After payment of $58,452,949 in acquisition and advisory fees and acquisition expenses, payment of $187,490,370 in selling commissions and organization and offering expenses, and common stock redemptions of $14,230,931 pursuant to our share redemption program, as of August 25, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,424,140,951, out of which $1,128,348,590 had been invested in real estate properties, and $295,792,361 remained available for investment in real estate properties.

Financial Statements

The pro forma balance sheet of the Wells REIT, as of June 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

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INDEX TO FINANCIAL STATEMENTS

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Summary of Unaudited Pro Forma Financial Statements

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings, the Kraft Atlanta Building (the “Other Recent Acquisitions”) and the Nokia Dallas Buildings (collectively, the “Recent Acquisitions”) by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of the Arthur Andersen Building, the Transocean Houston Building, Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building (collectively, the “2002 Acquisitions”) and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property had no operations during the six months ended June 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the “2001 Acquisitions”), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings and the Kerr McGee Property had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA BALANCE SHEET
JUNE 30, 2002
(Unaudited)

ASSETS

	Wells Real Estate Investment Trust, Inc. (e)	Pro Forma Adjustments — Recent Acquisitions — Other	Pro Forma Adjustments — Recent Acquisitions — Nokia Dallas	Pro Forma Total
REAL ESTATE ASSETS, at cost:				
Land	$ 110,330,449	$ 8,488,044 (a)	$ 9,100,000 (a)	$ 128,634,284
		345,443 (b)	370,348 (b)	
Buildings, less accumulated depreciation of $37,717,737	689,490,969	46,302,615 (a)	110,831,069 (a)	853,019,628
		1,884,408 (b)	4,510,567 (b)	
Construction in progress	16,081,841	379,901 (a)	0	16,461,742
Total real estate assets	815,903,259	57,400,411	124,811,984	998,115,654
CASH AND CASH EQUIVALENTS	341,909,775	(43,452,969)(a)	(119,931,069)(a)	372,072,298
		200,566,384 (c)		
		(7,019,823)(d)		
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	0	0	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	(2,229,851)(b)	(4,880,915)(b)	14,223,971
		7,019,823 (d)		
DEFERRED OFFERING COSTS	1,392,934	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	0	0	1,881,308
Total assets	$1,293,166,873	$212,283,975	$ 0	$1,505,450,848

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LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc. (e)	Pro Forma Adjustments — Recent Acquisitions — Other	Pro Forma Adjustments — Recent Acquisitions — Nokia Dallas	Pro Forma Total
LIABILITIES:				
Accounts payable and accrued expenses	$ 11,840,214	$ 14,830(a)	$ 0	$ 11,855,044
Notes payable	15,658,141	11,702,761(a)	0	27,360,902
Obligations under capital lease	22,000,000	0	0	22,000,000
Dividends payable	4,538,635	0	0	4,538,635
Due to affiliates	2,106,790	0	0	2,106,790
Deferred rental income	1,013,544	0	0	1,013,544
Total liabilities	57,157,324	11,717,591	0	68,874,915
COMMITMENTS AND CONTINGENCIES				
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	200,000
SHAREHOLDERS' EQUITY:				
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002	1,455,890	200,566(c)	0	1,656,456
Additional paid-in capital	1,290,858,515	200,365,818(c)	0	1,491,224,333
Cumulative distributions in excess of earnings	(43,991,669)	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	(289,379)
Total shareholders' equity	1,235,809,549	200,566,384	0	1,436,375,933
Total liabilities and shareholders' equity	$ 1,293,166,873	$212,283,975	$ 0	$1,505,450,848

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the purchase price.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Nokia Dallas acquisition date.

(d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.

(e) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

	Wells Real Estate Investment Trust, Inc.(f)	Pro Forma Adjustments: 2001 Acquisitions	2002 Acquisitions	Recent Acquisitions: Other	Recent Acquisitions: Nokia Dallas	Pro Forma Total
REVENUES:						
Rental income	$ 44,204,279	$ 11,349,076(a)	$14,846,431(a)	$ 4,020,112(a)	$12,518,628(a)	$86,938,526
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	137,500
	49,308,802	12,460,926	14,846,431	4,020,112	12,518,628	93,154,899
EXPENSES:						
Depreciation	15,344,801	5,772,761(c)	5,356,374(c)	1,584,975(c)	4,613,665(c)	32,672,576
Interest	3,411,210	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	5,452(d)	0	8,493,879
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	180,904(e)	563,338(e)	4,430,228
General and administrative	973,785	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	448,776
	27,584,835	9,137,744	7,529,733	1,771,331	5,177,003	51,200,646
NET INCOME	$21,723,967	$ 3,323,182	$7,316,698	$ 2,248,781	$ 7,341,625	$ 41,954,253
EARNINGS PER SHARE, basic and diluted	$ 0.43					$ 0.26
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853					164,423,411

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of nonreimbursable operating expenses.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Unaudited)

		Pro Forma Adjustments			
			Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc.(e)	2002 Acquisitions	Other	Nokia Dallas	Pro Forma Total
REVENUES:					
Rental income	$ 38,571,815	$ 7,307,774(a)	$ 2,652,335(a)	$ 6,259,314(a)	$ 54,791,238
Equity in income of joint ventures	2,478,686	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	2,648,351
Take out fee	134,102	0	0	0	134,102
	43,832,954	7,307,774	2,652,335	6,259,314	60,052,377
EXPENSES:					
Depreciation	12,903,282	2,588,546(b)	963,740(b)	2,306,833(b)	18,762,401
Interest	880,002	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	79,067(c)	0	2,443,082
Management and leasing fees	1,903,082	328,850(d)	119,355(d)	281,669(d)	2,632,956
General and administrative	1,121,457	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	424,992
	19,296,812	3,217,414	1,162,162	2,588,502	26,264,890
NET INCOME	$ 24,536,142	$ 4,090,360	$ 1,490,173	$ 3,670,812	$ 33,787,487
EARNINGS PER SHARE, basic and diluted	$ 0.22				$ 0.21
WEIGHTED AVERAGE SHARES, basic and diluted	110,885,641				164,423,411

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of nonreimbursable operating expenses.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 3 DATED OCTOBER 15, 2002 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002 and Supplement No. 2 dated August 29, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions:

  (A) Acquisition of a two-story office building and a one-story daycare facility in Holtsville, New York (IRS Long Island Buildings);

  (B) Acquisition of a 14.74 acre tract of land and the build-to-suit construction of a three-story office building in Chandler, Arizona (AmeriCredit Phoenix Building);

  (C) Acquisition of a four-story office building in Parsippany, New Jersey (KeyBank Parsippany Building);

  (D) Acquisition of a one-story office building located in Indianapolis, Indiana (Allstate Indianapolis Building);

  (E) Acquisition of a three-story office building located in Colorado Springs, Colorado (Federal Express Colorado Springs Building);

  (F) Acquisition of a one-story office and distribution building in Des Moines, Iowa (EDS Des Moines Building);

  (G) Acquisition of a two-story office building with a three-story wing located in Plano, Texas (Intuit Dallas Building); and

  (H) Acquisition of a two-story office building in Westlake, Texas (Daimler Chrysler Dallas Building);

(3) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(4) Status of the development of the Nissan Project;

(5) Audited financial statements relating to the Harcourt Austin Building, which acquisition was described in Supplement No. 2 dated August 29, 2002, the IRS Long Island Buildings and the KeyBank Parsippany Building; and

(6) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Harcourt Austin Building, IRS Long Island Buildings, AmeriCredit Phoenix Property, KeyBank Parsippany Building, Allstate Indianapolis Building, Federal Express Colorado Springs Building, EDS Des Moines Building, Intuit Dallas Building and Daimler Chrysler Dallas Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of October 15, 2002, we had received additional gross proceeds of approximately $276,782,914 from the sale of approximately 27,678,291 shares in our fourth public offering.

Description of Properties

As of October 15, 2002, we had purchased interests in 67 real estate properties located in 22 states. Below are the descriptions of our recent real property acquisitions.

IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC (REIT-Holtsville), a Georgia limited liability company wholly-owned by Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a two-story office building (IRS Office Building) and a one-story daycare facility (IRS Daycare Facility) containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of $50,975,000, plus closing costs from HIRS Associates LLC (HIRS). HIRS is not in any way affiliated with the Wells REIT, Wells OP, REIT-Holtsville, or our advisor, Wells Capital, Inc.

The IRS Office Building was built in 2000 and is located at 5000 Corporate Court in Holtsville, New York on a 36.25-acre tract of land. The IRS Daycare Facility was built in 1999 and is located on a 1.87-acre tract of land located at 2 Corporate Drive in Holtsville, New York. The IRS Office Building is located in central Long Island in a campus setting. The property was developed as a flagship campus for the Internal Revenue Service (IRS) and is one of only eight processing and collection facilities in the country.

Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America (U.S.A.) through the U.S. General Services Administration (GSA) for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS (IRS Collection), the compliance division of the IRS (IRS Compliance), and the IRS Daycare Facility. The GSA is a centralized federal procurement and property management agency which acquires office space, equipment, telecommunications, information technology, supplies and services for federal agencies such as the IRS.

REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to $14,500,000 as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

All three of the IRS leases are net leases (i.e., operating costs and maintenance costs are paid by the tenant) which include provisions that require the landlord and the property manager to comply with various employment related practices and other various laws typically required by government entities. Although we believe that the Wells REIT, Wells OP and REIT-Holtsville should be deemed exempt from these requirements, if a determination were made that these or other affiliated entities violated these lease provisions, the tenant has the right under each of the IRS leases to terminate the lease or to require compliance by the appropriate entities. REIT-Holtsville, as the landlord, is responsible for maintaining and repairing the roof, structural elements and mechanical systems of the IRS Long Island Buildings.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is $5,029,380. The annual base rent payable under the IRS Collection lease for the remaining two years of the initial lease term will be $2,814,900. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of $4,209,869 and $4,999,219, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is $1,663,200. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of $2,217,600.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is $486,799. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of $435,600.

AmCap Management Corporation, an affiliate of HIRS, the seller of the property, will serve as the initial property manager of the IRS Long Island Buildings for a period of up to 18 months. AmCap Management Corporation is not in any way affiliated with the Wells REIT, Wells OP, REIT-Holtsville or our advisor. Prior to the expiration of the 18-month term of the property management agreement, REIT-Holtsville will be required to locate and hire a new property manager for the IRS Long Island Buildings.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased a 14.74 acre tract of land located in Chandler, Maricopa County, Arizona (AmeriCredit Phoenix Property (formerly referred to as AmeriCredit Arizona Property)) for $2,632,298, plus closing costs from Price & Germann Roads, L.L.C., an Arizona limited liability company (Price). Price is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells OP has entered into a development agreement and an owner-contractor agreement to construct a three-story office building containing 153,494 rentable square feet (AmeriCredit Phoenix Project) on the AmeriCredit Phoenix Property. Wells OP anticipates that the aggregate of all costs and expenses to be incurred with respect to the acquisition of the AmeriCredit Phoenix Property, and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately $24,700,000.

Development Agreement. Wells OP entered into a Development Agreement (Development Agreement) with ADEVCO Corporation, a Georgia corporation (Developer), as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the AmeriCredit Phoenix Project. As compensation for the services to be rendered by the Developer under the Development Agreement, Wells OP will pay a development fee payable ratably (on the basis of the percentage of construction completed) as the construction and development of the AmeriCredit Phoenix Project is completed.

Owner-Contractor Agreement. Wells OP entered into an Owner-Contractor Agreement (Construction Agreement) with Bovis Lend Lease, Inc. (Contractor) for the construction of the AmeriCredit Phoenix Project. The Contractor is a worldwide construction company with U.S. headquarters in New York. The Contractor provides services in a variety of sectors in the construction industry, including commercial, residential, industrial, pharmaceutical, sports and leisure, and retail and entertainment. The Contractor began construction in September 2002 of a three-story office building containing approximately 153,494 rentable square feet (AmeriCredit Phoenix Building).

The Construction Agreement provides that Wells OP will pay the Contractor a maximum of $10,398,274 for the construction of the AmeriCredit Phoenix Project which includes all estimated fees and costs, including the architect fees. The Contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the AmeriCredit Phoenix Project. In addition, the Contractor will be required to secure and pay for any additional business licenses, tap fees and building permits which may be necessary for construction of the AmeriCredit Phoenix Project.

AmeriCredit Phoenix Lease. The AmeriCredit Phoenix Building will be leased entirely to AmeriCredit Financial Services, Inc. (AmeriCredit). AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the New York Stock Exchange (NYSE). AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world’s largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately $1.2 billion.

The AmeriCredit Phoenix lease is a net lease (i.e., operating costs and maintenance costs to be paid by the tenant) and will commence shortly after completion of construction of the AmeriCredit Phoenix Building, which we currently expect to occur in approximately March 2003. The AmeriCredit Phoenix lease expires 10 years and four months after lease commencement. AmeriCredit has the right to extend the initial term of this lease for two additional five-year terms at 95% of the then-current market rental rate. In addition, AmeriCredit may terminate the AmeriCredit Phoenix lease at the end of the 88th month by paying a $2,512,697 termination fee. Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, structural walls, exterior windows, parking lot, driveways, and light poles.

As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent on the AmeriCredit Phoenix Building at a discounted amount equal to $4,827,945 rather than the amount of base rent that would otherwise have been payable ratably over the first three years of the lease term. Wells OP will be required to repay this prepaid rent or some portion thereof under certain circumstances described in the AmeriCredit Phoenix lease such as failure of Wells OP to substantially complete construction of the building in accordance with specifications by August 1, 2003, damage or destruction of the building, eminent domain taking of the property and failure of Wells OP to make required repairs to the building. Wells OP has obtained and delivered an irrevocable stand-by letter of credit from Bank of America, N.A. to AmeriCredit in the amount of the prepaid rent to secure Wells OP’s obligation to repay the prepaid rent under these conditions.

KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased a four-story office building containing 404,515 rentable square feet located on a 19.06 acre tract of land in Parsippany, New Jersey (KeyBank Parsippany Building) for a purchase price of $101,350,000, plus closing costs from Two Gatehall Associates, L.L.C. (Gatehall) and Asset Preservation, Inc. (Asset). Neither Gatehall nor Asset are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Key Bank Parsippany Building was completed in 1985 and is located at Two Gatehall Drive in Parsippany, Morris County, New Jersey. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. (KeyBank) and Gemini Technology Services (Gemini).

KeyBank is a national banking association and a wholly-owned subsidiary of KeyCorp, the guarantor on the lease. KeyCorp, whose shares are traded on the NYSE, is a bank-based financial services company that provides investment management, retail and commercial banking, retirement, consumer finance, and investment banking products and services to individuals and companies throughout the United States and internationally. KeyCorp operates approximately 2,300 ATMs across the United States. KeyCorp reported a net worth, as of June 30, 2002, of approximately $6.6 billion.

The KeyBank lease covers 200,000 rentable square feet (49%) and is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is $3,800,000. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

Gemini Technology Services is an information technology subsidiary of Deutsch Bank AG (Deutsch Bank). Deutsch Bank provides financial services around the world to individuals and institutional clients and serves more than 12 million customers in 75 countries worldwide.

The Gemini lease covers 204,515 rentable square feet (51%) and is a gross lease (i.e., operating costs and maintenance costs are the responsibility of the landlord) that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is $5,726,420. Gemini secured its obligations under the Gemini lease with a $35,000,000 irrevocable letter of credit, which amount decreases over time during the initial term of the Gemini lease. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased a one-story office building containing 89,956 rentable square feet located on a 12.71 acre tract of land in Indianapolis, Indiana (Allstate Indianapolis Building) for a purchase price of $10,900,000, plus closing costs from Hartsfield Building, LLC (Hartsfield). In addition, at closing, Hartsfield assigned to Wells OP a purchase option agreement for the right to purchase an additional adjacent 2.38 acre tract of land for $249,000 on or before January 2007. Hartsfield is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Allstate Indianapolis Building was completed in 2002 and is located at 5757 Decatur Blvd. in Indianapolis, Marion County, Indiana. The Allstate Indianapolis Building is leased to Allstate Insurance Company (Allstate) and Holladay Property Services Midwest, Inc. (Holladay).

Allstate Corporation, the holding company for Allstate whose shares are traded on the NYSE, provides automobile, homeowner's, and life insurance throughout the United States, as well as numerous investment products, including retirement planning, annuities and mutual funds. Allstate Corporation reported a net worth, as of June 30, 2002, of approximately $17.2 billion.

The Allstate lease, a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is $1,246,164. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of a $385,000 fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building. Wells OP, as the landlord, will be responsible for maintaining the exterior of the building, parking lots, driveways, roof and all structural parts of the building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is $74,832.

Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased a three-story office building containing 155,808 rentable square feet located on a 28.01 acre tract of land in Colorado Springs, Colorado (Federal Express Colorado Springs Building) for a purchase price of $26,000,000, plus closing costs from KDC-CO I Investment Limited Partnership (KDC). KDC is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Federal Express Colorado Springs Building was completed in 2001 and is located at 350 Spectrum Loop in Colorado Springs, El Paso County, Colorado. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation (Federal Express). The Federal Express lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in July 2001 and expires in October 2016. Federal Express, whose shares are traded on the NYSE, provides transportation, e-commerce and supply chain management services in over 210 countries through its numerous subsidiaries.

Since the Federal Express Colorado Springs Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about Federal Express is more relevant to investors than financial statements of the property acquired.

Federal Express currently files its financial statements in reports filed with the Securities and Exchange Commission (SEC), and the following summary financial data regarding Federal Express is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	MAY 31, 2002	MAY 31, 2001	MAY 31, 2000
		(IN MILLIONS)	
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	$ 15,327	$ 15,534	$ 15,068
Operating Income	$ 811	$ 847	$ 900
Net Income	$ 443	$ 499	$ 510

	MAY 31, 2002	MAY 31, 2001
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	$ 9,949	$ 9,623
Long-Term Debt	$ 851	$ 852
Stockholders' Equity	$ 4,673	$ 4,248

For more detailed financial information regarding Federal Express, please refer to the financial statements of Federal Express Corporation, which are publicly available with the SEC at http://www.sec.gov.

The current annual base rent payable under the Federal Express lease is $2,248,309. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building. Wells OP has agreed to allow Koll Development Company, LLC (Koll Development), an affiliate of the seller of the property, to develop such expansion provided that Wells OP shall have the right of first refusal to purchase such expansion property within three years after completion. Koll Development is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, structural components of the parking areas, drives and sidewalks and the underground utilities of the Federal Express Colorado Springs Building. In addition, Wells OP is responsible for the capital replacements of the mechanical and electrical systems for the Federal Express Colorado Springs Building.

EDS Des Moines Building

On September 27, 2002, Wells OP purchased from KDC-EDS Des Moines Investments, LLC (KDC-EDS), Koll Development and Koll Corporate Development I-Iowa, L.P. (Koll Corporate) all of the partnership interests in KDC-EDS Des Moines Investment Limited Partnership, a Texas limited partnership, which owns a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located on a 27.97 acre tract of land in Des Moines, Iowa (EDS Des Moines Building) for a purchase price of $26,500,000, plus closing costs. Neither KDC-EDS, Koll Development nor Koll Corporate are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The EDS Des Moines Building was completed in 2002 and is located at 3600 Army Post Road in Des Moines, Polk County, Iowa. The EDS Des Moines Building is leased entirely to EDS Information Services L.L.C. (EDS), a wholly-owned subsidiary of Electronic Data Systems Corporation (EDS Corp). EDS Corp is the guarantor of the EDS lease. The EDS lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in May 2002 and expires in April 2012. EDS Corp, whose shares are traded on the NYSE, is a global information technology services company with services ranging from computer support to server management to web hosting. EDS Corp operates in 60 countries worldwide.

Since the EDS Des Moines Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about EDS Corp, the guarantor of the EDS lease, is more relevant to investors than financial statements of the property acquired.

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EDS Corp currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding EDS Corp is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	DECEMBER 31, 2001	DECEMBER 31, 2000	DECEMBER 31, 1999
		(IN MILLIONS)	
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	$ 21,543	$ 19,227	$ 18,732
Operating Income	$ 2,096	$ 1,818	$ 473
Net Income	$ 1,363	$ 1,143	$ 421

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	$ 16,353	$ 12,692
Long-Term Debt	$ 4,692	$ 2,585
Stockholders' Equity	$ 6,446	$ 5,139

For more detailed financial information regarding EDS Corp, please refer to the financial statements of Electronic Data Systems Corporation, which are publicly available with the SEC at http://www.sec.gov.

The current annual base rent payable under the EDS lease is $2,389,500. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet. Wells OP, as the landlord, is responsible for maintaining the roof, foundation, exterior walls, plumbing and electrical lines for the EDS Des Moines Building.

Intuit Dallas Building

On September 27, 2002, Wells OP purchased a two-story office building with a three-story wing containing 166,238 rentable square feet located on a 10.7 acre tract of land in Plano, Texas (Intuit Dallas Building) for a purchase price of $26,500,000, plus closing costs from KDC-TX I Investment Limited Partnership (KDC-TX). KDC-TX is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Intuit Dallas Building was completed in 2001 and is located at 5601 Headquarters Drive in Plano, Collin County, Texas. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation (Lacerte), a wholly-owned subsidiary of Intuit, Inc. (Intuit). Intuit is the guarantor of the Lacerte lease. The Lacerte lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in July 2001 and expires in June 2011.

Lacerte is a tax software development company that offers a variety of tax software products and customer support services. Intuit, whose shares are traded on the NASDAQ, provides small business, tax preparation and personal finance software products and Web-based services that simplify complex financial tasks for consumers, small businesses and accounting professionals.

Since the Intuit Dallas Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the lease, Intuit, is more relevant to investors than financial statements of the property acquired.

Intuit currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding Intuit is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	JULY 31, 2002	JULY 31, 2001	JULY 31, 2000
		(IN MILLIONS)	
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	$ 1,358	$ 1,148	$ 1,037
Income (Loss) from Continuing Operations	$ 59	$ (74)	$ 9
Net Income (Loss)	$ 140	$ (83)	$ 306

	JULY 31, 2002	JULY 31, 2001
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	$ 2,963	$ 2,862
Long-Term Debt	$ 15	$ 12
Stockholders' Equity	$ 2,216	$ 2,161

For more detailed financial information regarding Intuit, please refer to the financial statements of Intuit, Inc., which are publicly available with the SEC at http://www.sec.gov.

The current annual base rent payable under the Lacerte lease is $2,461,985. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of $17.92 per square foot and $19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19-acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon. Wells OP has agreed to allow Koll Development, an affiliate of KDC-TX, the seller of the property, to develop any such expansion. Wells OP, as the landlord, is responsible for maintaining the structural elements of the building, including the parking deck, roof, building facade, foundation, load bearing walls and building and utility systems for the Intuit Dallas Building.

Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased from Hillwood Operating, L.P. (Hillwood) and ABI Commercial L.P. (ABI) all of the partnership interests in CT Corporate Center No. 1, L.P. (CT), a Texas limited partnership, which owns a two-story office building containing 130,290 rentable square feet located in Westlake, Texas (Daimler Chrysler Dallas Building) for a purchase price of $25,100,000, plus closing costs. Neither Hillwood nor ABI are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Daimler Chrysler Dallas Building was completed in 2001 and is located at 2050 Roanoke Road in Westlake, Tarrant County, Texas. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC (Daimler Chrysler NA). Daimler Chrysler NA is a wholly owned subsidiary of DaimlerChrysler AG (DaimlerChrysler). DaimlerChrysler is one of the world's leading automotive, transportation and services companies and has over 50 operating plants worldwide.

The Daimler Chrysler NA lease is a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is $3,189,499. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease. Wells OP, as the landlord, is responsible for maintaining the roof, foundation, and structural members of the exterior walls of the building, trash removal, janitorial and window-washing services, pest control, landscaping maintenance, water, lighting and passenger elevator service for the Daimler Chrysler Dallas Building.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the AmeriCredit Phoenix Building, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building and the Daimler Chrysler Dallas Building subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the AmeriCredit Phoenix Building equal to one month's rent estimated to be approximately $207,000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002 and Supplement No. 2 dated August 29, 2002.

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of October 15, 2002, we had received additional gross proceeds of approximately $276,782,914 from the sale of approximately 27,678,291 shares in our fourth public offering. Accordingly, as of October 15, 2002, we had received aggregate gross offering proceeds of approximately $1,876,226,258 from the sale of approximately 187,622,626 shares in all of our public offerings. After payment of $65,068,579 in acquisition and advisory fees and acquisition expenses, payment of $208,356,782 in selling commissions and organization and offering expenses, and common stock redemptions of $17,123,992 pursuant to our share redemption program, as of October 15, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,585,676,905, out of which $1,400,791,370 had been invested in real estate properties, and $184,885,535 remained available for investment in real estate properties.

Status of the Nissan Project

As of September 30, 2002, Wells OP had expended $24,226,880 towards the construction of the three-story approximately 268,290 rentable square foot office building in Irving, Texas. The Nissan Project is approximately 47% complete and is currently expected to be completed in February 2003. We estimate that the aggregate cost and expenses to be incurred by Wells OP with respect to the acquisition and construction of the Nissan Project will total approximately $41,855,600, which is within the budgeted amount for the property.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the Harcourt Austin Building, the IRS Long Island Buildings and the KeyBank Parsippany Building for the year ended December 31, 2001, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The statements of revenues over certain operating expenses of the Harcourt Austin Building, the IRS Long Island Buildings and the KeyBank Parsippany Building for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of June 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

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Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Harcourt Austin Building (the "Building") for the year ended December 31, 2001. This statement is the responsibility of the Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Harcourt Austin Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
October 21, 2002

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Harcourt Austin Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

	2002	2001
	(Unaudited)	
Rental revenues	$1,770,085	$1,770,085
Operating expenses, net of reimbursements	64,780	67,131
Revenues over certain operating expenses	$1,705,305	$1,702,954

See accompanying notes.

Harcourt Austin Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On August 15, 2002, the Wells Operating Partnership, L.P. ("Wells OP') acquired the Harcourt Austin Building from Carr Development & Construction, LP ("Carr"). Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

Harcourt, Inc. ("Harcourt") currently occupies the entire 195,230 rentable square feet of the seven-story office building under a lease agreement (the "Harcourt Lease"). Harcourt is a Delaware corporation owned equally by Reed Elsevier PLC and Reed Elsevier NV whose shares are traded on the New York Stock Exchange. Carr's interest in the Harcourt Lease was assigned to Wells OP upon acquisition of the building. The initial term of the Harcourt Lease commenced in July 2001 and expires in June 2016. Under the Harcourt Lease, Harcourt is required to pay, as additional rent, all operating costs, including but not limited to electricity, water, sewer, insurance, taxes and a management fee not to exceed 3.5% of rent. Furthermore, Harcourt will be required to reimburse the landlord for costs of capital improvements that are intended to reduce operating costs or improve safety and any replacement or capital repairs to the Building's HVAC systems. Wells OP will be responsible for maintaining and repairing the Building's roof, structural elements and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the term of the lease. The accompanying statements of revenues over certain operating expenses include rental revenues from the date of commencement of the Harcourt Lease in July 2001.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Harcourt Austin Building after its acquisition by Wells OP.

Notes to Statements of Revenues Over Certain Operating Expenses
(Continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 3,104,157
2003	3,104,157
2004	3,104,157
2005	3,104,157
2006	3,314,029
Thereafter	35,819,824
	$51,550,481

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however in the the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the IRS Long Island Buildings (the "Buildings") for the year ended December 31, 2001. This statement is the responsibility of the Buildings' management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Buildings' revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the IRS Long Island Buildings for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
September 26, 2002

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IRS Long Island Buildings

Statements of Revenues Over Certain Operating Expenses

Year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

	2002	2001
	(Unaudited)	
Rental revenues	$3,106,658	$4,665,840
Operating expenses, net of reimbursements	641,803	745,258
Revenues over certain operating expenses	$2,464,855	$3,920,582

See accompanying notes.

IRS Long Island Buildings

Notes to Statements of Revenues Over Certain Operating Expenses

Year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 13, 2002, Wells REIT—Holtsville, NY, LLC (the "Company") acquired the IRS Long Island Buildings (the "Buildings") from HIRS Associates, LLC ("HIRS"). The Company, a Georgia limited liability company, was created on September 10, 2002 by the Wells Operating Partnership, L.P. ("Wells OP') as the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The United States of America, through the U.S. General Services Administration ("GSA"), currently leases 191,049 of the total 259,700 rentable square feet on behalf of the Internal Revenue Service under three leases (the "IRS Collection Lease", the "IRS Compliance Lease" and the "IRS Daycare Facility Lease", collectively, the "IRS Leases"). The GSA is a centralized federal procurement and property management agency created by Congress to improve government efficiency and effectiveness. GSA acquires on the government's behalf, the office space, equipment, telecommunications, information technology, supplies and services they need to achieve their agency's mission of services to the public. HIRS's interests in the GSA Leases were assigned to Wells OP upon acquisition of the Buildings. The IRS Collection Lease commenced in August 2000 and expires in August 2005. The IRS Compliance Lease commenced in December 2001 and expires in December 2011. The IRS Daycare Facility Lease commenced in October 1999 and expires in September 2004. Under the IRS Leases, beginning in the second lease year and each year after, the tenant will pay, as adjusted rent, changes in costs from the first lease year for cleaning services, supplies, materials, maintenance, trash removal, landscaping, sewer charges and certain administrative expenses attributable to occupancy. The amount of the adjustment will be computed using the Cost of Living Index. Wells OP will be responsible for maintaining and repairing the Buildings' roof, structural elements and mechanical systems.

If the Company secures an additional lease with the IRS or another suitable tenant for the remaining 68,651 square feet of vacant space in the Buildings within 18 months, the Company would owe an additional amount of up to $14,500,000 as additional purchase price for the Buildings pursuant to the terms of an earnout agreement entered into between the Company and HIRS at closing.

Rental Revenues

Rental income is recognized on a straight-line basis over the term of the lease.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired.

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Notes to Statements of Revenues Over Certain Operating Expenses
(Continued)

Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation, interest, and management fees. Therefore, these statements are not comparable to the statement of operations of the Buildings after its acquisition by Wells OP.

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 6,761,367
2003	6,256,896
2004	4,843,722
2005	3,305,530
2006	1,663,200
Thereafter	8,316,000
	$31,146,715

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however in the the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Board of Directors and Stockholders
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the KeyBank Parsippany Building (the "Building") for the year ended December 31, 2001. This statement is the responsibility of the Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the KeyBank Parsippany Building for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/S/ ERNST & YOUNG LLP

New York, New York
January 31, 2002

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KeyBank Parsippany

Statements of Revenues Over Certain Operating Expenses
(Amounts in thousands)

	Six Months Ended June 30, 2002	Year Ended December 31, 2001
	(Unaudited)	
Revenues:		
Base rent	**$ 5,089**	$ 9,421
Tenant reimbursements	**1,117**	1,833
Total revenues	**6,206**	11,254
Operating expenses	**1,522**	3,159
Revenues over certain operating expenses	**$ 4,684**	$ 8,095

See accompanying notes.

KeyBank Parsippany

Notes to Statements of Revenues Over Certain Operating Expenses
For the year ended December 31, 2001 and the six months ended
June 30, 2002 (Unaudited)
(Amounts in thousands)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 27, 2002, the Wells Operating Partnership acquired the KeyBank Parsippany Building (the “Building”), a 404,515 square foot office building in Parsippany, New Jersey, from Two Gatehall Acquisition, L.L.C. and Asset Preservation, Inc. (collectively the “Seller”).

At December 31, 2001, the Building was 100% leased to two tenants, Exodus Communications, Inc. (“Exodus”) and KeyBank USA National Association, under operating leases that were both executed in 2000. Both operating leases expire over the next 15 years.

Exodus filed bankruptcy in 2001. On January 17, 2002, the Exodus lease was assigned to Gemini Technology Services, Inc., an affiliate of Deutsche Bank, AG. Deutsche Bank, AG assumed all of the obligations of Exodus under the lease.

The lease agreements provide for certain reimbursements of real estate taxes, insurance and certain common area maintenance costs.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the initial term of the lease. The excess of rents so recognized over amounts contractually due pursuant to the underlying leases for the six months ended June 30, 2002 and the year ended December 31, 2001 was $326 (unaudited) and $3,279, respectively. Such amounts are included in rental and reimbursement revenues in the accompanying financial statements.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the Building such as depreciation and interest.

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3. LEASE AGREEMENTS

The minimum rental receipts due on the noncancelable operating leases as of December 31, 2001 are as follows:

2002	$ 9,526
2003	9,526
2004	9,526
2005	9,526
2006	10,464
Thereafter	88,139
	$136,707

Reimbursement revenue was $1,117 (unaudited) and $1,833 for the six months ended June 30, 2002 and the year ended December 31, 2001, respectively.

4. RELATED PARTY TRANSACTIONS

Pursuant to a management agreement, an affiliate of the Seller has responsibilities of property management and leasing of the Building.

5. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings (the "Other Recent Acquisitions"), the Harcourt Austin Building, the AmeriCredit Phoenix Property, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building and the Daimler Chrysler Dallas Building (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of the Arthur Andersen Building, the Transocean Houston Building, Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the six months ended June 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments											
			Recent Acquisitions										
	Wells Real Estate Investment Trust, Inc.(i)	Other	Harcourt Austin	AmeriCredit Phoenix	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Total
REAL ESTATE ASSETS, at cost:												
Land	$ 110,330,449	$ 20,288,044(a)	$ 5,860,000(a)	$ 2,671,324(a)	$ 4,200,000(a)	$ 8,700,000(a)	$ 1,275,000(a)	$ 2,100,000(a)	$ 850,000(a)	$ 3,030,000(a)	$ 2,585,000(a)	$ 163,989,961
		825,675(b)	238,488(b)	108,717(b)	174,724(b)	353,694(b)	51,753(b)	85,465(b)	34,593(b)	123,314(b)	103,721(b)	
Buildings, less accumulated depreciation of $37,717,737	689,490,969	195,198,843(a)	33,143,323(a)	0	46,287,120(a)	92,943,893(a)	9,679,933(a)	23,987,714(a)	25,727,376(a)	23,639,654(a)	22,587,753(a)	1,181,968,343
		7,944,138(b)	1,348,856(b)	0	1,925,583(b)	3,778,591(b)	392,914(b)	976,244(b)	1,047,044(b)	962,079(b)	906,316(b)	
Construction in progress	16,081,841	379,901(a)	0	0	0	0	0	0	0	0	0	16,461,742
Total real estate assets	815,903,259	224,636,601	40,590,667	2,780,041	52,587,427	105,776,178	11,399,600	27,149,423	27,659,013	27,755,047	26,182,790	1,362,420,046
CASH AND CASH EQUIVALENTS	341,909,775	(203,990,460)(a)	(39,003,323)(a)	(2,671,324)(a)	(51,454,530)(a)	(101,643,893)(a)	(10,954,933)(a)	(26,087,714)(a)	(26,577,376)(a)	(26,669,654)(a)	25,128,513)(a)	185,098,497
		365,329,012(c)		4,827,945(h)								
		(12,786,515)(e)										
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	0	0	0	0	0	0	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	32,500,000(e)	0	0	0	0	0	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	0	0	0	0	0	0	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, NET	1,790,608	0	0	0	0	0	0	0	0	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	(8,769,813)(b)	(1,587,344)(b)	(108,717)(b)	(2,100,307)(b)	(4,132,285)(b)	(444,667)(b)	(1,061,709)(b)	(1,081,637)(b)	(1,085,393)(b)	(1,010,037)(b)	5,719,520
		12,786,515(e)										
DEFERRED OFFERING COSTS	1,392,934	0	0	0	0	0	0	0	0	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	0	0	0	0	0	0	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	0	0	0	0	0	0	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, NET	1,881,308	0	0	0	967,410(g)	0	0	0	0	0	0	2,848,718
Total assets	$ 1,293,166,873	$ 409,705,340	$ 0	$ 4,827,945	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,240	$ 1,707,744,398

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LIABILITIES AND SHAREHOLDERS' EQUITY

		Pro Forma Adjustments										
			Recent Acquisitions									
	Wells Real Estate Investment Trust, Inc. (i)	Other	Harcourt Austin	AmeriCredit Phoenix	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Total
LIABILITIES:												
Accounts payable and accrued expenses	$ 11,840,214	$ 173,567(a)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,240(a)	$ 12,058,021
Notes payable	15,658,141	11,702,761(a)	0	0	0	0	0	0	0	0	0	27,360,902
Obligations under capital lease	22,000,000	32,500,000(f)	0	0	0	0	0	0	0	0	0	54,500,000
Dividends payable	4,538,635	0	0	0	0	0	0	0	0	0	0	4,538,635
Due to affiliates	2,106,790	0	0	0	0	0	0	0	0	0	0	2,106,790
Deferred rental income	1,013,544	0	0	4,827,945(h)	0	0	0	0	0	0	0	5,841,489
Total liabilities	57,157,324	44,376,328	0	4,827,945	0	0	0	0	0	0	44,240	106,405,837
COMMITMENTS AND CONTINGENCIES												
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	0	0	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:												
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002	1,455,890	365,329(c)	0	0	0	0	0	0	0	0	0	1,821,219
Additional paid-in capital	1,290,858,515	364,963,683(c)	0	0	0	0	0	0	0	0	0	1,655,822,198
Cumulative distributions in excess of earnings	(43,991,669)	0	0	0	0	0	0	0	0	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	0	0	0	0	0	0	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	0	0	0	0	0	0	0	0	(289,379)
Total shareholders' equity	1,235,809,549	365,329,012	0	0	0	0	0	0	0	0	0	1,601,138,561
Total liabilities and shareholders' equity	$ 1,293,166,873	$ 409,705,340	$ 0	$ 4,827,945	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,240	$ 1,707,744,398

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Daimler Chrysler acquisition date.

(d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.

(e) Reflects investment in bonds for which 100% of the principal balance becomes payable on December 1, 2015.

(f) Reflects mortgage note secured by the Deed of Trust to the ISS Atlanta Buildings for which 100% of the principal balance becomes payable on December 1, 2015.

(g) Reflects portion of purchase price placed in escrow to ensure completion of seller repairs.

(h) Reflects prepaid rent received for the three years of the AmeriCredit lease agreement.

(i) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001
(Unaudited)

		Pro Forma Adjustments										
				Recent Acquisitions								
	Wells Real Estate Investment Trust, Inc. (f)	2001 Acquisitions	2002 Acquisitions	Other	Harcourt Austin	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Totals
REVENUES:												
Rental income	$ 44,204,279	$ 11,349,076(a)	$14,846,431(a)	$20,937,018(a)	$1,770,085(a)	$ 4,605,406(a)	$ 9,650,085(a)	$ 18,708(a)	$ 1,210,670(a)	$1,292,500(a)	$ 284,617(a)	$110,168,875
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	0	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	0	0	0	0	0	137,500
	49,308,802	12,460,926	14,846,431	20,937,018	1,770,085	4,605,406	9,650,085	18,708	1,210,670	1,292,500	284,617	116,385,248
EXPENSES:												
Depreciation	15,344,801	5,772,761(c)	5,356,374(c)	7,783,213(c)	689,844(c)	1,928,508(c)	3,868,899(c)	100,728(c)	499,279(c)	492,035(c)	78,314(c)	41,914,756
Interest	3,411,210	0	0	0	0	0	0	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	5,452(d)	0	814,339(d)	1,326,000(d)	2,962(d)	0	0	14,321(d)	10,651,501
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	942,165(e)	79,654(e)	0	434,254(e)	842(e)	54,480(e)	58,163(e)	12,808(e)	5,268,352
General and administrative	973,785	0	0	0	0	0	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	0	0	0	0	0	448,776
	27,584,835	9,137,744	7,529,733	8,730,830	769,498	2,742,847	5,629,153	104,532	553,759	550,198	105,443	63,438,572
NET INCOME	$ 21,723,967	$ 3,323,182	$ 7,316,698	$12,206,188	$1,000,587	$ 1,862,559	$ 4,020,932	$ (85,824)	$ 656,911	$ 742,302	$ 179,174	$ 52,946,676
EARNINGS PER SHARE, basic and diluted	$ 0.43											$ 0.29
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853											180,899,673

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Unaudited)

		Pro Forma Adjustments										
			Recent Acquisitions									
	Wells Real Estate Investment Trust, Inc. (e)	2002 Acquisitions	Other	Harcourt Austin	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Total
REVENUES:												
Rental income	$ 38,571,815	$ 7,307,774(a)	$ 11,110,788(a)	$ 1,770,085(a)	$ 3,076,351(a)	$ 5,172,857(a)	$ 463,071(a)	$ 1,210,670(a)	$ 456,549(a)	$ 1,292,500(a)	$ 1,707,699(a)	$ 72,140,159
Equity in income of joint ventures	2,478,686	0	0	0	0	0	0	0	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	0	0	0	0	0	0	0	2,648,351
Take out fee	134,102	0	0	0	0	0	0	0	0	0	0	134,102
	43,832,954	7,307,774	11,110,788	1,770,085	3,076,351	5,172,857	463,071	1,210,670	456,549	1,292,500	1,707,699	77,401,298
EXPENSES:												
Depreciation	12,903,282	2,588,546(b)	4,062,859(b)	689,844(b)	964,254(b)	1,934,450(b)	201,457(b)	499,279(b)	178,496(b)	492,035(b)	469,881(b)	24,984,383
Interest	880,002	0	0	0	0	0	0	0	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	79,067(c)	0	687,948(c)	405,000(c)	34,940(c)	0	0	0	317,939(c)	3,888,909
Management and leasing fees	1,903,082	328,850(d)	499,985(d)	79,654(d)	0	232,779(d)	20,838(d)	54,480(d)	20,545(d)	58,163(d)	76,846(d)	3,275,222
General and administrative	1,121,457	0	0	0	0	0	0	0	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	0	0	0	0	0	0	0	424,992
	19,296,812	3,217,414	4,641,911	769,498	1,652,202	2,572,229	257,235	553,759	199,041	550,198	864,666	34,574,965
NET INCOME	$ 24,536,142	$ 4,090,360	$ 6,468,877	$ 1,000,587	$ 1,424,149	$ 2,600,628	$ 205,836	$ 656,911	$ 257,508	$ 742,302	$ 843,033	$ 42,826,333
EARNINGS PER SHARE, basic and diluted	$ 0.22											$ 0.24
WEIGHTED AVERAGE SHARES, basic and diluted	110,885,641											180,899,673

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses, net of reimbursements.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 4 DATED DECEMBER 10, 2002 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, and Supplement No. 3 dated October 25, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the first quarter of 2003;

(3) Revisions to the "Management – Executive Officers and Directors" section of the prospectus to describe the appointment of Randall D. Fretz as a Vice President of the Wells REIT;

(4) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of two nine-story office buildings in Washington, DC (NASA Buildings);

  (B) Acquisition of three three-story office buildings in Glen Allen, Virginia (Capital One Richmond Buildings); and

  (C) Acquisition of an 11-story office building in Nashville, Tennessee (Caterpillar Nashville Building);

(5) Status of Real Estate Loans;

(6) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(7) Status of the leasing of the Vertex Sarasota Building (formerly known as the Arthur Andersen Building);

(8) Unaudited financial statements of the Wells REIT for the period ended September 30, 2002;

(9) Audited financial statements relating to the recently acquired NASA Buildings and the Caterpillar Nashville Building; and

(10) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the NASA Buildings, the Caterpillar Nashville Building and the Capital One Richmond Buildings.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of November 30, 2002, we had received additional gross proceeds of approximately $448,615,344 from the sale of approximately 44,861,534 shares in our fourth public offering. Accordingly, as of November 30, 2002, we had received aggregate gross offering proceeds of approximately $2,039,003,318 from the sale of approximately 203,900,332 shares in all of our public offerings. After payment of $70,676,832 in acquisition and advisory fees and acquisition expenses, payment of $226,160,588 in selling commissions and organization and offering expenses, and common stock redemptions of $19,665,247 pursuant to our share redemption program, as of November 30, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,722,500,651, out of which $1,668,713,333 had been invested in real estate properties, and $53,787,318 remained available for investment in real estate properties.

Dividends

On December 4, 2002, our board of directors declared dividends for the first quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in March 2003. Our first quarter dividends are calculated on a daily record basis of $0.00 1944 (0. 1944 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on December 16, 2002, and continuing on each day thereafter through and including March 15, 2003.

Management

The following information should be read in conjunction with the “Management – Executive Officers and Directors” section beginning on page 31 of the prospectus to include background information on Randall D. Fretz. On December 4, 2002, our board of directors appointed Randall D. Fretz as a Vice President of the Wells REIT.

Randall D. Fretz is also a Vice President of Wells Capital, Inc. (Wells Capital), our advisor, and the Chief of Staff and a Senior Vice President of Wells Real Estate Funds, Inc. Mr. Fretz is primarily responsible for corporate strategy and planning and advising and coordinating the executive officers of Wells Capital on corporate matters and special projects. Prior to joining Wells Capital in 2002, Mr. Fretz served as President of US & Canada operations for Larson-Juhl, a world leader in custom art and picture-framing home decor. Mr. Fretz was previously the Division Director at Bausch & Lomb and also held various senior positions at Tandem International and Lever Brothers. Mr. Fretz holds a bachelor degree in each of Sociology and Physical Education from McMaster University in Hamilton, Ontario. He also earned an MBA from the Ivy School of Business in London, Ontario.

Description of Properties

As of December 10, 2002, we had purchased interests in 70 real estate properties located in 23 states. Below are the descriptions of our recent real property acquisitions.

NASA Buildings

On November 22, 2002, Wells REIT-Independence Square, LLC (REIT-Independence), a single member Georgia limited liability company wholly-owned by the Wells REIT, purchased two nine-story office buildings containing an aggregate of approximately 948,800 rentable square feet located in Washington, D.C. (NASA Buildings) for a purchase price of $345,000,000, plus closing costs from Southwest Market Limited Partnership (Southwest). In order to finance the acquisition of the NASA Buildings, the Wells REIT obtained $85,000,000 in loan proceeds by having Wells OP draw down on its existing line of credit with Bank of America (BOA). Southwest is not in any way affiliated with the Wells REIT, REIT-Independence, or our advisor, Wells Capital.

The NASA Buildings, consisting of a nine-story office building containing approximately 347,796 rentable square feet (One Independence Square) and a nine-story office building containing approximately 601,017 rentable square feet (Two Independence Square), were built in 1991 and 1992 and are located on a 3.58-acre tract of land at One & Two Independence Square on E. Street in Washington, D.C.

The primary tenant in One Independence Square is the Office of the Comptroller of the Currency, an agency of the United States Government (OCC). Approximately 341,520 of the rentable square feet in the NASA Buildings (36.0%) is currently leased to the OCC. The OCC charters and regulates all national banks. It also supervises the federal branches and agencies of foreign banks. The OCC's nationwide staff of examiners conducts on-site reviews of national banks and provides sustained supervision of bank operations. The OCC issues rules, legal interpretations, and corporate decisions concerning banking, bank investments, bank community development activities, and other aspects of bank operations.

The OCC lease, which encompasses 341,520 rentable square feet (98.2%) in One Independence Square, commenced in May 1991 and expires in May 2006. Under the OCC Lease, operating and maintenance costs are the responsibility of the landlord, but the tenant is required to pay, as additional rent, its share of increases in real estate taxes and changes in costs from the first lease year for various operating expenses including cleaning services, electricity, heating, water, air conditioning and landscaping. The current annual base rent payable under the OCC lease is $12,159,948, which includes approximately $1,000,000 per year for the parking facility. The OCC, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual rental rate for the first five-year period is 95% of the then-current market rental rate. The annual rental rate for the second five-year period is 90% of the then-current market rental rate.

The primary tenant in Two Independence Square is the National Aeronautics and Space Administration (NASA). Approximately 590,689 of the rentable square feet in the NASA Buildings (62.3%) is currently leased to the United States of America (U.S.A.) through the U.S. General Services Administration (GSA) for occupancy by NASA. The GSA is a centralized federal procurement and property management agency which acquires office space, equipment, telecommunications, information technology, supplies and services for federal agencies such as NASA. NASA, which was created in 1958, is the federal agency which runs the United States government's space program, including the space shuttle program and the launching of unmanned satellites and probes to explore the solar system.

The NASA lease, which encompasses 590,689 rentable square feet (98.3%) in Two Independence Square, commenced in July 1992 and expires in July 2012. Under the terms of the NASA lease, operating and maintenance costs are the responsibility of the landlord but, in order to compensate the landlord for the tenant's share of increases in the operating and maintenance costs of the building, the tenant is required to pay annual rental increases computed by increasing the base year's operating costs of Two Independence Square by the percentage change in the Cost of Living Index each year.

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The current annual base rent payable under the NASA lease is $21,534,124. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of $31,255,936.

Approximately 14,920 of the remaining aggregate rentable square feet in the NASA Buildings (1.6%) is currently leased to four additional tenants, which account for current annual base rents payable of $121,686, and 1,684 rentable square feet of the NASA Buildings (0.1%) is currently vacant. REIT-Independence will be responsible for maintaining and repairing the NASA Buildings' roof, foundations, common areas, electrical systems and mechanical systems.

Both the OCC lease and the NASA lease include provisions that require the landlord and the property manager to comply with various employment related practices and various other laws typically required in leases with government entities. Although we believe that the Wells REIT and REIT-Independence should be deemed exempt from these requirements, if a determination were made that these or other affiliated entities violated these lease provisions, the tenants have the right under the OCC lease and the NASA lease to terminate the lease or to require compliance by the appropriate entities.

Boston Properties, Inc., an affiliate of the seller, is serving as the property manager of the NASA Buildings. Boston Properties, Inc. is not in any way affiliated with the Wells REIT, REIT-Independence or our advisor.

Capital One Richmond Buildings

On November 26, 2002, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased two three-story office buildings from Highwoods Realty Limited Partnership (Highwoods Realty) and one three-story office building from Highwoods/Florida Holdings, L.P. (Highwoods Florida) located on a 15.25 acre tract of land in Glen Allen, Virginia (Capital One Richmond Buildings) for an aggregate purchase price of $28,509,000, plus closing costs. In order to finance the acquisition of the Capital One Richmond Buildings, Wells OP obtained approximately $28,670,000 in loan proceeds by drawing down on an existing line of credit with SouthTrust Bank (SouthTrust). Neither Highwoods Realty nor Highwoods Florida is in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Capital One Richmond Buildings contain an aggregate of 225,220 rentable square feet and were completed in 1999. The Capital One Richmond Buildings are located at 100, 120 & 140 Eastshore Drive in Glen Allen, Henrico County, Virginia. Each of the Capital One Richmond Buildings is leased entirely to Capital One Services, Inc. (Capital One), under separate net lease agreements (i.e., operating costs and maintenance costs are paid by the tenant).

Capital One, a wholly-owned subsidiary of Capital One Financial Corporation (Capital One Financial), provides various operating, administrative and other services to Capital One Financial. Capital One Financial's primary focus is on credit card lending, but it also engages in unsecured installment lending and automobile financing.

The Capital One Richmond I Building contains 68,500 rentable square feet. The Capital One Richmond I lease commenced in March 2000 and expires in March 2010. The current annual base rent payable for the Capital One Richmond I lease is $786,573. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for three additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

The Capital One Richmond II Building contains 77,045 rentable square feet. The Capital One Richmond II lease commenced in June 1999 and expires in May 2004. The current annual base rent payable for the Capital One Richmond II lease is $940,249. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

The Capital One Richmond III Building contains 79,675 rentable square feet. The Capital One Richmond III lease commenced in February 2000 and expires in February 2010. The current annual base rent payable for the Capital One Richmond III lease is $912,822. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for three additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, and mechanical and electrical systems of the Capital One Richmond Buildings. In addition, Capital One has a right of first refusal to purchase one or all of the Capital One Richmond Buildings upon Wells OP receiving an offer from any third party.

Highwoods Properties, Inc. (Highwoods), an affiliate of Highwoods Realty, Highwoods Florida and the seller of the Caterpillar Nashville Building (described below), has provided a guarantee of each of the leases for the Capital One Richmond Buildings. Highwoods has guaranteed the leases for the Capital One Richmond I Building and the Capital One Richmond III Building for the first five years of ownership by Wells OP. Highwoods has also guaranteed the lease for the Capital One Richmond II Building for the remainder of the current lease term and for any shortfall in rental income from May 2004 until November 2007 following the expiration of the current lease for the Capital One Richmond II Building. In addition, if the Capital One Richmond II lease expires or is terminated at any time prior to November 2007 and Highwoods provides Wells OP with a suitable replacement tenant which Wells OP declines, Highwoods has the right to repurchase the Capital One Richmond II Building at a purchase price of $10,126,590. This repurchase right expires if Highwoods fails to exercise such right within 30 days of Wells OP declining a suitable tenant. Further, in the event that Highwoods exercises its right to repurchase, Wells OP, at its option, may rescind the Highwoods right to repurchase within ten days of such exercise, provided that the act of rescinding the repurchase right will release Highwoods from its rental income guaranty with respect to the Capital One Richmond II Building. Highwoods, a public company traded on the New York Stock Exchange, is a self-administered real estate investment trust that provides leasing, management, development, construction and other tenant-related services for its properties and for third parties. Highwoods reported a net worth, as of September 30, 2002, of approximately $1.57 billion. Highwoods is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Capital One Richmond Buildings, subject to certain limitations. Wells OP has entered into five-year management agreements with Highwoods Realty, an affiliate of the sellers, to serve as the on-site property manager for each of the Capital One Richmond Buildings, which property management fees will be paid out of or credited against the 4.5% fee payable to Wells Management.

Caterpillar Nashville Building

On November 26, 2002, Wells OP purchased all of the membership interests in 2120 West End Avenue, LLC, a Delaware limited liability company, which owned an 11-story office building located in Nashville, Tennessee (Caterpillar Nashville Building) for a purchase price of $61,525,000, plus closing costs, from Highwoods/Tennessee Holdings, L.P. (Highwoods Tennessee). In order to finance the acquisition of the Caterpillar Nashville Building, Wells OP obtained $25,000,000 in loan proceeds by drawing down on an existing line of credit with BOA and approximately $33,560,000 in loan proceeds by drawing down on an existing line of credit with SouthTrust. Subsequent to this acquisition, Wells OP dissolved 2120 West End Avenue, LLC and became the direct owner of the Caterpillar Nashville Building. Highwoods Tennessee is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Caterpillar Nashville Building, which is leased to Caterpillar Financial Services Corporation (Caterpillar), Thoughtworks, LLC (Thoughtworks) and Highwoods, contains 312,297 rentable square feet and was completed in 2000. The Caterpillar Nashville Building is located at 2120 West End Avenue in Nashville, Davidson County, Tennessee.

Caterpillar, as the primary tenant, occupies 300,901 rentable square feet (96.4%) of the Caterpillar Nashville Building. Caterpillar is a wholly owned subsidiary of Caterpillar, Inc. Caterpillar offers financing alternatives for various products manufactured by Caterpillar, Inc. and provides loans to customers and dealers of Caterpillar, Inc. products around the world. Caterpillar, Inc. is the one of the world’s largest manufacturers of construction and mining equipment, natural gas and diesel engines, and industrial gas turbines. Caterpillar, which offers a wide variety of financial alternatives for purchasers of Caterpillar, Inc.’s equipment, has locations in over 26 countries worldwide.

The Caterpillar lease commenced in March 2000 and expires in February 2015. The current annual base rent payable under the Caterpillar lease is $7,384,110. Caterpillar may terminate the Caterpillar lease after the 10th lease year (2010) by paying a termination fee to Wells OP of $7,644,682.

Caterpillar has a right of first refusal to lease the space currently occupied by Thoughtworks and Highwoods if either terminates its lease. In addition, Caterpillar has expansion rights which it may exercise prior to the fourth and eighth lease years. Caterpillar, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Under the Caterpillar lease, operating and maintenance costs are the responsibility of the landlord, but Caterpillar is responsible for increases in operating costs, provided that its obligation to pay increases in expenses other than insurance, taxes and utilities is capped at 4.5% annually. Further, under its lease Caterpillar is required to reimburse the landlord management fees up to 4% of annual gross rental receipts. Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, interior structural walls, parking facilities and mechanical and electrical systems of the Caterpillar Nashville Building.

Thoughtworks is a privately held company that provides custom application development and advanced system integration services in the e-commerce industry. The Thoughtworks lease covers 6,400 rentable square feet (2.0%) and commenced in May 2000 and expires in May 2005. The current annual base rent payable under the Thoughtworks lease is $162,944.

The Highwoods lease covers 4,996 rentable square feet (1.6%) and commenced in October 2000 and expires in September 2005. The current annual base rent payable under the Highwoods lease is $129,946.

Wells Management, an affiliate of Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Caterpillar Nashville Building, subject to certain limitations. Wells OP has entered into a 10-year management agreement with Highwoods Realty, an affiliate of the sellers of the Capital One Richmond Buildings and the Caterpillar Nashville Building, to serve as the property manager of the Caterpillar Nashville Building which property management fees will be paid out of or credited against the 4.5% fee payable to Wells Management.

Real Estate Loans

In November, 2002, Wells OP increased its existing line of credit with BOA to $110 million. In addition, Wells OP is currently in the process of increasing its existing line of credit with SouthTrust to approximately $98 million. As described above, Wells OP drew down on existing lines of credit with BOA and SouthTrust an aggregate approximately $172,230,000 to finance the acquisitions of the NASA Buildings, the Capital One Richmond Buildings and the Caterpillar Nashville Building. As of November 30, 2002, the outstanding principal balance due under the BOA line of credit was approximately $110,000,000, the outstanding principal balance due under the SouthTrust line of credit was approximately $72,000,000, and the Wells REIT had a debt leverage ratio of approximately 11.5% to the value of its properties.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002 and Supplement No. 3 dated October 25, 2002.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to shareholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

We have made an election under Section 856 (c) of the Internal Revenue Code (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially adversely affect our net income. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2002, we received aggregate gross offering proceeds of $988.5 million from the sale of 98.8 million shares of our common stock. After payment of $34.8 million in acquisition and advisory fees and acquisition expenses, payment of $104.3 million in selling commissions and organization and offering expenses, and common stock redemptions of $11.6 million pursuant to our share redemption program, we raised net offering proceeds of $837.8 million during the first three quarters of 2002, of which $144.5 million remained available for investment in properties at quarter end. In October, we reached our limit on stock redemptions for the year and, accordingly, there will be no further stock redemptions under our stock redemption program for the remainder of 2002.

During the nine months ended September 30, 2001, we received aggregate gross offering proceeds of $297.8 million from the sale of 29.8 million shares of its common stock. After payment of $10.3 million in acquisition and advisory fees and acquisition expenses, payment of $35.6 million in selling commissions and organizational and offering expenses, and common stock redemptions of $2.1 million pursuant to our share redemption program, we raised net offering proceeds of $249.8 million during the first three quarters of 2001, of which $8.7 million remained available for investment in properties at quarter end.

The significant increase in capital resources we have available is due to significantly increased sales of our common stock during the first three quarters of 2002.

As of September 30, 2002, we owned interests in 67 real estate properties either directly or through interests in joint ventures. Dividends declared for the third quarter of 2002 and 2001 were approximately $0.1938 and $0.1875 per share, respectively. In August 2002, our board of directors declared dividends for the fourth quarter of 2002 in the amount of approximately $0.175 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraphs, dividends paid in the first three quarters of 2002 in the aggregate amount of approximately $71.4 million exceeded our Adjusted Funds From Operations for this period by approximately $11 million.

We continue to acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to shareholders of record of such shares as shown on our books at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $68.2 million and $26.5 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $826.9 million and $155.7 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $827.1 million and $136.1 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments, which were $208.1 million in the prior year. We raised $988.5 million in offering proceeds for the nine months ended September 30, 2002, as compared to $297.8 million for the same period in 2001. Additionally, we paid dividends totaling $23.5 million in the first three quarters of 2001 compared to $71.4 million in the same period of 2002.

Results of Operations

Gross revenues were $74.5 million and $34.1 million for the nine months ended September 30, 2002 and 2001, respectively. Gross revenues for the nine months ended September 30, 2002 and 2001 were attributable to rental income, interest income earned on funds we held prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of $805.5 million in additional properties during 2002 and the purchase of $114.1 million in additional properties during the fourth quarter of 2001 which were not owned for the first three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses, which totaled $34.7 million for the nine months ended September 30, 2002, as compared to $19.6 million for the nine months ended September 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $14.4 million for the nine months ended September 30, 2001 to $39.8 million for the nine months ended September 30, 2002.

Earnings per share for the nine months ended September 30, 2002 decreased from $0.33 per share for the nine months ended September 30, 2001 to $0.31 per share for the nine months ended September 30, 2002. Earnings per share for the third quarter decreased from $0.11 per share for the three months ended September 30, 2001 to $0.09 per share for the three months ended September 30, 2002. These decreases were primarily due to the substantial increase in the number of shares outstanding as a result of capital raised in 2002 which was not completely matched by a corresponding increase in net income because such capital proceeds were not fully invested in properties.

Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and nine months ended September 30, 2002 and 2001, respectively:

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	Three Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
FUNDS FROM OPERATIONS:				
Net income	$ 15,285	$ 6,109	$ 39,821	$ 14,423
Add:				
Depreciation	10,282	3,947	23,185	10,341
Amortization of deferred leasing costs	78	76	229	228
Depreciation and amortization—unconsolidated partnerships	708	647	2,115	1,561
Funds from operations (FFO)	26,353	10,779	65,350	26,553
Adjustments:				
Loan cost amortization	162	237	587	529
Straight line rent	(2,146)	(708)	(5,312)	(1,930)
Straight line rent—unconsolidated Partnerships	(27)	(100)	(229)	(233)
Lease acquisitions fees paid—unconsolidated partnerships	—	—	—	(8)
Adjusted funds from operations	$ 24,342	$ 10,208	$ 60,396	$ 24,911
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases that are intended to protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

We reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements.

Subsequent Events

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida formerly known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

Status of the leasing of the Vertex Sarasota Building ***(formerly the Arthur Andersen Building)***

As set forth in the "Subsequent Events" subsection of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this supplement, effective October 31, 2002, Andersen and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida, formerly known as the Arthur Andersen Building (Vertex Sarasota Building). On November 1, 2002, Wells OP entered into a net lease agreement with Vertex Tax Technology Enterprises, LLC (Vertex) for a portion of the Vertex Sarasota Building.

Approximately 47,388 rentable square feet of the Vertex Sarasota Building is currently under a net lease agreement with Vertex. The current term of the lease is seven years, which commenced on November 1, 2002 and expires on October 31, 2009. The current annual base rent payable under the Vertex lease is $621,257. Pursuant to the Vertex lease, Vertex has a right of first refusal to lease an additional 5,695 square feet of rentable space in the third floor of the building. Wells OP, as the landlord, will be responsible for maintaining the building's exterior walls, HVAC system, plumbing, elevators, fire protection, other mechanical systems, public areas, including parking lot, building structure, foundation and roof.

Vertex, a wholly owned subsidiary of Vertex, Inc., is a successor company of Andersen's corporate income tax technology solutions division. The Vertex lease is guaranteed by Vertex, Inc, which is a privately held company providing corporate customers with tax compliance software and research services for sales and use tax, property tax, payroll tax, telecommunications tax, and income tax.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the NASA Buildings and the Caterpillar Nashville Building for the year ended December 31, 2001, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The financial statements of the Wells REIT, as of September 30, 2002, and for the three and nine month periods ended September 30, 2002 and September 30, 2001, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the NASA Buildings and the Caterpillar Nashville Building for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	September 30, 2002	December 31, 2001
	(unaudited)	
ASSETS		
REAL ESTATE, at cost:		
Land	$ 164,191	$ 86,247
Building and improvements, less accumulated depreciation of $48,000 in 2002 and $24,814 in 2001	1,171,793	472,383
Construction in progress	28,500	5,739
Total real estate	1,364,484	564,369
INVESTMENT IN JOINT VENTURES	75,388	77,410
CASH AND CASH EQUIVALENTS	143,912	75,586
INVESTMENT IN BONDS	54,500	22,000
STRAIGHT-LINE RENT RECEIVABLE	10,632	5,362
ACCOUNTS RECEIVABLE	1,387	641
NOTE RECEIVABLE	4,966	0
DEFERRED LEASE ACQUISITION COSTS, net	1,713	1,525
DEFERRED PROJECT COSTS	5,963	2,977
DUE FROM AFFILIATES	2,185	1,693
DEFERRED OFFERING COSTS	3,537	0
PREPAID EXPENSES AND OTHER ASSETS, net	2,597	718
Total assets	$1,671,264	$ 752,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 35,829	$ 8,124
Obligations under capital leases	54,500	22,000
Accounts payable and accrued expenses	17,539	8,727
Dividends payable	10,209	1,059
Deferred rental income	7,894	662
Due to affiliates	4,380	2,166
Total liabilities	130,351	42,738
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	200
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000 shares authorized, 182,609 shares issued and 180,892 outstanding at September 30, 2002, and 350,000 shares authorized, 83,761 shares issued and 83,206 shares outstanding at December 31, 2001	1,826	838
Additional paid-in capital	1,621,376	738,236
Cumulative distributions in excess of earnings	(64,907)	(24,181)
Treasury stock, at cost, 1,717 shares at September 30, 2002 and 555 shares at December 31, 2001	(17,167)	(5,550)
Other comprehensive loss	(415)	0
Total shareholders' equity	1,540,713	709,343
Total liabilities and shareholders' equity	$1,671,264	$ 752,281

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(unaudited and in thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30 2002	September 30 2001
REVENUES:				
Rental income	$ 27,549	$ 11,317	$ 66,121	$ 31,028
Equity in income of joint ventures	1,259	1,102	3,738	2,622
Interest income	1,899	89	4,547	281
Take out fee	1	0	135	138
	30,708	12,508	74,541	34,069
EXPENSES:				
Depreciation	10,282	3,947	23,185	10,341
Operating costs, net of reimbursements	2,191	1,294	4,255	3,168
Management and leasing fees	1,445	632	3,348	1,750
Administrative costs	745	141	1,867	901
Interest expense	598	148	1,478	2,957
Amortization of deferred financing costs	162	237	587	529
	15,423	6,399	34,720	19,646
NET INCOME	$ 15,285	$ 6,109	$ 39,821	$ 14,423
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.09	$ 0.11	$ 0.31	$ 0.33
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)

(in thousands except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,510	$ 315	$ 275,573	$ (9,134)	$ 0	(141)	$ (1,413)	$ 0	$ 265,341
Issuance of common stock	52,251	523	521,994	0	0	0	0	0	522,517
Treasury stock purchased	0	0	0	0	0	(414)	(4,137)	0	(4,137)
Net income	0	0	0	0	21,724	0	0	0	21,724
Dividends ($.76 per share)	0	0	0	(15,047)	(21,724)	0	0	0	(36,771)
Sales commissions and discounts	0	0	(49,246)	0	0	0	0	0	(49,246)
Other offering expenses	0	0	(10,085)	0	0	0	0	0	(10,085)
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	0	(555)	(5,550)	0	709,343
Issuance of common stock	**98,848**	**988**	**987,482**	**0**	**0**	**0**	**0**	**0**	**988,470**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(1,162)**	**(11,617)**	**0**	**(11,617)**
Dividends ($.58 per share)	**0**	**0**	**0**	**(40,726)**	**(39,821)**	**0**	**0**	**0**	**(80,547)**
Sales commissions and discounts	**0**	**0**	**(94,097)**	**0**	**0**	**0**	**0**	**0**	**(94,097)**
Other offering expenses	**0**	**0**	**(10,245)**	**0**	**0**	**0**	**0**	**0**	**(10,245)**
Components of comprehensive income:									
Net income	**0**	**0**	**0**	**0**	**39,821**	**0**	**0**	**0**	**39,821**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(415)**	**(415)**
Comprehensive income									**39,406**
BALANCE, September 30, 2002 (unaudited)	**182,609**	**$ 1,826**	**$ 1,621,376**	**$ (64,907)**	**$ 0**	**(1,717)**	**$ (17,167)**	**$ (415)**	**$ 1,540,713**

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 39,821	$ 14,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,738)	(2,622)
Depreciation	23,185	10,341
Amortization of deferred financing costs	587	529
Amortization of deferred leasing costs	229	228
Bad debt expense	113	0
Changes in assets and liabilities:		
Accounts receivable	(746)	(370)
Straight-line rent receivable	(5,382)	(1,949)
Due from affiliates	(35)	0
Deferred rental income	7,232	(381)
Accounts payable and accrued expenses	8,811	3,309
Prepaid expenses and other assets, net	(1,813)	3,211
Due to affiliates	(105)	(235)
Net cash provided by operating activities	68,159	26,484
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(797,011)	(121,366)
Investment in joint ventures	0	(27,018)
Deferred project costs paid	(34,784)	(10,347)
Distributions received from joint ventures	5,301	3,027
Deferred lease acquisition costs paid	(400)	0
Net cash used in investing activities	(826,894)	(155,704)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	27,742	107,587
Repayment of note payable	(37)	(208,102)
Dividends paid	(71,397)	(23,502)
Issuance of common stock	988,470	297,775
Sales commissions paid	(94,097)	(28,086)
Offering costs paid	(10,937)	(7,481)
Treasury stock purchased	(11,617)	(2,137)
Deferred financing costs paid	(1,066)	0
Net cash provided by financing activities	827,061	136,054
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,326	6,834
CASH AND CASH EQUIVALENTS, beginning of year	75,586	4,298
CASH AND CASH EQUIVALENTS, end of period	$ 143,912	$ 11,132
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 31,271	$ 1,127
Deferred project costs applied to joint ventures	$ 0	$ 9,295
Deferred project costs due to affiliate	$ 587	$ (498)
Interest rate swap	$ (415)	$ 0

Increase (decrease) in deferred offering cost accrual	$ 3,537	$ (1,291)
Assumption of obligations under capital lease	$ 32,500	$ 22,000
Investment in bonds	$ 32,500	$ 22,000

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the “Company”) is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust (“REIT”). Substantially all of the Company’s business is conducted through Wells Operating Partnership, L.P. (“Wells OP”), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16.5 million shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132.2 million had been received from the sale of approximately 13.2 million shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175.2 million from the sale of approximately 17.5 million shares. The Company commenced its third public offering of shares of common stock on December 20, 2000, which terminated on July 26, 2002 after receipt of gross proceeds of approximately $1.3 billion from the sale of approximately 128.3 million shares. As of September 30, 2002, the Company has received gross proceeds of approximately $235.7 million from the sale of approximately 23.6 million shares from its fourth public offering. Accordingly, as of September 30, 2002, the Company has received aggregate gross offering proceeds of approximately $1.8 billion from the sale of 182.6 million shares of its common stock to investors. After payment of $63.3 million in acquisition and advisory fees and acquisition expenses, payment of $202.9 million in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $1.4 billion for property acquisitions, and common stock redemptions of $17.2 million pursuant to the Company’s share redemption program, the Company was holding net offering proceeds of $144.5 million available for investment in properties, as of September 30, 2002.

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(b) Properties

As of September 30, 2002, the Company owned interests in 67 properties listed in the table below through its ownership in Wells OP.

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	Westlake, TX	100%	$ 25,100,000	130,290	$ 3,189,499
Allstate Indianapolis	Allstate Insurance Company	Indianapolis, IN	100%	$ 10,900,000	84,200	$ 1,246,164
	Holladay Property Services Midwest, Inc.				5,756	$ 74,832
Intuit Dallas	Lacerte Software Corporation	Plano, TX	100%	$ 26,500,000	166,238	$ 2,461,985
EDS Des Moines	EDS Information Services LLC	Des Moines, IA	100%	$ 26,500,000	405,000	$ 2,389,500
Federal Express Colorado Springs	Federal Express Corporation	Colorado Springs, CO	100%	$ 26,000,000	155,808	$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A.	Parsippany, NJ	100%	$ 101,350,000	200,000	$ 3,800,000
	Gemini Technology Services				204,515	$ 5,726,420
IRS Long Island	IRS Collection	Holtsville, NY	100%	$ 50,975,000	128,000	$ 5,029,380(1)
	IRS Compliance				50,949	$ 1,663,200
	IRS Daycare Facility				12,100	$ 486,799
AmeriCredit Phoenix	AmeriCredit Financial Services, Inc.	Chandler, AZ	100%	$ 24,700,000(2)	153,494	$ 1,609,315(3)
Harcourt Austin	Harcourt, Inc.	Austin, TX	100%	$ 39,000,000	195,230	$ 3,353,040
Nokia Dallas	Nokia, Inc.	Irving, TX	100%	$ 119,550,000	228,678	$ 4,413,485
	Nokia, Inc.				223,470	$ 4,547,614
	Nokia, Inc.				152,086	$ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc.	Suwanee, GA	100%	$ 11,625,000	73,264	$ 1,263,804
	Perkin Elmer Instruments, LLC				13,955	$ 194,672
BMG Greenville	BMG Direct Marketing, Inc.	Duncan, SC	100%	$ 26,900,000	473,398	$ 1,394,156
	BMG Music				313,380	$ 763,600
Kerr-McGee	Kerr-McGee Oil & Gas Corporation	Houston, TX	100%	$ 15,760,000(2)	100,000	$ 1,655,000(3)
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	San Antonio, TX	100%	$ 14,650,000	142,500	$ 1,471,700
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	$ 40,500,000	238,600	$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc.	Alpharetta, GA	100%	$ 15,100,000	66,811	$ 1,344,905
	Koninklijke Philips Electronics N.V.				34,396	$ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(4)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above)(4)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc.	Houston, TX	100%	$ 22,000,000	103,260	$ 2,110,035
	Newpark Drilling Fluids, Inc.				52,731	$ 1,153,227
Arthur Andersen (5)	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc.	Schaumburg, IL	100%	$ 32,225,000(6)	129,157	$ 2,067,204
	The Apollo Group, Inc.				28,322	$ 477,226
	Global Knowledge Network				22,028	$ 393,776
	Various other tenants				8,884	$ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(6)	300,034	$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(2)	268,290	$ 4,225,860(3)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$ 2,458,638

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Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
AT&T Oklahoma	AT&T Corp. Jordan Associates, Inc.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc. SYSCO Corporation	Houston, TX	100%	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 2,054,329
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark	Cinemark USA, Inc. The Coca-Cola Company	Plano, TX	100%	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748
Alstom Power Richmond (2)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,244,501
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (2)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$ 21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,520

(1) Includes only the leased portion of this property.
(2) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.
(3) Annual rent for AmeriCredit Phoenix, Kerr McGee and Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.
(4) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.
(5) Subsequent to September 30, 2002, this building has been vacated by the tenant. See Footnote 10 and "Subsequent Events" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this supplement.
(6) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

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Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens AT&T Oklahoma Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Sprint Johnson Matthey Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Ohmeda Interlocken Avaya Iomega
Wells/Fremont Associates Joint Venture (the “Fremont Joint Venture”)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the “Orange County Joint Venture”)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest

(c) Critical Accounting Policies

The Company’s accounting policies have been established in accordance with accounting principles generally accepted in the United States (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets to date.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the "Advisor") by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of September 30, 2002, amounted to $63.3 million and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at September 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of September 30, 2002, the Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of $34.2 million, of which the Advisor had been reimbursed $29.7 million, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the "Code"), to be taxed as a Real Estate Investment Trust ("REIT") under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling $1.1 million and $0.4 million for the nine months ended September 30, 2002 and 2001, respectively, and $0.5 million and $0.1 million for the three months ended September 30, 2002 and 2001, respectively.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

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(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of management of the Company, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of September 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of September 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months and nine months ended September 30, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended (in thousands)		Three Months Ended (in thousands)		Three Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,083	$ 1,083	$ 574	$ 670	$ 21	$ 25
Cort Joint Venture	199	204	135	149	59	65
Fremont Joint Venture	226	227	142	142	110	110
Fund XI-XII-REIT Joint Venture	836	844	484	520	275	295
Fund XII-REIT Joint Venture	1,330	1,410	727	815	400	448
Fund VIII-IX-REIT Joint Venture	302	314	153	156	24	24
Fund XIII-REIT Joint Venture	704	306	408	155	370	135
	$ 4,680	$ 4,388	$ 2,623	$ 2,607	$ 1,259	$ 1,102

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Nine Months Ended (in thousands)		Nine Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 3,310	$ 3,264	$ 1,747	$ 2,043	$ 65	$ 76
Cort Joint Venture	597	602	405	415	177	181
Fremont Joint Venture	678	677	419	421	325	326
Fund XI-XII-REIT Joint Venture	2,525	2,533	1,526	1,534	866	871
Fund XII-REIT Joint Venture	4,143	3,306	2,385	1,848	1,311	967
Fund VIII-IX-REIT Joint Venture	906	894	461	416	73	66
Fund XIII-REIT Joint Venture	2,108	306	1,215	155	921	135
	$ 14,267	$ 11,582	$ 8,158	$ 6,832	$ 3,738	$ 2,622

3. INVESTMENTS IN REAL ESTATE

As of September 30, 2002, the Company, through its ownership in Wells OP, owns 50 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended September 30, 2002.

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of $40.5 million, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling $32.5 million in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation ("ISS"). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is approximately $4.6 million. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of $14.7 million, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. ("PacifiCare"). The PacifiCare lease is a net lease that commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is approximately $1.5 million. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be approximately $0.2

million and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr-McGee Property

On July 29, 2002, Wells OP purchased the Kerr-McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of approximately $1.7, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the "Kerr-McGee Project") on the Kerr-McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately $15.8 million.

The entire 100,000 rentable square feet of the Kerr-McGee Project will be leased to Kerr-McGee Oil & Gas Corporation ("Kerr-McGee"), a wholly owned subsidiary of Kerr-McGee Corporation. The initial term of the Kerr-McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr-McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr-McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of $13.7 million from Bank of America, to fund the construction of a building on the Kerr-McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr-McGee Property.

The BMG Greenville Buildings

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of $26.9 million, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. ("BMG Marketing") and BMG Music ("BMG Music").

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet that commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is approximately $1.4 million. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet that commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is approximately $0.8 million. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of approximately $11.6 million, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. ("Kraft") and PerkinElmer Instruments, LLC ("PerkinElmer").

The Kraft lease is a net lease that covers approximately 73,264 square feet that commenced in February 2002 and expires in January 2012. The current annual base rent payable under the Kraft lease is approximately $1.3 million. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a $7.0 million termination fee, or (2) at the end of the seventh lease year by paying an approximately $1.8 million termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet that commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is approximately $0.2 million. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a $0.3 million termination fee.

The Nokia Dallas Buildings

On August 15, 2002, Wells OP purchased the Nokia Dallas Buildings, three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of approximately $119.6 million, excluding closing costs. The Nokia Dallas Buildings are all leased entirely to Nokia, Inc (“Nokia”) under three long-term net leases for periods of 10 years, with approximately seven to eight years remaining on such leases.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is approximately $4.4 million. The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is approximately $4.5 million. The Nokia III Building is a six-story building containing 152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is approximately $3.0 million.

The Harcourt Austin Building

On August 15, 2002, Wells OP purchased the Harcourt Austin Building, a seven-story office building containing 195,230 rentable square feet located in Austin, Texas for a purchase price of $39.0 million, excluding closing costs. The Harcourt Austin Building is leased entirely to Harcourt, Inc. (“Harcout”), a wholly owned subsidiary of Harcourt General, Inc., the guarantor of the Harcourt lease. The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is approximately $3.4 million.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased the AmeriCredit Phoenix Property, a 14.74-acre tract of land located in Chandler, Maricopa County, Arizona for a purchase price of approximately $2.6 million, excluding closing costs. Wells OP has entered into agreements to construct a three-story office building containing approximately 153,494 rentable square feet (the “AmeriCredit Phoenix Project”) on the AmeriCredit Phoenix Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the AmeriCredit Phoenix Project and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately $24.7 million.

The entire 153,494 rentable square feet of the AmeriCredit Phoenix Project will be leased to AmeriCredit Financial Services, Inc. ("AmeriCredit"), a wholly owned subsidiary of AmeriCredit Corporation. The initial term of the AmeriCredit lease will extend 10 years and 4 month beyond the rent commencement date. Construction on the building is scheduled to be completed by August 2003. AmeriCredit has the right to extend the initial term of this lease for two additional periods of five years at 95% of the then-market rate. As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent at a discounted amount equal to approximately $4.8 million.

The IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC ("REIT-Holtsville"), a Georgia limited liability company wholly-owned by Wells OP purchased the IRS Long Island Buildings, a two-story office building and a one-story daycare facility containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of approximately $51.0 million, excluding closing costs. Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America through the U.S. General Services Administration ("U.S.A.") for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS ("IRS Collection"), the compliance division of the IRS ("IRS Compliance"), and the IRS Daycare Facility. REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to $14.5 million as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is approximately $5.0 million. The annual base rent payable under the IRS Collection lease for the remaining two years of the initial lease term will be approximately $2.8 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of approximately $4.2 million and $5.0 million, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is approximately $1.7 million. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of approximately $2.2 million.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is approximately $0.5 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of approximately $0.4 million.

The KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased the KeyBank Parsippany Building, a four-story office building containing 404,515 rentable square feet located in Parsippany, New Jersey for a purchase price of approximately $101.4 million, excluding closing costs. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. ("KeyBank") and Gemini Technology Services ("Gemini").

The KeyBank lease covers 200,000 rentable square feet (49%) under a net lease that commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is $3.8 million. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

The Gemini lease covers 204,515 rentable square feet (51%) under a gross lease that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is approximately $5.7 million. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

The Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased the Federal Express Colorado Springs Building, a three-story office building containing 155,808 rentable square feet located in Colorado Springs, Colorado for a purchase price of $26.0 million, excluding closing costs. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation (“Federal Express”). The Federal Express lease commenced in July 2001 and expires in October 2016. The current annual base rent payable under the Federal Express lease is approximately $2.2 million. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building.

The EDS Des Moines Building

On September 27, 2002, Wells OP purchased the EDS Des Moines Building, a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located in Des Moines, Iowa for a purchase price of $26.5 million, excluding closing costs. The EDS Des Moines Building is leased entirely to EDS Information Services L.L.C. (“EDS”), a wholly-owned subsidiary of Electronic Data Systems Corporation (*“*EDS Corp. *”*). EDS Corp. is the guarantor of the EDS lease. The EDS lease commenced in May 2002 and expires in April 2012. The current annual base rent payable under the EDS lease is approximately $2.4 million. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet.

The Intuit Dallas Building

On September 27, 2002, Wells OP purchased the Intuit Dallas Building, a two-story office building with a three-story wing containing 166,238 rentable square feet located in Plano, Texas for a purchase price of $26.5 million, excluding closing costs. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation (“Lacerte”), a wholly-owned subsidiary of Intuit, Inc. (“Intuit”). Intuit is the guarantor of the Lacerte lease. The Lacerte lease commenced in July 2001 and expires in June 2011. The current annual base rent payable under the Lacerte lease is approximately $2.5 million. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of $17.92 per square foot and $19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19 acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon.

The Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased the Allstate Indianapolis Building, a one-story office building containing 89,956 rentable square feet located in Indianapolis, Indiana for a purchase price of $10.9 million, excluding closing costs. The Allstate Indianapolis Building is leased to Allstate Insurance Company ("Allstate") and Holladay Property Services Midwest, Inc. ("Holladay").

The Allstate lease, which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is approximately $1.2 million. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of an approximately $0.4 million fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is approximately $.07 million.

The Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased the Daimler Chrysler Dallas Building, a two-story office building containing 130,290 rentable square feet located in Westlake, Texas for a purchase price of $25.1 million, excluding closing costs. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC ("Daimler Chrysler NA"). The Daimler Chrysler NA lease commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is approximately $3.2 million. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building on May 29, 2002, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of $5.2 million. The loan was made to fund above-standard tenant improvement costs to the building. The note receivable is structured to be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of $.1 million. At September 30, 2002, the principal balance of this note receivable was $5.0 million.

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5. NOTES PAYABLE

At September 30, 2002, Wells OP had the following debt:

Lender	Collateral	Type of Debt	Maturity Date	Balance Outstanding (in millions)
SouthTrust	The Alstom Power Richmond Building	$7.9 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	$7.7
SouthTrust	The PwC Building	$12.8 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	2.1
SouthTrust	The Avnet Building and the Motorola Tempe Building	$19.0 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
SouthTrust	The Cinemark Building, the Dial Building and the ASML Building	$32.4 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
Bank of America	The Nissan Property	$34.2 million construction loan, interest at LIBOR plus 200 basis points	July 30, 2003	13.3
Bank of America	The Kerr McGee Property	$13.7 million construction loan, interest at LIBOR plus 200 basis points	January 29, 2004	1.0
Bank of America	The Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Tulsa Building, the Motorola Plainfield Building and the Delphi Building	$85 million line of credit, interest at 30 day LIBOR plus 180 basis points	May 11, 2004	0
Prudential	The BMG Buildings	$8.8 million note payable, interest at 8%, principal and interest payable monthly	December 15, 2003	8.8
Prudential	The BMG Buildings	$2.9 million note payable, interest at 8.5%, interest payable monthly, principal payable upon maturity	December 15, 2003	2.9
Total				**$35.8**

6. INTEREST RATE SWAPS

Wells OP has entered into interest rate swap agreements with Bank of America in order to hedge its interest rate exposure on the Bank of America construction loans for the Nissan Property (the Nissan Loan) and the Kerr McGee Property (the Kerr McGee Loan). The interest rate swap agreements involve the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. The notional amount of both interest rate swaps is the balance outstanding on the construction loan on the payment date.

The interest rate swap for the Nissan Loan became effective January 15, 2002 and terminates on June 15, 2003. Wells OP, as the fixed rate payer, has an interest rate of 3.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 5.9% on the Nissan Loan.

The interest rate swap for the Kerr McGee Loan became effective September 15, 2002 and terminates on July 15, 2003. Wells OP as fixed rate payer has an interest rate of 2.27%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 4.27% on the Kerr McGee Loan.

During the nine months ended September 30, 2002, Wells OP made interest payments totaling approximately $45,221 under the terms of the interest rate swap agreements. At September 30, 2002, the estimated fair value of the interest rate swap for the Nissan Loan and the Kerr McGee Loan was $(384,855) and $(30,180), respectively. The interest rate swaps are accounted for by mark-to-market accounting on a monthly basis and are included in prepaid and other assets on the accompanying consolidated balance sheet.

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company’s consolidated financial statements.

7. INVESTMENT IN BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

In connection with the purchase of a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the Bond Lease), Wells OP acquired an Industrial Development Revenue Note (the Bond) dated December 20, 1995 in the principal amount of $22 million. As part of the same transaction, Wells OP also acquired a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases (the Bond Deed of Trust), also dated December 20, 1995, which was executed by the Industrial Development Board in order to secure the Bond. Beginning in 2006, the holder of the Bond Lease has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100 plus satisfaction of the indebtedness evidenced by the Bond. Because Wells OP is technically subject to the obligation to pay the $22 million indebtedness evidenced by the Bond, the obligation to pay the Bond is carried on the Company’s books as a liability. However, since Wells OP is also the owner of the Bond, the Bond is also carried on the Company’s books as an asset.

As part of the transaction to acquire a ground leasehold interest in the ISS Atlanta Buildings, Wells OP was assigned Development Authority of Fulton County Taxable Revenue Bonds totaling $32.5 million, which were originally issued in connection with the development of the ISS Atlanta Buildings (the Bonds). The Bonds entitle Wells OP to certain property tax abatement benefits. Upon payment of the outstanding balance on the Bonds, on or before the expiration of the ground lease on December 1, 2015, fee title interest to the underlying land will be transferred to Wells OP. Because Wells OP is technically subject to the obligation to pay the $32.5 million indebtedness evidenced by the Bond, the obligation to pay the Bonds is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bonds, the Bonds are also carried on the Company's books as an asset.

8. Due to affiliates

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of $.6 million have been made as of September 30, 2002 toward funding the obligation under the Matsushita agreement.

9. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of $.1 million in each of 2001 and 2002 by payment of a take out fee to Wells OP in an amount equal to 1.25% of its maximum financial obligation under the Ford Motor Credit take out purchase and escrow agreement. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. This pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

Letters of Credit

At September 30, 2002, Wells OP had three letters of credit totaling $19.2 million outstanding from financial institutions, which were not recorded in the accompanying consolidated balance sheet. These letters of credit were required by three of the Company's tenants to ensure completion of the Company's contractual obligations. The Company's management does not anticipate a need to draw on these letters of credit.

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Properties under Contract

At September 30, 2002, the Company had three executed contracts for the acquisition of properties totaling $82.0 million. Escrows of $1.3 million have been paid out for these properties and are included in prepaid and other assets on the accompanying consolidated balance sheet.

10. SUBSEQUENT EVENTS

Issuance of Common Stock

From October 1, 2002 through October 25, 2002, the Company has raised approximately $91.5 million through the issuance of 9.1 million shares of common stock in the Company.

Termination Agreement

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the NASA Buildings for the year ended December 31, 2001. This statement is the responsibility of the NASA Buildings' management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the NASA Buildings' revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the NASA Buildings for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
November 26, 2002

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NASA Buildings

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

	2002	2001
	(Unaudited)	
Revenues:		
Base rent	$25,179,213	$ 33,637,808
Tenant reimbursements	1,703,365	2,586,032
Total revenues	26,882,578	36,223,840
Operating expenses	7,761,014	10,200,082
Revenues over certain operating expenses	$19,121,564	$26,023,758

See accompanying notes.

NASA Buildings

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On November 22, 2002, Wells REIT-Independence Square, LLC ("the Company") acquired the NASA Buildings from Southwest Market Limited Partnership ("Southwest Market"). The Company, a Georgia limited liability company, was created on November 22, 2002 by Wells Real Estate Investment Trust, Inc., a Maryland corporation, the sole member of the Company.

The two nine-story buildings contain 948,813 square feet of net rentable area and are leased to six tenants, including the National Aeronautics and Space Administration ("NASA") and The Office of the Comptroller of the Currency ("OCC"), which occupy a total of 932,209 square feet. The remaining square footage is leased to several retail tenants under lease agreements that expire over the next eight years. NASA occupies 590,689 square feet under a gross lease ("NASA Lease") that commenced in July 1992 and expires in July 2012. OCC occupies 341,520 square feet under a lease ("OCC Lease") that commenced in May 1991 and expires in May 2006. Southwest Market's interests in the NASA Lease, the OCC Lease and other retail lease agreements were assigned to the Company upon the acquisition of the NASA Buildings.

Under the NASA Lease, the tenant is required to pay, as adjusted rent, its share of increases in real estate taxes and changes in costs from the first lease year for cleaning services, supplies, materials, maintenance, trash removal, landscaping, sewer charges and certain administrative expenses attributable to occupancy. The amount of the adjustment will be computed using the Cost of Living Index. Under the OCC Lease, the tenant is required to pay, as additional rent, its share of increases in real estate taxes and changes in costs from the first lease year for, including but not limited to, cleaning services, electricity, heating, water, air conditioning and landscaping. The Company will be responsible for maintaining and repairing the NASA Buildings' roof, foundations, common areas, electrical systems and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the NASA Buildings after their acquisition by the Company.

NASA Buildings

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 32,856,309
2003	32,875,773
2004	32,987,740
2005	33,104,624
2006	26,008,009
Thereafter	117,928,136
	$275,760,591

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

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Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Caterpillar Nashville Building for the year ended December 31, 2001. This statement is the responsibility of the Caterpillar Nashville Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Caterpillar Nashville Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Caterpillar Nashville Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
November 26, 2002

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Caterpillar Nashville Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

	2002	2001
	(Unaudited)	
Revenues:		
Base rent	$ 5,922,277	$ 7,896,370
Tenant reimbursements	357,722	379,662
Total revenues	6,279,999	8,276,032
Operating expenses	1,910,316	2,565,309
Revenues over certain operating expenses	$ 4,369,683	$ 5,710,723

See accompanying notes.

Caterpillar Nashville Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On November 26, 2002, the Wells Operating Partnership, L.P. ("Wells OP") acquired the Caterpillar Nashville Building from Highwoods/Tennessee Holdings, LP. ("Highwoods/Tennessee"). Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The 312,297 square foot 11-story Caterpillar Nashville Building is 100% leased to three tenants, Caterpillar Financial Services Corporation ("Caterpillar"), Thoughtworks, LLC ("Thoughtworks") and Highwoods Properties, Inc. ("Highwoods"). Caterpillar currently occupies 300,901 square feet under a gross lease ("Caterpillar Lease") that commenced in March 2000 and expires in February 2015. Thoughtworks currently occupies 6,400 square feet under a gross lease ("Thoughtworks Lease") that commenced in May 2000 and expires in May 2005. Highwoods currently occupies 4,996 square feet under a gross lease ("Highwoods Lease") that commenced in October 2000 and expires in September 2005. Highwoods/Tennessee's interests in the Caterpillar Lease, Thoughtworks Lease and Highwoods Lease were assigned to Wells OP upon acquisition of the Caterpillar Nashville Building.

Under the Caterpillar Lease, the Thoughtworks Lease and the Highwoods Lease, the tenants are required to pay, as additional rent, all operating costs in excess of a $6.50 per square foot expense stop. Under the Caterpillar Lease, Caterpillar's responsibility for increases in expenses other than insurance, taxes and utilities is capped at 4.5% annually. Furthermore, Caterpillar will reimburse the landlord a management fee equal to 4% of gross rental receipts. Wells OP will be responsible for the maintenance and repair of the structural elements of the building and the capital repairs and replacement of the roof.

Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Caterpillar Nashville Building after its acquisition by Wells OP.

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Caterpillar Nashville Building

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 7,673,511
2003	7,680,935
2004	7,688,516
2005	7,808,282
2006	7,685,012
Thereafter	64,265,433
	$102,801,689

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended September 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2002 has been prepared to give effect to the fourth quarter 2002 acquisitions of the NASA Buildings by the Wells REIT and the Caterpillar Nashville Building and the Capital One Richmond Buildings by Wells OP (collectively, the "Recent Acquisitions") as if the acquisitions occurred on September 30, 2002.

The following unaudited pro forma statement of income for the nine months ended September 30, 2002 has been prepared to give effect to the first, second and third quarter 2002 acquisitions of the Vertex Sarasota Building (formerly the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the nine months ended September 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells REIT. As the sole general partner of Wells OP, the Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

September 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments				
		Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (f)	Other	NASA	Caterpillar Nashville	Capital One Richmond	Pro Forma Total
REAL ESTATE ASSETS, at cost:						
Land	$ 164,190,412	$ 0	$ 34,500,000(c)	$ 4,900,000(c)	$ 2,855,000(c)	$ 207,520,392
			1,067,468(d)	7,512(d)	0	
Buildings, less accumulated depreciation of $47,999,655	1,171,793,037	0	314,665,776(c)	56,861,000(c)	25,779,345(c)	1,578,922,438
			820,631(d)	87,172(e)	0	
			8,915,477(e)			
Construction in progress	28,500,195	0	0	0	0	28,500,195
Total real estate assets	1,364,483,644	0	359,969,352	61,855,684	28,634,345	1,814,943,025
CASH AND CASH EQUIVALENTS	143,911,852	206,602,229(a)	(264,165,776)(c)	(2,312,755)(c)	0	76,804,472
		(7,231,078)(b)				
INVESTMENT IN JOINT VENTURES	75,388,348	0	0	0	0	75,388,348
INVESTMENT IN BONDS	54,500,000	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	12,018,601	0	0	0	0	12,018,601
DEFERRED LEASE ACQUISITION COSTS, NET	1,712,541	0	0	0	0	1,712,541
DEFERRED PROJECT COSTS	5,963,370	7,231,078(b)	(10,803,576)(d)	(94,684) (d)	0	2,296,188
DEFERRED OFFERING COSTS	3,537,361	0	0	0	0	3,537,361
DUE FROM AFFILIATES	2,185,436	0	0	0	0	2,185,436
NOTE RECEIVABLE	4,965,838	0	0	0	0	4,965,838
PREPAID EXPENSES AND OTHER ASSETS, NET	2,597,110	0	0	0	37,764(c)	2,634,874
Total assets	$ 1,671,264,101	$ 206,602,229	$ 85,000,000	$ 59,448,245	$ 28,672,109	$ 2,050,986,684

LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc. (f)	Pro Forma Adjustments: Other	Recent Acquisitions: NASA	Recent Acquisitions: Caterpillar Nashville	Recent Acquisitions: Capital One Richmond	Pro Forma Total
LIABILITIES:						
Accounts payable and accrued expenses	$ 17,538,820	$ 0	$ 0	$ 881,644(c)	$ 0	$ 18,420,464
Notes payable	35,829,293	0	85,000,000(c)	58,566,601(c)	28,672,109(c)	208,068,003
Obligations under capital lease	54,500,000	0	0	0	0	54,500,000
Dividends payable	10,209,306	0	0	0	0	10,209,306
Due to affiliates	4,379,745	0	0	0	0	4,379,745
Deferred rental income	7,893,930	0	0	0	0	7,893,930
Total liabilities	130,351,094	0	85,000,000	59,448,245	28,672,109	303,471,448
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 182,608,517 shares issued and 180,891,792 outstanding at September 30, 2002	1,826,086	206,602(a)	0	0	0	2,032,688
Additional paid-in capital	1,621,376,451	206,395,627(a)	0	0	0	1,827,772,078
Cumulative distributions in excess of earnings	(64,907,241)	0	0	0	0	(64,907,241)
Treasury stock, at cost, 1,716,725 shares	(17,167,254)	0	0	0	0	(17,167,254)
Other comprehensive loss	(415,035)	0	0	0	0	(415,035)
Total shareholders' equity	1,540,713,007	206,602,229	0	0	0	1,747,315,236
Total liabilities and shareholders' equity	$ 1,671,264,101	$ 206,602,229	$ 85,000,000	$ 59,448,245	$ 28,672,109	$ 2,050,986,684

(a) Reflects capital raised through issuance of additional shares subsequent to September 30, 2002 through Capital One Richmond acquisition date.

(b) Reflects deferred project costs capitalized as a result of additional capital raised described in note (a) above.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(d) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.

(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(f) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

for the year ended December 31, 2001

(Unaudited)

		Pro Forma Adjustments					
				Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (g)	2001 Acquisitions	2002 Acquisitions	NASA	Caterpillar Nashville	Capital One Richmond	Pro Forma Total
REVENUES:							
Rental income	$ 44,204,279	$ 11,349,076(a)	$54,615,521(a)	$ 34,603,317(a)	$ 7,970,097(a)	$ 2,744,112(a)	$ 155,486,402
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	137,500
	49,308,802	12,460,926	54,615,521	34,603,317	7,970,097	2,744,112	161,702,775
EXPENSES:							
Depreciation	15,344,801	5,772,761(c)	22,487,278(c)	12,976,075(c)	2,277,927(c)	1,031,174(c)	59,890,016
Interest	3,411,210	0	0	4,664,800(f)	3,214,135(f)	1,573,525(f)	12,863,670
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	3,668,343(d)	7,614,050(d)	2,014,828(d)	0	20,280,379
Management and leasing fees	2,507,188	510,708(e)	2,250,455(e)	0	358,654(e)	123,485(e)	5,750,490
General and administrative	973,785	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	448,776
	27,584,835	9,137,744	28,406,076	25,254,925	7,865,544	2,728,184	100,977,308
NET INCOME	$21,723,967	$ 3,323,182	$ 26,209,445	$ 9,348,392	$ 104,553	$ 15,928	$ 60,725,467
EARNINGS PER SHARE, basic and diluted	$ 0.43						$ 0.30
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853						201,302,216

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Buildings.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Represents interest expense on lines of credit used to acquire the properties, which bear interest at approximately 5.488% for the year ended December 31, 2001.

(g) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

for the nine months ended September 30, 2002

(Unaudited)

	Wells Real Estate Investment Trust, Inc. (f)	Pro Forma Adjustments: 2002 Acquisitions	Recent Acquisitions: NASA	Recent Acquisitions: Caterpillar Nashville	Recent Acquisitions: Capital One Richmond	Pro Forma Total
REVENUES:						
Rental income	$ 66,120,992	$ 42,103,180(a)	$ 25,903,344(a)	$ 5,977,573(a)	$ 2,058,084(a)	$ 142,163,173
Equity in income of joint ventures	3,738,045	0	0	0	0	3,738,045
Interest income	4,547,040	0	0	0	0	4,547,040
Take out fee	134,666	0	0	0	0	134,666
	74,540,743	42,103,180	25,903,344	5,977,573	2,058,084	150,582,924
EXPENSES:						
Depreciation	23,185,201	15,039,449(b)	9,732,057(b)	1,708,445(b)	773,380(b)	50,438,532
Interest	1,478,333	0	2,620,763(e)	1,805,755(e)	884,033(e)	6,788,884
Operating costs, net of reimbursements	4,254,882	3,410,341(c)	6,057,649(c)	1,412,091(c)	0	15,134,963
Management and leasing fees	3,348,210	1,697,775(d)	0	268,991(d)	92,614(d)	5,407,590
General and administrative	1,866,042	0	0	0	0	1,866,042
Amortization of deferred financing costs	586,822	0	0	0	0	586,822
	34,719,490	20,147,565	18,410,469	5,195,282	1,750,027	80,222,833
NET INCOME	$ 39,821,253	$21,955,615	$ 7,492,875	$ 782,291	$ 308,057	$ 70,360,091
EARNINGS PER SHARE, basic and diluted	$ 0.31					$ 0.35
WEIGHTED AVERAGE SHARES, basic and diluted	128,541,432					201,302,216

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses, net of reimbursements.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Represents interest expense on lines of credit used to acquire the properties, which bear interest at approximately 4.111% for the nine months ended September 30, 2002.

(f) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 5 DATED JANUARY 15, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, and Supplement No. 4 dated December 10, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of an interest in a four-story office building in Fishers, Indiana (John Wiley Indianapolis Building);

  (B) Acquisition of a 20-story office building in Glendale, California (Nestle Building); and

  (C) Acquisition of two three-story office buildings in Mayfield Heights, Ohio (East Point Buildings);

(3) The second transaction under the Section 1031 Exchange Program;

(4) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(5) Amended and restated unaudited financial statements of the Wells REIT for the period ended September 30, 2002 to incorporate changes resulting from a change in accounting presentation;

(6) Financial statements relating to the recently acquired Nestle Building; and

(7) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Nestle Building and the East Point Buildings, and an interest in the John Wiley Indianapolis Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of January 15, 2003, we had received additional gross proceeds of approximately

$638,970,439 from the sale of approximately 63,897,044 shares in our fourth public offering. Accordingly, as of January 15, 2003, we had received aggregate gross offering proceeds of approximately $2,229,358,416 from the sale of approximately 222,935,842 shares in all of our public offerings. After payment of $77,283,698 in acquisition and advisory fees and acquisition expenses, payment of $247,036,149 in selling commissions and organization and offering expenses, and common stock redemptions of $21,252,750 pursuant to our share redemption program, as of January 15, 2003, we had raised aggregate net offering proceeds available for investment in properties of $1,883,785,819, out of which $1,853,694,118 had been invested in real estate properties, and $30,091,701 remained available for investment in real estate properties.

Description of Properties

As of January 15, 2003, we had purchased interests in 73 real estate properties located in 23 states. Below are the descriptions of our recent real property acquisitions.

John Wiley Indianapolis Building

On December 12, 2002, Wells Fund XIII – REIT Joint Venture Partnership (XIII-REIT Joint Venture), a joint venture partnership between Wells Real Estate Fund XIII, L.P. (Wells Fund XIII) and Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a four-story office building on a 10.28 acre tract of land located at 10475 Crosspoint Boulevard in Fishers, Hamilton County, Indiana (John Wiley Indianapolis Building) from Crosspoint Seven, LLC for a purchase price of $17,450,000, plus closing costs. Crosspoint Seven, LLC is not in any way affiliated with the XIII-REIT Joint Venture, Wells REIT, Wells OP, or our advisor, Wells Capital, Inc.

Wells OP contributed $8,928,915 and Wells Fund XIII contributed $8,577,787 to the Wells Fund XIII – REIT Joint Venture to fund their respective shares of the acquisition costs for the John Wiley Indianapolis Building. As of December 31, 2002, Wells OP held an equity percentage interest in the XIII – REIT Joint Venture of approximately 61.28% and Wells Fund XIII held an equity percentage interest in the Wells Fund XIII – REIT Joint Venture of approximately 38.72%.

The John Wiley Indianapolis Building, which was completed in 1999, contains approximately 141,047 rentable square feet and is leased to John Wiley & Sons, Inc. (John Wiley), United Student Aid Funds, Inc. (USA Funds) and Robert Half International, Inc. (Robert Half).

John Wiley, as the primary tenant, occupies 123,674 rentable square feet (87.7%) of the John Wiley Indianapolis Building. John Wiley, a New York corporation publicly traded on the New York Stock Exchange (NYSE), publishes books and journals in print and electronic media specializing in scientific, technical, medical, professional, and educational materials. John Wiley has operations in the United States, Europe, Canada, Asia, and Australia. John Wiley reported a net worth, as of April 30, 2002, of approximately $276 million.

The John Wiley lease commenced in November 1999 and expires in October 2009. The current annual base rent payable under the John Wiley lease is $1,940,892. John Wiley is obligated to lease the remaining 17,373 rentable square feet of the John Wiley Indianapolis Building upon the expiration of the USA Funds lease and the Robert Half lease described below. John Wiley has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. The XIII-REIT Joint Venture, as the landlord, is responsible for paying the operating and maintenance costs; however, under the John Wiley lease, John Wiley is responsible for its share of operating and maintenance costs in excess of $3.55 per rentable square foot, along with its share of real estate taxes.

USA Funds is a wholly owned subsidiary of SLM Corporation, which is a leading source of funding and servicing support for education loans. USA Funds is a nonprofit corporation that supports access to education by providing financial and other services to those who pursue, provide or promote education. The USA Funds lease covers 14,413 rentable square feet (10.2%) and commenced in February

2001 and expires in July 2005. The current annual base rent payable under the USA Funds lease is $223,401. Under the USA Funds lease, USA Funds is responsible for its share of operating and maintenance costs in excess of $4.00 per rentable square foot, along with its share of real estate taxes.

Robert Half is a staffing services agency publicly traded on the NYSE. Robert Half specializes in the staffing of accountants, attorneys, finance professionals, administrative support technicians, information technology professionals, and web design professionals. Robert Half has more than 325 locations in North America, Europe, Australia and New Zealand. The Robert Half lease covers 2,960 rentable square feet (2.1%) and commenced in April 2000 and expires in April 2005. The current annual base rent payable under the Robert Half lease is $55,256. Under the Robert Half lease, Robert Half is responsible for operating and maintenance costs and real estate taxes in excess of $4.01 per rentable square foot.

The XIII-REIT Joint Venture, as landlord, is responsible for the maintenance and repair of the elevators, plumbing, heating, and air conditioning, exterior walls, doors, windows, corridors and other common areas of the John Wiley Indianapolis Building.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will manage the John Wiley Indianapolis Building on behalf of the XIII-REIT Joint Venture and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the John Wiley Indianapolis Building.

Nestle Building

On December 20, 2002, Wells REIT Glendale, CA, LLC (REIT Glendale), a Georgia limited liability company wholly-owned by Wells OP, purchased a 20-story office building containing approximately 505,115 rentable square feet located in Glendale, California (Nestle Building) for a purchase price of $157,000,000, plus closing costs, from Douglas Emmett Joint Venture (Douglas Emmett). Douglas Emmett is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

In connection with the acquisition of the Nestle Building, REIT Glendale assumed an existing $90,000,000 loan in favor of Landesbank Schleswig-Holstein Girozentrale, Kiel (Landesbank Loan), a German chartered bank, secured by the property. The interest rate on the Landesbank Loan is equal to LIBOR plus 1.15%, and the current interest rate on the Landesbank Loan is fixed for the next six months at 2.53% per annum. The Landesbank Loan requires monthly payments of interest only and matures on December 27, 2006. REIT Glendale may prepay the Landesbank Loan any time after December 28, 2003 without incurring any penalty. REIT Glendale paid a $450,000 loan assumption fee at closing in connection with the assumption of the Landesbank Loan.

The Nestle Building was built in 1990 and is located on a 4.02-acre tract of land at 800 N. Brand Boulevard in Glendale, California. Approximately 502,994 rentable square feet of the Nestle Building (99.6%) is leased to Nestle USA, Inc. (Nestle USA), a wholly-owned subsidiary of Nestle S.A., a Swiss company. Nestle USA operates manufacturing centers which produce various foods and beverages, including chocolate, prepared foods, juices and milk products. Some of Nestle USA's famous brands include Stouffer's, Carnation, Libby's, Taster's Choice and Nestle.

The Nestle USA lease commenced in August 1990 and expires in August 2010. The current annual base rent payable under the Nestle USA lease is $14,839,519. Nestle has the right, at its option, to extend the initial term of its lease for four additional five-year periods at the then-current market rental rate. Nestle also has a right of first refusal to lease any additional available space in the Nestle Building. REIT Glendale, as the landlord, is responsible for paying the operating and maintenance costs under the Nestle USA lease; however, Nestle USA is responsible for its share of operating and maintenance costs in excess of the base year operating allowance established in the first lease year. REIT Glendale, as the landlord, is also responsible for maintaining and repairing the structural portions and mechanical systems of the Nestle Building, including plumbing, heating, air conditioning, and electrical systems.

Wells Management will manage the Nestle Building on behalf of REIT Glendale and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the Nestle Building, subject to certain limitations.

East Point Buildings

On January 9, 2003, Wells OP purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio (East Point Buildings) for a purchase price of $21,968,000, plus closing costs, from Best Property Fund, L.P. (Best Property). Best Property is not in any way affiliated with the Wells REIT, Wells OP, or our advisor.

The East Point Buildings, which were built in 2000, are located at 6085 Parkland Boulevard (East Point I) and 6095 Parkland Boulevard (East Point II) in Mayfield Heights, Cuyahoga County, Ohio. The entire 102,484 rentable square feet of East Point I is leased to Progressive Casualty Insurance Company (Progressive Casualty). Progressive Casualty is the principal operating subsidiary of Progressive Corporation (Progressive Corp.), the fourth largest auto insurance company in the United States. Progressive Corp., a public company traded on the NYSE, provides various insurance products, including personal automobile insurance, D&O insurance and employee misconduct insurance.

The Progressive Casualty lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in January 2003 and expires in December 2012. The current annual base rent payable under the Progressive Casualty lease is $947,977. Progressive Casualty has the right, at its option, to extend the initial term of its lease for one additional five-year period for an annual base rent of $1,332,292 and a second additional five-year period at 95% of the then-current market rental rate. If Progressive Casualty does not exercise the first five-year extension option described above, it has the right to exercise a six-month extension option for a monthly base rent of $111,024. Progressive Casualty has a right of first offer to lease additional space in the East Point Buildings upon space becoming available, which is subordinate to the rights of the tenants of East Point II described below. In addition, Progressive Casualty has a right of first offer to purchase the East Point Buildings, which right is also subordinate to the right of The Austin Company (Austin) described below. If Wells OP subdivides East Point I and East Point II, Progressive Casualty's right of first offer will then apply only to East Point I.

East Point II contains approximately 85,251 rentable square feet, of which 70,585 is currently leased to Austin, Danaher Power Solutions LLC (Danaher) and Moreland Management Co. (Moreland). Approximately 14,666 rentable square feet (17.2%) of East Point II is vacant.

Austin leases 40,900 rentable square feet (48.0%) of East Point II. Austin is a private company with corporate headquarters in Cleveland, Ohio. Austin offers a wide range of in-house architectural, engineering, design-build and construction management services. Austin has offices in many major U.S. cities, London and Puerto Rico. The Austin lease is a net lease which commenced in June 2000 and expires in June 2010. The current annual base rent payable under the Austin lease is $1,002,050. Austin has the right, at its option, to extend the initial term of its lease for one additional five-year period for an annual base rent of $1,042,950. Austin has a right of first refusal to lease additional space on the second floor in East Point II upon space becoming available. In addition, Austin has a right of first offer to purchase the East Point Buildings upon the landlord's receipt of a third-party offer.

Danaher leases 15,553 rentable square feet (18.2%) of East Point II. Danaher is a wholly owned subsidiary of Danaher Corporation (Danaher Corp.). Danaher designs, manufactures and provides power quality and reliability products and services. Danaher Corp., a public company traded on the NYSE, is located in 30 countries worldwide and conducts business in the process and environmental controls industry and the tools and components industry. The Danaher lease commenced in July 2002 and expires in November 2007. The current annual base rent payable under the Danaher lease is $324,348. Wells OP, as the landlord, is responsible for paying the operating and maintenance costs under the Danaher lease; however, Danaher is responsible for its share of (1) operating and maintenance costs in excess of $1.85 per rentable square foot, and (2) real estate taxes in excess of $4.65 per rentable square foot.

Moreland leases 14,132 rentable square feet (16.6%) of East Point II. The Moreland lease commenced in August 2001 and expires in October 2011. The current annual base rent payable under the Moreland lease is $325,036. Moreland has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate . Moreland has a right of first refusal to lease additional space on the floor Moreland currently occupies in East Point II upon space becoming available.

Wells OP, as the landlord, is responsible for maintaining all common areas, building mechanical systems, exterior doors and walls, and the roof of the East Point Buildings.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the East Point Buildings, subject to certain limitations. Wells OP has entered into a management agreement with CB Richard Ellis to serve as the on-site property manager for the East Point Buildings, which property management fees will be paid out of or credited against the fees payable to Wells Management. CB Richard Ellis is not in any way affiliated with the Wells REIT, Wells OP, or our advisor.

Second Transaction under the Section 1031 Exchange Program

As described in the “Investment Objectives and Criteria – Section 1031 Exchange Program” section of our prospectus, an affiliate of our advisor has developed a program (Section 1031 Exchange Program) involving the acquisition of income-producing commercial properties and the formation of a series of single member limited liabilities companies (Wells Exchange) for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to persons (1031 Participants) who are looking to invest the proceeds from a sale of real estate held for investment into another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. The initial transaction in the Section 1031 Exchange Program involved the acquisition by Wells Exchange and resale of co-tenancy interests in the Ford Motor Credit Complex located in Colorado Springs, Colorado. Since all of the co-tenancy interests in the Ford Motor Credit Complex were sold to 1031 Participants, Wells OP neither acquired any unsold co-tenancy interests in the Ford Motor Credit Complex, nor has any additional exposure under the Take Out Purchase and Escrow Agreement entered into in connection with the acquisition of the Ford Motor Credit Complex.

The second transaction in the Section 1031 Exchange Program involves the acquisition by Wells Exchange and resale of co-tenancy interests in two single tenant office buildings each containing approximately 98,216 rentable square feet located in Birmingham, Alabama (Meadow Brook Corporate Park) currently under lease agreements with Allstate Insurance Company (Allstate) and Computer Sciences Corporation (Computer Sciences). Allstate is a wholly owned subsidiary of Allstate Corporation, a Fortune 100 company. Allstate sells private passenger auto and homeowners insurance in the United States and Canada, as well as other lines of personal property and casualty insurance, including landlords, personal umbrella, renters, condominium, residential fire, manufactured housing, boat owners and selected commercial property and casualty. Computer Sciences, a public company traded on the NYSE, is in the technology services business and provides broad-based technology services that include management consulting, systems integration, and systems outsourcing to commercial markets and the federal government. Wells Exchange is currently engaged in the offer and sale of co-tenancy interests in the Meadow Brook Corporate Park to 1031 Participants.

In consideration for the payment of a Take Out Fee in the amount of $175,000, and following approval of the potential property acquisition by our board of directors, Wells OP entered into a Take Out Purchase and Escrow Agreement relating to the Meadow Brook Corporate Park. Pursuant to the terms of the Take Out Purchase and Escrow Agreement, Wells OP is obligated to acquire, at Wells Exchange's cost ($419,916 in cash for each 2.9994% co-tenancy interest), any co-tenancy interests in the Meadow Brook Corporate Park which remain unsold on September 30, 2003.

The obligations of Wells OP under the Take Out Purchase and Escrow Agreement are secured by a line of credit with Bank of America, N.A. (BOA). If, for any reason, Wells OP fails to acquire any of the co-tenancy interests in the Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or if there is otherwise an uncured default under the interim loan between Wells Exchange and BOA or Well OP's loan documents, BOA is authorized to draw down on Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of unsold co-tenancy interests in the Meadow Brook Corporate Park would be deeded to Wells OP. Wells OP's maximum economic exposure in the transaction is $14,000,000, in which event Wells OP would acquire the Meadow Brook Corporate Park for $14,000,000 in cash plus assumption of the first mortgage financing in the amount of $13,900,000. If Wells Exchange successfully sells 100% of the co-tenancy interests to 1031 Particpants, Wells OP will not acquire any interest in the Meadow Brook Corporate Park. If some, but not all, of the co-tenancy interests are sold by Wells Exchange, Wells OP's exposure would be less, and it would end up owning an interest in the property in co-tenancy with 1031 Participants who had previously acquired co-tenancy interests in the Meadow Brook Corporate Park from Wells Exchange.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information amends and restates the information contained in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of Supplement No. 4 dated December 10, 2002, and should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002 and Supplement No. 3 dated October 25, 2002. We amended our previously filed third quarter Form 10-Q by amending the Consolidated Statements of Income for the three and nine months ended September 30, 2002 and Notes 1(k) and 2 to the Condensed Notes to Financial Statements and the "Results of Operations" subsection of the Management's Discussion and Analysis of Financial Condition and Results of Operations in order to restate the presentation of certain of our operating costs reimbursed by tenants as revenue and the gross property operating costs as expenses pursuant to a FASB Emerging Issues Task Force release issued in November 2001. In addition, interest income and interest expense related to certain bonds held by the Wells REIT have been restated to reflect such amounts on a gross basis consistent with this revised presentation. The comparative financial information for prior periods was also reclassified to conform the presentation. Since this presentation does not impact the amount of reimbursements we received or the property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on our financial position, net income, earnings per share or cash flows.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to shareholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

We have made an election under Section 856 (c) of the Internal Revenue Code (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially adversely affect our net income. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2002, we received aggregate gross offering proceeds of $988.5 million from the sale of 98.8 million shares of our common stock. After payment of $34.8 million in acquisition and advisory fees and acquisition expenses, payment of $104.3 million in selling commissions and organization and offering expenses, and common stock redemptions of $11.6 million pursuant to our share redemption program, we raised net offering proceeds of $837.8 million during the first three quarters of 2002, of which $144.5 million remained available for investment in properties at quarter end. In October, we reached our limit on stock redemptions for the year and, accordingly, there will be no further stock redemptions under our stock redemption program for the remainder of 2002.

During the nine months ended September 30, 2001, we received aggregate gross offering proceeds of $297.8 million from the sale of 29.8 million shares of its common stock. After payment of $10.3 million in acquisition and advisory fees and acquisition expenses, payment of $35.6 million in selling commissions and organizational and offering expenses, and common stock redemptions of $2.1 million pursuant to our share redemption program, we raised net offering proceeds of $249.8 million during the first three quarters of 2001, of which $8.7 million remained available for investment in properties at quarter end.

The significant increase in capital resources we have available is due to significantly increased sales of our common stock during the first three quarters of 2002.

As of September 30, 2002, we owned interests in 67 real estate properties either directly or through interests in joint ventures. Dividends declared for the third quarter of 2002 and 2001 were approximately $0.1938 and $0.1875 per share, respectively. In August 2002, our board of directors declared dividends for the fourth quarter of 2002 in the amount of approximately $0.175 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraphs, dividends paid in the first three quarters of 2002 in the aggregate amount of approximately $71.4 million exceeded our Adjusted Funds From Operations for this period by approximately $11 million.

We continue to acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to shareholders of record of such shares as shown on our books at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

For information relating to the dividends declared for the first quarter of 2003, see the "Subsequent Events" section below.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $68.2 million and $26.5 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $826.9 million and $155.7 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $827.1 million and $136.1 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments, which were $208.1 million in the prior year. We raised $988.5 million in offering proceeds for the nine months ended September 30, 2002, as compared to $297.8 million for the same period in 2001. Additionally, we paid dividends totaling $23.5 million in the first three quarters of 2001 compared to $71.4 million in the same period of 2002.

Results of Operations

Gross revenues were $87.9 million and $38.5 million for the nine months ended September 30, 2002 and 2001, respectively. Gross revenues for the nine months ended September 30, 2002 and 2001 were attributable to rental income, operating cost reimbursements, interest income earned on funds held by the Company prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of $805.5 million in additional properties during 2002 and the purchase of $114.1 million in additional properties during the fourth quarter of 2001 which were not owned for the first three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses, which totaled $48.1 million for the nine months ended September 30, 2002, as compared to $24.1 million for the nine months ended September 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $14.4 million for the nine months ended September 30, 2001 to $39.8 million for the nine months ended September 30, 2002.

Earnings per share for the nine months ended September 30, 2002 decreased from $0.33 per share for the nine months ended September 30, 2001 to $0.31 per share for the nine months ended September 30, 2002. Earnings per share for the third quarter decreased from $0.11 per share for the three months ended September 30, 2001 to $0.09 per share for the three months ended September 30, 2002. These decreases were primarily due to the substantial increase in the number of shares outstanding as a result of capital raised in 2002 which was not completely matched by a corresponding increase in net income because such capital proceeds were not fully invested in properties.

Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and nine months ended September 30, 2002 and 2001, respectively:

	Three Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
FUNDS FROM OPERATIONS:				
Net income	$ 15,285	$ 6,109	$ 39,821	$ 14,423
Add:				
Depreciation	10,282	3,947	23,185	10,341
Amortization of deferred leasing costs	78	76	229	228
Depreciation and amortization—unconsolidated partnerships	708	647	2,115	1,561
Funds from operations (FFO)	26,353	10,779	65,350	26,553
Adjustments:				
Loan cost amortization	162	237	587	529
Straight line rent	(2,146)	(708)	(5,312)	(1,930)
Straight line rent—unconsolidated partnerships	(27)	(100)	(229)	(233)
Lease acquisitions fees paid—unconsolidated partnerships	—	—	—	(8)
Adjusted funds from operations	$ 24,342	$ 10,208	$ 60,396	$ 24,911
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases that are intended to protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

Our reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements.

Subsequent Events

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida formerly known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking. On November 1, 2002, Wells OP entered into a net lease agreement with Vertex Tax Technology Enterprises, LLC (Vertex) for approximately 47,388 rentable square feet of the building. The current term of the lease is seven years, which commenced on November 1, 2002 and expires on October 31, 2009. The current annual base rent payable under the Vertex lease is $621,257.

In November 2002, Shoreview Associates LLC (Shoreview), the owner of an office building located in Ramsey County, Minnesota that Wells OP had contracted to purchase, filed a lawsuit against Wells OP in state court in Minnesota alleging that it was entitled to the $750,000 in earnest money that Wells OP had deposited under the contract. Wells OP has filed a counterclaim in the case asserting that it is entitled to the $750,000 earnest money deposit. Procedurally, Wells OP had the case transferred to U.S. District Court in Minnesota and Shoreview has moved to transfer the case back to the state court. The dispute currently remains in litigation.

On December 4, 2002, our board of directors declared dividends for the first quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in March 2003. Our first quarter dividends are calculated on a daily record basis of $0.001944 (0.1944 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on December 16, 2002, and continuing on each day thereafter through and including March 15, 2003.

Financial Statements

Audited Financial Statements

The statement of revenues over certain operating expenses of the Nestle Building for the year ended December 31, 2001, which is included in this supplement, has been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The amended and restated financial statements of the Wells REIT, as of September 30, 2002, and for the three and nine month periods ended September 30, 2002 and September 30, 2001, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the Nestle Building for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	September 30, 2002	December 31, 2001
ASSETS	(unaudited)	
REAL ESTATE, at cost:		
Land	$ 164,191	$ 86,247
Building and improvements, less accumulated depreciation of $48,000 in 2002 and $24,814 in 2001	1,171,793	472,383
Construction in progress	28,500	5,739
Total real estate	1,364,484	564,369
INVESTMENT IN JOINT VENTURES	75,388	77,410
CASH AND CASH EQUIVALENTS	143,912	75,586
INVESTMENT IN BONDS	54,500	22,000
STRAIGHT-LINE RENT RECEIVABLE	10,632	5,362
ACCOUNTS RECEIVABLE	1,387	641
NOTE RECEIVABLE	4,966	0
DEFERRED LEASE ACQUISITION COSTS, net	1,713	1,525
DEFERRED PROJECT COSTS	5,963	2,977
DUE FROM AFFILIATES	2,185	1,693
DEFERRED OFFERING COSTS	3,537	0
PREPAID EXPENSES AND OTHER ASSETS, net	2,597	718
Total assets	$1,671,264	$ 752,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 35,829	$ 8,124
Obligations under capital leases	54,500	22,000
Accounts payable and accrued expenses	17,539	8,727
Dividends payable	10,209	1,059
Deferred rental income	7,894	662
Due to affiliates	4,380	2,166
Total liabilities	130,351	42,738
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	200
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000 shares authorized, 182,609 shares issued and 180,892 outstanding at September 30, 2002, and 350,000 shares authorized, 83,761 shares issued and 83,206 shares outstanding at December 31, 2001	1,826	838
Additional paid-in capital	1,621,376	738,236
Cumulative distributions in excess of earnings	(64,907)	(24,181)
Treasury stock, at cost, 1,717 shares at September 30, 2002 and 555 shares at December 31, 2001	(17,167)	(5,550)
Other comprehensive loss	(415)	0
Total shareholders' equity	1,540,713	709,343
Total liabilities and shareholders' equity	$1,671,264	$ 752,281

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(unaudited and in thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30 2002	September 30 2001
REVENUES:				
Rental income	$ 27,549	$ 11,317	$ 66,121	$ 31,028
Operating cost reimbursements*	3,677	1,331	12,854	4,470
Equity in income of joint ventures	1,259	1,102	3,738	2,622
Interest income*	2,427	89	5,075	281
Take out fee	1	0	135	138
	34,913	13,839	87,923	38,539
EXPENSES:				
Depreciation	10,282	3,947	23,185	10,341
Operating costs*	5,868	2,625	17,109	7,638
Management and leasing fees	1,445	632	3,348	1,750
Administrative costs	745	141	1,867	901
Interest expense*	1,126	148	2,006	2,957
Amortization of deferred financing costs	162	237	587	529
	19,628	7,730	48,102	24,116
NET INCOME	$ 15,285	$ 6,109	$ 39,821	$ 14,423
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.09	$ 0.11	$ 0.31	$ 0.33
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

See accompanying condensed notes to financial statements.

* These financial statement line items have been amended and restated as described in the accompanying Note 1(k).

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)
(in thousands except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,510	$ 315	$ 275,573	$ (9,134)	$ 0	(141)	$ (1,413)	$ 0	$ 265,341
Issuance of common stock	52,251	523	521,994	0	0	0	0	0	522,517
Treasury stock purchased	0	0	0	0	0	(414)	(4,137)	0	(4,137)
Net income	0	0	0	0	21,724	0	0	0	21,724
Dividends ($.76 per share)	0	0	0	(15,047)	(21,724)	0	0	0	(36,771)
Sales commissions and discounts	0	0	(49,246)	0	0	0	0	0	(49,246)
Other offering expenses	0	0	(10,085)	0	0	0	0	0	(10,085)
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	0	(555)	(5,550)	0	709,343
Issuance of common stock	**98,848**	**988**	**987,482**	**0**	**0**	**0**	**0**	**0**	**988,470**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(1,162)**	**(11,617)**	**0**	**(11,617)**
Dividends ($.58 per share)	**0**	**0**	**0**	**(40,726)**	**(39,821)**	**0**	**0**	**0**	**(80,547)**
Sales commissions and discounts	**0**	**0**	**(94,097)**	**0**	**0**	**0**	**0**	**0**	**(94,097)**
Other offering expenses	**0**	**0**	**(10,245)**	**0**	**0**	**0**	**0**	**0**	**(10,245)**
Components of comprehensive income:									
Net income	**0**	**0**	**0**	**0**	**39,821**	**0**	**0**	**0**	**39,821**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(415)**	**(415)**
Comprehensive income									**39,406**
BALANCE, September 30, 2002 (unaudited)	**182,609**	**$ 1,826**	**$ 1,621,376**	**$ (64,907)**	**$ 0**	**(1,717)**	**$ (17,167)**	**$ (415)**	**$ 1,540,713**

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 39,821	$ 14,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,738)	(2,622)
Depreciation	23,185	10,341
Amortization of deferred financing costs	587	529
Amortization of deferred leasing costs	229	228
Bad debt expense	113	0
Changes in assets and liabilities:		
Accounts receivable	(746)	(370)
Straight-line rent receivable	(5,382)	(1,949)
Due from affiliates	(35)	0
Deferred rental income	7,232	(381)
Accounts payable and accrued expenses	8,811	3,309
Prepaid expenses and other assets, net	(1,813)	3,211
Due to affiliates	(105)	(235)
Net cash provided by operating activities	68,159	26,484
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(797,011)	(121,366)
Investment in joint ventures	0	(27,018)
Deferred project costs paid	(34,784)	(10,347)
Distributions received from joint ventures	5,301	3,027
Deferred lease acquisition costs paid	(400)	0
Net cash used in investing activities	(826,894)	(155,704)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	27,742	107,587
Repayment of note payable	(37)	(208,102)
Dividends paid	(71,397)	(23,502)
Issuance of common stock	988,470	297,775
Sales commissions paid	(94,097)	(28,086)
Offering costs paid	(10,937)	(7,481)
Treasury stock purchased	(11,617)	(2,137)
Deferred financing costs paid	(1,066)	0
Net cash provided by financing activities	827,061	136,054
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,326	6,834
CASH AND CASH EQUIVALENTS, beginning of year	75,586	4,298
CASH AND CASH EQUIVALENTS, end of period	$ 143,912	$ 11,132
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 31,271	$ 1,127
Deferred project costs applied to joint ventures	$ 0	$ 9,295
Deferred project costs due to affiliate	$ 587	$ (498)
Interest rate swap	$ (415)	$ 0

Increase (decrease) in deferred offering cost accrual	$ 3,537	$ (1,291)
Assumption of obligations under capital lease	$ 32,500	$ 22,000
Investment in bonds	$ 32,500	$ 22,000

See accompanying condensed notes to financial statements.

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY**

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**SEPTEMBER 30, 2002
(UNAUDITED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16.5 million shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132.2 million had been received from the sale of approximately 13.2 million shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175.2 million from the sale of approximately 17.5 million shares. The Company commenced its third public offering of shares of common stock on December 20, 2000, which terminated on July 26, 2002 after receipt of gross proceeds of approximately $1.3 billion from the sale of approximately 128.3 million shares. As of September 30, 2002, the Company has received gross proceeds of approximately $235.7 million from the sale of approximately 23.6 million shares from its fourth public offering. Accordingly, as of September 30, 2002, the Company has received aggregate gross offering proceeds of approximately $1.8 billion from the sale of 182.6 million shares of its common stock to investors. After payment of $63.3 million in acquisition and advisory fees and acquisition expenses, payment of $202.9 million in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $1.4 billion for property acquisitions, and common stock redemptions of $17.2 million pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $144.5 million available for investment in properties, as of September 30, 2002.

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(b) Properties

As of September 30, 2002, the Company owned interests in 67 properties listed in the table below through its ownership in Wells OP.

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	Westlake, TX	100%	$ 25,100,000	130,290	$ 3,189,499
Allstate Indianapolis	Allstate Insurance Company	Indianapolis, IN	100%	$ 10,900,000	84,200	$ 1,246,164
	Holladay Property Services Midwest, Inc.				5,756	$ 74,832
Intuit Dallas	Lacerte Software Corporation	Plano, TX	100%	$ 26,500,000	166,238	$ 2,461,985
EDS Des Moines	EDS Information Services LLC	Des Moines, IA	100%	$ 26,500,000	405,000	$ 2,389,500
Federal Express Colorado Springs	Federal Express Corporation	Colorado Springs, CO	100%	$ 26,000,000	155,808	$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A.	Parsippany, NJ	100%	$ 101,350,000	200,000	$ 3,800,000
	Gemini Technology Services				204,515	$ 5,726,420
IRS Long Island	IRS Collection	Holtsville, NY	100%	$ 50,975,000	128,000	$ 5,029,380(1)
	IRS Compliance				50,949	$ 1,663,200
	IRS Daycare Facility				12,100	$ 486,799
AmeriCredit Phoenix	AmeriCredit Financial Services, Inc.	Chandler, AZ	100%	$ 24,700,000(2)	153,494	$ 1,609,315(3)
Harcourt Austin	Harcourt, Inc.	Austin, TX	100%	$ 39,000,000	195,230	$ 3,353,040
Nokia Dallas	Nokia, Inc.	Irving, TX	100%	$ 119,550,000	228,678	$ 4,413,485
	Nokia, Inc.				223,470	$ 4,547,614
	Nokia, Inc.				152,086	$ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc.	Suwanee, GA	100%	$ 11,625,000	73,264	$ 1,263,804
	Perkin Elmer Instruments, LLC				13,955	$ 194,672
BMG Greenville	BMG Direct Marketing, Inc.	Duncan, SC	100%	$ 26,900,000	473,398	$ 1,394,156
	BMG Music				313,380	$ 763,600
Kerr-McGee	Kerr-McGee Oil & Gas Corporation	Houston, TX	100%	$ 15,760,000(2)	100,000	$ 1,655,000(3)
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	San Antonio, TX	100%	$ 14,650,000	142,500	$ 1,471,700
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	$ 40,500,000	238,600	$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc. Koninklijke Philips Electronics N.V.	Alpharetta, GA	100%	$ 15,100,000	66,811	$ 1,344,905
					34,396	$ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(4)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above)(4)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc.	Houston, TX	100%	$ 22,000,000	103,260	$ 2,110,035
	Newpark Drilling Fluids, Inc.				52,731	$ 1,153,227
Arthur Andersen (5)	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Various other tenants	Schaumburg, IL	100%	$ 32,225,000(6)	129,157	$ 2,067,204
					28,322	$ 477,226
					22,028	$ 393,776
					8,884	$ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(6)	300,034	$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(2)	268,290	$ 4,225,860(3)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$ 2,458,638

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Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
AT&T Oklahoma	AT&T Corp.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500	$ 1,242,000
	Jordan Associates, Inc.				25,000	$ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc.	Houston, TX	100%	$ 44,970,000	206,048	$ 4,533,056
	SYSCO Corporation				106,516	$ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 2,054,329
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark	Cinemark USA, Inc.	Plano, TX	100%	$ 21,800,000	65,521	$ 1,366,491
	The Coca-Cola Company				52,587	$ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748
Alstom Power Richmond (2)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,244,501
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (2)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$ 21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,520

(1) Includes only the leased portion of this property.

(2) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(3) Annual rent for AmeriCredit Phoenix, Kerr McGee and Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.

(4) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(5) Subsequent to September 30, 2002, this building has been vacated by the tenant. See Footnote 10 and “Subsequent Events” in the Management’s Discussion and Analysis of Financial Condition and Results of Operations section of this supplement.

(6) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

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Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens AT&T Oklahoma Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Sprint Johnson Matthey Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Ohmeda Interlocken Avaya Iomega
Wells/Fremont Associates Joint Venture (the “Fremont Joint Venture”)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the “Orange County Joint Venture”)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest

(c) Critical Accounting Policies

The Company’s accounting policies have been established in accordance with accounting principles generally accepted in the United States (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets to date.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the "Advisor") by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of September 30, 2002, amounted to $63.3 million and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at September 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of September 30, 2002, the Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of $34.2 million, of which the Advisor had been reimbursed $29.7 million, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the "Code"), to be taxed as a Real Estate Investment Trust ("REIT") under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling $1.1 million and $0.4 million for the nine months ended September 30, 2002 and 2001, respectively, and $0.5 million and $0.1 million for the three months ended September 30, 2002 and 2001, respectively.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of management of the Company, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

(k) Reclassifications and Change in Presentation

The Company has historically reported property operating costs net of reimbursements from tenants as an expense in its Consolidated Statements of Income. These costs include property taxes, property insurance, utilities, repairs and maintenance, management fees and other expenses related to the ownership and operation of the Company's properties that are required to be reimbursed by the properties' tenants in accordance with the terms of their leases. In response to a FASB Emerging Issues Task Force release issued in November 2001, the Company will now present the reimbursements received from tenants as revenue and the gross property operating costs as expenses commencing in the first quarter of 2002. Consequently, the accompanying Consolidated Statements of Income for the three and nine months ended September 30, 2002 have been amended and restated to reflect the effects of this revised presentation. In addition, the comparative financial information for prior periods has been reclassified to conform to the presentation in the 2002 financial statements.

Since this presentation does not impact the amount of reimbursements received or property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on the financial position, net income, earnings per share or cash flows of the Company.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of September 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the results of operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of September 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three and nine months ended September 30, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended (in thousands)		Three Months Ended (in thousands)		Three Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,346	$ 1,458	$ 574	$ 670	$ 21	$ 25
Cort Joint Venture	209	213	135	149	59	65
Fremont Joint Venture	226	227	142	142	110	110
Fund XI-XII-REIT Joint Venture	855	856	484	520	275	295
Fund XII-REIT Joint Venture	1,481	1,525	727	815	400	448
Fund VIII-IX-REIT Joint Venture	310	314	153	156	24	24
Fund XIII-REIT Joint Venture	707	306	408	155	370	135
	$ 5,134	$ 4,899	$ 2,623	$ 2,607	$ 1,259	$ 1,102

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Nine Months Ended (in thousands)		Nine Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 4,170	$ 4,472	$ 1,747	$ 2,043	$ 65	$ 76
Cort Joint Venture	631	611	405	415	177	181
Fremont Joint Venture	679	677	419	421	325	326
Fund XI-XII-REIT Joint Venture	2,601	2,571	1,526	1,534	866	871
Fund XII-REIT Joint Venture	4,643	3,729	2,385	1,848	1,311	967
Fund VIII-IX-REIT Joint Venture	945	902	461	416	73	66
Fund XIII-REIT Joint Venture	2,115	306	1,215	155	921	135
	$ 15,784	$ 13,268	$ 8,158	$ 6,832	$ 3,738	$ 2,622

Total revenues for the three and nine months ended September 30, 2002 presented above have been amended and restated to include operating cost reimbursements from tenants as revenue, consistent with the presentation described in Note 1(k).

3. INVESTMENTS IN REAL ESTATE

As of September 30, 2002, the Company, through its ownership in Wells OP, owns 50 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended September 30, 2002.

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of $40.5 million, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling $32.5 million in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation ("ISS"). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is approximately $4.6 million. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of $14.7 million, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. ("PacifiCare"). The PacifiCare lease is a net lease that commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is approximately $1.5 million. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be approximately $0.2 million and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr-McGee Property

On July 29, 2002, Wells OP purchased the Kerr-McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of approximately $1.7, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the "Kerr-McGee Project") on the Kerr-McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately $15.8 million.

The entire 100,000 rentable square feet of the Kerr-McGee Project will be leased to Kerr-McGee Oil & Gas Corporation ("Kerr-McGee"), a wholly owned subsidiary of Kerr-McGee Corporation. The initial term of the Kerr-McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr-McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr-McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of $13.7 million from Bank of America, to fund the construction of a building on the Kerr-McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr-McGee Property.

The BMG Greenville Buildings

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of $26.9 million, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. ("BMG Marketing") and BMG Music ("BMG Music").

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet that commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is approximately $1.4 million. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet that commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is approximately $0.8 million. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of approximately $11.6 million, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. ("Kraft") and PerkinElmer Instruments, LLC ("PerkinElmer").

The Kraft lease is a net lease that covers approximately 73,264 square feet that commenced in February 2002 and expires in January 2012. The current annual base rent payable under the Kraft lease is approximately $1.3 million. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a $7.0 million termination fee, or (2) at the end of the seventh lease year by paying an approximately $1.8 million termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet that commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is approximately $0.2 million. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a $0.3 million termination fee.

The Nokia Dallas Buildings

On August 15, 2002, Wells OP purchased the Nokia Dallas Buildings, three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of approximately $119.6 million, excluding closing costs. The Nokia Dallas Buildings are all leased entirely to Nokia, Inc ("Nokia") under three long-term net leases for periods of 10 years, with approximately seven to eight years remaining on such leases.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is approximately $4.4 million. The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is approximately $4.5 million. The Nokia III Building is a six-story building containing

152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is approximately $3.0 million.

The Harcourt Austin Building

On August 15, 2002, Wells OP purchased the Harcourt Austin Building, a seven-story office building containing 195,230 rentable square feet located in Austin, Texas for a purchase price of $39.0 million, excluding closing costs. The Harcourt Austin Building is leased entirely to Harcourt, Inc. ("Harcourt"), a wholly owned subsidiary of Harcourt General, Inc., the guarantor of the Harcourt lease. The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is approximately $3.4 million.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased the AmeriCredit Phoenix Property, a 14.74-acre tract of land located in Chandler, Maricopa County, Arizona for a purchase price of approximately $2.6 million, excluding closing costs. Wells OP has entered into agreements to construct a three-story office building containing approximately 153,494 rentable square feet (the "AmeriCredit Phoenix Project") on the AmeriCredit Phoenix Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the AmeriCredit Phoenix Project and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately $24.7 million.

The entire 153,494 rentable square feet of the AmeriCredit Phoenix Project will be leased to AmeriCredit Financial Services, Inc. ("AmeriCredit"), a wholly owned subsidiary of AmeriCredit Corporation. The initial term of the AmeriCredit lease will extend 10 years and 4 month beyond the rent commencement date. Construction on the building is scheduled to be completed by August 2003. AmeriCredit has the right to extend the initial term of this lease for two additional periods of five years at 95% of the then-market rate. As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent at a discounted amount equal to approximately $4.8 million.

The IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC ("REIT-Holtsville"), a Georgia limited liability company wholly-owned by Wells OP purchased the IRS Long Island Buildings, a two-story office building and a one-story daycare facility containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of approximately $51.0 million, excluding closing costs. Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America through the U.S. General Services Administration ("U.S.A.") for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS ("IRS Collection"), the compliance division of the IRS ("IRS Compliance"), and the IRS Daycare Facility. REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to $14.5 million as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is approximately $5.0 million. The annual base rent payable under the

IRS Collection lease for the remaining two years of the initial lease term will be approximately $2.8 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of approximately $4.2 million and $5.0 million, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is approximately $1.7 million. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of approximately $2.2 million.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is approximately $0.5 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of approximately $0.4 million.

The KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased the KeyBank Parsippany Building, a four-story office building containing 404,515 rentable square feet located in Parsippany, New Jersey for a purchase price of approximately $101.4 million, excluding closing costs. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. (“KeyBank”) and Gemini Technology Services (“Gemini”).

The KeyBank lease covers 200,000 rentable square feet (49%) under a net lease that commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is $3.8 million. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

The Gemini lease covers 204,515 rentable square feet (51%) under a gross lease that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is approximately $5.7 million. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

The Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased the Federal Express Colorado Springs Building, a three-story office building containing 155,808 rentable square feet located in Colorado Springs, Colorado for a purchase price of $26.0 million, excluding closing costs. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation (“Federal Express”). The Federal Express lease commenced in July 2001 and expires in October 2016. The current annual base rent payable under the Federal Express lease is approximately $2.2 million. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building.

The EDS Des Moines Building

On September 27, 2002, Wells OP purchased the EDS Des Moines Building, a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located in Des Moines, Iowa for a purchase price of $26.5 million, excluding closing costs. The EDS Des Moines Building is leased entirely to EDS Information Services

L.L.C. ("EDS"), a wholly-owned subsidiary of Electronic Data Systems Corporation (*"*EDS Corp.*"*). EDS Corp. is the guarantor of the EDS lease. The EDS lease commenced in May 2002 and expires in April 2012. The current annual base rent payable under the EDS lease is approximately $2.4 million. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet.

The Intuit Dallas Building

On September 27, 2002, Wells OP purchased the Intuit Dallas Building, a two-story office building with a three-story wing containing 166,238 rentable square feet located in Plano, Texas for a purchase price of $26.5 million, excluding closing costs. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation ("Lacerte"), a wholly-owned subsidiary of Intuit, Inc. ("Intuit"). Intuit is the guarantor of the Lacerte lease. The Lacerte lease commenced in July 2001 and expires in June 2011. The current annual base rent payable under the Lacerte lease is approximately $2.5 million. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of $17.92 per square foot and $19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19 acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon.

The Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased the Allstate Indianapolis Building, a one-story office building containing 89,956 rentable square feet located in Indianapolis, Indiana for a purchase price of $10.9 million, excluding closing costs. The Allstate Indianapolis Building is leased to Allstate Insurance Company ("Allstate") and Holladay Property Services Midwest, Inc. ("Holladay").

The Allstate lease, which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is approximately $1.2 million. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of an approximately $0.4 million fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is approximately $.07 million.

The Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased the Daimler Chrysler Dallas Building, a two-story office building containing 130,290 rentable square feet located in Westlake, Texas for a purchase price of $25.1 million, excluding closing costs. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC ("Daimler Chrysler NA"). The Daimler Chrysler NA lease commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is approximately $3.2 million. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an

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additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building on May 29, 2002, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of $5.2 million. The loan was made to fund above-standard tenant improvement costs to the building. The note receivable is structured to be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of $.1 million. At September 30, 2002, the principal balance of this note receivable was $5.0 million.

5. NOTES PAYABLE

At September 30, 2002, Wells OP had the following debt:

Lender	Collateral	Type of Debt	Maturity Date	Balance Outstanding (in millions)
SouthTrust	The Alstom Power Richmond Building	$7.9 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	$ 7.7
SouthTrust	The PwC Building	$12.8 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	2.1
SouthTrust	The Avnet Building and the Motorola Tempe Building	$19.0 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
SouthTrust	The Cinemark Building, the Dial Building and the ASML Building	$32.4 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
Bank of America	The Nissan Property	$34.2 million construction loan, interest at LIBOR plus 200 basis points	July 30, 2003	13.3
Bank of America	The Kerr McGee Property	$13.7 million construction loan, interest at LIBOR plus 200 basis points	January 29, 2004	1.0
Bank of America	The Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Tulsa Building, the Motorola Plainfield Building and the Delphi Building	$85 million line of credit, interest at 30 day LIBOR plus 180 basis points	May 11, 2004	0
Prudential	The BMG Buildings	$8.8 million note payable, interest at 8%, principal and interest payable monthly	December 15, 2003	8.8
Prudential	The BMG Buildings	$2.9 million note payable, interest at 8.5%, interest payable monthly, principal payable upon maturity	December 15, 2003	2.9
Total				**$ 35.8**

6. INTEREST RATE SWAPS

Wells OP has entered into interest rate swap agreements with Bank of America in order to hedge its interest rate exposure on the Bank of America construction loans for the Nissan Property (the Nissan Loan) and the Kerr McGee Property (the Kerr McGee Loan). The interest rate swap agreements involve the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. The notional amount of both interest rate swaps is the balance outstanding on the construction loan on the payment date.

The interest rate swap for the Nissan Loan became effective January 15, 2002 and terminates on June 15, 2003. Wells OP, as the fixed rate payer, has an interest rate of 3.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 5.9% on the Nissan Loan.

The interest rate swap for the Kerr McGee Loan became effective September 15, 2002 and terminates on July 15, 2003. Wells OP as fixed rate payer has an interest rate of 2.27%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 4.27% on the Kerr McGee Loan.

During the nine months ended September 30, 2002, Wells OP made interest payments totaling approximately $45,221 under the terms of the interest rate swap agreements. At September 30, 2002, the estimated fair value of the interest rate swap for the Nissan Loan and the Kerr McGee Loan was $(384,855) and $(30,180), respectively. The interest rate swaps are accounted for by mark-to-market accounting on a monthly basis and are included in prepaid and other assets on the accompanying consolidated balance sheet.

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company’s consolidated financial statements.

7. INVESTMENT IN BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

In connection with the purchase of a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the Bond Lease), Wells OP acquired an Industrial Development Revenue Note (the Bond) dated December 20, 1995 in the principal amount of $22 million. As part of the same transaction, Wells OP also acquired a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases (the Bond Deed of Trust), also dated December 20, 1995, which was executed by the Industrial Development Board in order to secure the Bond. Beginning in 2006, the holder of the Bond Lease has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100 plus satisfaction of the indebtedness evidenced by the Bond. Because Wells OP is technically subject to the obligation to pay the $22 million indebtedness evidenced by the Bond, the obligation to pay the Bond is carried on the Company’s books as a liability. However, since Wells OP is also the owner of the Bond, the Bond is also carried on the Company’s books as an asset.

As part of the transaction to acquire a ground leasehold interest in the ISS Atlanta Buildings, Wells OP was assigned Development Authority of Fulton County Taxable Revenue Bonds totaling $32.5 million, which were originally issued in connection with the development of the ISS Atlanta Buildings (the Bonds). The Bonds entitle Wells OP to certain property tax abatement benefits. Upon payment of the outstanding balance on the Bonds, on or before the expiration of the ground lease on December 1, 2015, fee title interest to the underlying land will be transferred to Wells OP. Because Wells OP is technically subject to the obligation to pay the $32.5 million indebtedness evidenced by the Bond, the obligation to pay the Bonds is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bonds, the Bonds are also carried on the Company's books as an asset.

8. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of $.6 million have been made as of September 30, 2002 toward funding the obligation under the Matsushita agreement.

9. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of $.1 million in each of 2001 and 2002 by payment of a take out fee to Wells OP in an amount equal to 1.25% of its maximum financial obligation under the Ford Motor Credit take out purchase and escrow agreement. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. This pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

Letters of Credit

At September 30, 2002, Wells OP had three letters of credit totaling $19.2 million outstanding from financial institutions, which were not recorded in the accompanying consolidated balance sheet. These letters of credit were required by three of the Company's tenants to ensure completion of the Company's contractual obligations. The Company's management does not anticipate a need to draw on these letters of credit.

Properties under Contract

At September 30, 2002, the Company had three executed contracts for the acquisition of properties totaling $82.0 million. Escrows of $1.3 million have been paid out for these properties and are included in prepaid and other assets on the accompanying consolidated balance sheet.

10. SUBSEQUENT EVENTS

Issuance of Common Stock

From October 1, 2002 through October 25, 2002, the Company has raised approximately $91.5 million through the issuance of 9.1 million shares of common stock in the Company.

Termination Agreement

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Nestle Building for the year ended December 31, 2001. This statement is the responsibility of the Nestle Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Nestle Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Nestle Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
January 21, 2003

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Nestle Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

	2002	2001
	(Unaudited)	
Revenues:		
Base rent	$10,995,810	$14,660,259
Parking	617,318	848,917
Tenant reimbursements	698,210	853,872
Total revenues	12,311,338	16,363,048
Operating expenses	3,914,726	4,968,193
Revenues over certain operating expenses	$ 8,396,612	$ 11,394,855

See accompanying notes.

Nestle Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On December 20, 2002, Wells REIT-Glendale, CA, LLC ("the Company") acquired the Nestle Building from Douglas Emmett Joint Venture ("Douglas Emmett"). The Company, a Georgia limited liability company, was created on December 20, 2002. Wells Operating Partnership, L.P. ("Wells OP') is the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The twenty-story building contains 505,115 square feet of net rentable area and is 100% leased to several tenants, including Nestle USA, Inc. ("Nestle"). Nestle occupies a total of 502,994 square feet, or 99.6%, under a lease ("Nestle Lease") that commenced in August 1990 and expires in August 2010. The remaining square footage is leased to several retail tenants under lease agreements that expire over the next seven years. Douglas Emmett's interests in the Nestle Lease and other retail lease agreements were assigned to the Company upon acquisition of the Nestle Building. Under the Nestle Lease, the tenant is required to pay, as additional rent, its pro rata share of operating expenses over the base year operating allowance established in the first lease year. Operating expenses shall consist of all direct costs of operation and maintenance of the building including, but not limited to, real estate taxes, water and sewer charges, utilities, janitorial services, security and labor. Additionally, the Nestle Lease entitles Nestle to a specified number of parking spaces, and Nestle is required to pay monthly rental payments for the spaces which the Company records as parking revenues. The Company will be responsible for maintaining and repairing the Nestle Building's roof, foundation, common areas, electrical and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Nestle Building after its acquisition by the Company.

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Notes to Statements of Revenues Over Certain Operating Expenses (Continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 14,939,680
2003	14,950,502
2004	14,963,154
2005	15,508,547
2006	16,591,633
Thereafter	60,926,465
	$137,879,981

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q/A for the period ended September 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2002 has been prepared to give effect to the fourth quarter 2002 acquisitions of the NASA Buildings by Wells REIT-Independence Square, LLC, of which Wells REIT is the sole member, the Caterpillar Nashville Building, the Capital One Richmond Buildings (the "Other Recent Acquisitions") by Wells Operating Partnership, L.P. ("Wells OP"), the Nestle Building by Wells REIT Glendale, CA, LLC, of which Wells OP is the sole member, and the John Wiley Indianapolis Building by Wells XIII-REIT Joint Venture ("Wells XIII-REIT), a joint venture partnership between Wells Real Estate Fund XIII, L.P. and Wells OP, and the first quarter 2003 acquisition of the East Point Buildings (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on September 30, 2002.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the nine months ended September 30, 2002 has been prepared to give effect to the first, second and third quarter 2002 acquisitions of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the nine months ended September 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA BALANCE SHEET
SEPTEMBER 30, 2002
(Unaudited)
ASSETS

	Wells Real Estate Investment Trust, Inc. (i)	Pro Forma Adjustments				Pro Forma Total
		Recent Acquisitions				
			John Wiley Indianapolis	Nestle	East Point	
REAL ESTATE ASSETS, at cost:						
Land	$ 164,190,412	$ 87,755,000 (c) 1,888,098(d) 594,702(e)	$ 0	$ 23,200,000(c) 404,941(e)	$ 2,163,000(c) 88,553(e)	$ 280,284,706
Buildings, less accumulated depreciation of $47,999,655	1,171,793,037	351,806,121 (c) 8,415,460(e)	0	134,446,731(c) 2,346,678(e)	19,916,138(c) 815,367(e)	1,689,539,532
Construction in progress	28,500,195	0	0	0	0	28,500,195
Total real estate assets	1,364,483,644	450,459,381	0	160,398,350	22,983,058	1,998,324,433
CASH AND CASH EQUIVALENTS	143,911,852	(266,478,531)(c) 379,115,394(a) (13,269,039)(b)	(8,928,915)(f)	(67,646,731)(c)	(22,079,138)(c)	144,624,892
INVESTMENT IN JOINT VENTURES	75,388,348	0	9,294,465(g)	0	0	84,682,813
INVESTMENT IN BONDS	54,500,000	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	12,018,601	0	0	0	0	12,018,601
DEFERRED LEASE ACQUISITION COSTS, NET	1,712,541	0	0	0	0	1,712,541
DEFERRED PROJECT COSTS	5,963,370	(1,895,611)(d) (9,002,649)(e) 13,269,039(b)	(365,550)(h)	(2,751,619)(e)	(903,920)(e)	4,313,060
DEFERRED OFFERING COSTS	3,537,361	0	0	0	0	3,537,361
DUE FROM AFFILIATES	2,185,436	0	0	0	0	2,185,436
NOTE RECEIVABLE	4,965,838	0	0	0	0	4,965,838
PREPAID EXPENSES AND OTHER ASSETS, NET	2,597,110	37,764(c)	0	0	0	2,634,874
Total assets	$ 1,671,264,101	$ 552,235,748	$ 0	$ 90,000,000	$ 0	$ 2,313,499,849

LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc. (i)	Pro Forma Adjustments: Other	Recent Acquisitions: John Wiley Indianapolis	Recent Acquisitions: Nestle	Recent Acquisitions: East Point	Pro Forma Total
LIABILITIES:						
Accounts payable and accrued expenses	$ 17,538,820	$ 881,644(c)	$ 0	$ 0	$ 0	$ 18,420,464
Notes payable	35,829,293	172,238,710(c)	0	90,000,000(c)	0	298,068,003
Obligations under capital lease	54,500,000	0	0	0	0	54,500,000
Dividends payable	10,209,306	0	0	0	0	10,209,306
Due to affiliates	4,379,745	0	0	0	0	4,379,745
Deferred rental income	7,893,930	0	0	0	0	7,893,930
Total liabilities	130,351,094	173,120,354	0	90,000,000	0	393,471,448
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 182,608,517 shares issued and 180,891,792 outstanding at September 30, 2002	1,826,086	379,115(a)	0	0	0	2,205,201
Additional paid-in capital	1,621,376,451	378,736,279(a)	0	0	0	2,000,112,730
Cumulative distributions in excess of earnings	(64,907,241)	0	0	0	0	(64,907,241)
Treasury stock, at cost, 1,716,725 shares	(17,167,254)	0	0	0	0	(17,167,254)
Other comprehensive loss	(415,035)	0	0	0	0	(415,035)
Total shareholders' equity	1,540,713,007	379,115,394	0	0	0	1,919,828,401
Total liabilities and shareholders' equity	$ 1,671,264,101	$ 552,235,748	$ 0	$ 90,000,000	$ 0	$ 2,313,499,849

(a) Reflects capital raised through issuance of additional shares subsequent to September 30, 2002 through East Point acquisition date.

(b) Reflects deferred project costs capitalized as a result of additional capital raised described in note (a) above.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(d) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.

(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(f) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the cost to acquire the John Wiley Indianapolis Building.

(g) Reflects Wells Real Estate Investment Trust, Inc.'s contribution to the Wells XIII-REIT Joint Venture, which decreased its interest in the joint venture from 68.29% to 61.28%.

(h) Reflects deferred project costs contributed to the Wells Fund XIII-REIT Joint Venture at approximately 4.094% of purchase price.

(i) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001
(Unaudited)

	Wells Real Estate Investment Trust, Inc. (h)	Pro Forma Adjustments: 2001 Acquisitions	2002 Acquisitions	Recent Acquisitions: Other	John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
REVENUES:								
Rental income	$ 44,204,279	$ 11,349,076(a)	$ 54,615,521(a)	$ 45,317,526(a)	$ 0	$ 16,657,346(a)	$ 1,059,426(a)	$ 173,203,174
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	638,552(b)	0	0	5,471,361
Interest income	1,246,064	0	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	0	137,500
	49,308,802	12,460,926	54,615,521	45,317,526	638,552	16,657,346	1,059,426	180,058,099
EXPENSES:								
Depreciation	15,344,801	5,772,761(c)	22,487,278(c)	14,408,864(c)	0	5,471,736(c)	829,260(c)	64,314,700
Interest	3,411,210	0	0	9,452,460(f)	0	4,399,200(g)	0	17,262,870
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	3,668,343(d)	9,628,878(d)	0	4,114,321(d)	926,011(d)	25,320,711
Management and leasing fees	2,507,188	510,708(e)	2,250,455(e)	482,139(e)	0	711,379(e)	47,674(e)	6,509,543
General and administrative	973,785	0	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	0	448,776
	27,584,835	9,137,744	28,406,076	33,972,341	0	14,696,636	1,802,945	115,600,577
NET INCOME	$ 21,723,967	$ 3,323,182	$ 26,209,445	$ 11,345,185	$ 638,552	$ 1,960,710	$ (743,519)	$ 64,457,522
EARNINGS PER SHARE, basic and diluted	$ 0.43							$ 0.21
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853							303,171,546

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building, the ADIC Buildings and the John Wiley Indianapolis Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Represents interest expense on lines of credit used to acquire assets, which bear interest at approximately 5.488% for the year ended December 31, 2001.

(g) Represents interest expense on mortgage assumed as part of the Nestle Building acquisition, which bears interest at approximately 4.888% for the year ended December 31, 2001.

(h) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(Unaudited)

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (i)	2002 Acquisitions	Other	John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
REVENUES:							
Rental income	$ 66,120,992	$ 42,103,180(a)	$ 33,939,001(a)	$ 0	$ 12,473,951(a)	$ 1,112,123(a)	$ 155,749,247
Operating cost reimbursements	12,853,717	5,976,734(h)	3,062,835(h)	0	698,210(h)	47,499(h)	22,638,995
Equity in income of joint ventures	3,738,046	0	0	487,970(f)	0	0	4,226,016
Interest income	5,075,165	0	0	0	0	0	5,075,165
Take out fee	134,666	0	0	0	0	0	134,666
	87,922,586	48,079,914	37,001,836	487,970	13,172,161	1,159,622	187,824,089
EXPENSES:							
Depreciation	23,185,201	15,039,449(b)	10,806,647(b)	0	4,103,802(b)	621,945(b)	53,757,044
Operating costs	17,108,599	10,179,532	10,532,575(c)	0	3,914,726(c)	742,490(c)	42,477,922
Interest	2,006,458	0	5,310,551(e)	0	2,369,925(g)	0	9,686,934
Management and leasing fees	3,348,210	1,697,775(d)	361,605(d)	0	533,548(d)	50,046(d)	5,991,184
General and administrative	1,866,042	0	0	0	0	0	1,866,042
Amortization of deferred financing costs	586,715	0	0	0	0	0	586,715
	48,101,225	26,916,756	27,011,378	0	10,922,001	1,414,481	114,365,841
NET INCOME	$ 39,821,361	$ 21,163,158	$ 9,990,458	$ 487,970	$ 2,250,160	$ (254,859)	$ 73,458,248
EARNINGS PER SHARE, basic and diluted	$ 0.31						$ 0.24
WEIGHTED AVERAGE SHARES, basic and diluted	128,541,432						303,171,546

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 4.111% for the nine months ended September 30, 2002.

(f) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(g) Represents interest expense on mortgage assumed as part of the Nestle Building acquisition, which bears interest at approximately 3.511% for the nine months ended September 30, 2002.

(h) Consists of operating costs reimbursements.

(i) Historical financial information derived from quarterly report on Form 10-Q/A.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 6 DATED APRIL 14, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, and Supplement No. 5 dated January 15, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the second quarter of 2003;

(3) Revisions to the "ERISA Considerations – Annual Valuation" section of the prospectus;

(4) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the acquisition of a 25-story office building in Detroit, Michigan (150 West Jefferson Detroit Building);

(5) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(6) Updated audited financial statements of the Wells REIT;

(7) Updated unaudited prior performance tables; and

(8) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the 150 West Jefferson Detroit Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of March 31, 2003, we had received additional gross proceeds of approximately $1.0 billion from the sale of approximately 101.4 million shares in our fourth public offering. Accordingly, as of March 31, 2003, we had received aggregate gross offering proceeds of approximately $2.6 billion from the sale of approximately 260.5 million shares in all of our public offerings. After payment of approximately $90.0 million in acquisition and advisory fees and acquisition expenses, payment of $291.4 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $33.9 million pursuant to our share redemption program, as of March 31, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $2.2 billion, out of which approximately $2.1 billion had been invested in real estate properties, and approximately $108.6 million remained available for investment in real estate properties.

Dividends

On March 12, 2003, our board of directors declared dividends for the second quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in June 2003. Our second quarter dividends are calculated on a daily record basis of $0.001922 (0.1922 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on March 16, 2003, and continuing on each day thereafter through and including June 15, 2003.

ERISA Considerations—Annual Valuation

The information contained on page 136 in the "ERISA Considerations—Annual Valuation" section of the prospectus is revised as of the date of this supplement by the deletion of that section in its entirety and the insertion of the following paragraphs in lieu thereof:

Annual Valuation

A fiduciary of an employee benefit plan subject to ERISA is required 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 a report reflecting that value with the Department of Labor. When the fair market value of any particular asset is not available, the fiduciary is required to make a good faith determination of that asset's fair market value assuming an orderly liquidation at the time the determination is made. In addition, a trustee or custodian of an IRA must provide an IRA participant with a statement of the value of the IRA each year. In discharging its obligation to value assets of a plan, a fiduciary subject to ERISA must act consistently with the relevant provisions of the plan and the general fiduciary standards of ERISA.

Unless and until our shares are listed on a national securities exchange or are included for quotation on NASDAQ, it is not expected that a public market for the shares will develop. To date, neither the Internal Revenue Service nor the Department of Labor has promulgated regulations specifying how a plan fiduciary should determine the fair market value of common stock in a corporation in circumstances where the fair market value of the shares is not determined in the marketplace.

We have included in the past and intend to continue to include in the future estimated share values in our annual reports on Form 10-K each year. Currently, we have estimated the value of the shares to be $10 per share, which represents the price per share at which we are currently offering our shares to the public. However, please note that there is no public trading market for the shares at this time, and it is unlikely that you would be able to receive $10 per share if such a market did exist and you sold your shares. In addition, we have not performed an evaluation of our properties and, therefore, this valuation is not based upon the value of our properties, nor does it represent the amount you would receive if our properties were sold and the proceeds distributed to you in a liquidation of the Wells REIT. Such amount would most likely be less than $10 per share as a result of the fact that, at the time we purchase our properties, the amount of funds available for investment in properties is reduced by the approximately 15% to 16% of offering proceeds we raise which is used to pay selling commissions and dealer manager fees, organization and offering expenses and acquisition and advisory fees and expenses.

We previously indicated that we would implement a process by the end of year 2003 to produce estimated valuations of our shares based upon estimating the fair market values of our properties at the end of each year. When we initially determined to implement such a process by the end of 2003, we did not expect we would be continuing to raise substantial new funds through the public offering of our shares in 2003. As noted herein, after the costs associated with raising funds and acquiring properties are taken into account, only approximately 84% to 85% of offering proceeds are available for investment in properties. As a result, so long as we are still in the process of raising significant new funds and acquiring new properties with those funds, it would be expected that, in the absence of other factors affecting property values, our aggregate net asset value would be significantly less than the proceeds of our offerings and may not be the best indicator of the value of shares purchased as a long term income producing investment. Instead, we believe that, during periods in which significant amounts of shares are still being offered and sold to investors, the price paid by such investors may better reflect the estimated value of the shares. Accordingly, as long as we continue to publicly offer our shares, we expect to continue to use the current offering price of our shares as estimated per share value reported in our annual reports on Form 10-K.

Beginning three full fiscal years after we have ceased to sell significant amounts of shares, we will reevaluate the best method to value our shares. Currently, we intend, at that time, to have our advisor begin preparing estimated valuations utilizing the methodology described below and intend to continue to provide reports to plan fiduciaries and IRA trustees and custodians who identify themselves to us and request this information using these valuations. The methodology to be utilized for determining such estimated share values will be for our advisor to estimate the amount a stockholder would receive if our properties were sold at their estimated fair market values at the end of the fiscal year and the proceeds from such sales (without reductions for selling expenses and other costs) were distributed to the stockholders in liquidation. While, in connection with the advisor’s estimated valuations, the advisor will be obtaining a third party opinion that its estimates of value are reasonable, due to the expense involved in obtaining annual appraisals for all of our properties, we do not anticipate that actual appraisals will be obtained. These estimated values for our shares will also be reported in our annual reports on Form 10-K.

You should be cautioned that such valuations will be estimates only and will be based upon a number of assumptions that may not be accurate or complete. As set forth above, we do not anticipate obtaining appraisals for our properties and, accordingly, the advisor’s estimates should not be viewed as an accurate reflection of the fair market value of our properties, nor will they represent the amount of net proceeds that would result from an immediate sale of our properties. In addition, property values are subject to change and can always decline in the future. For these reasons, our estimated valuations should not be utilized for any purpose other than to assist plan fiduciaries in fulfilling their valuation and annual reporting responsibilities. Further, we cannot assure you:

- that the estimated values our advisor prepares could or will actually be realized by us or by our stockholders upon liquidation (in part because estimated values do not necessarily indicate the price at which assets could be sold and because no attempt will be made to estimate the expenses of selling any of our assets);
- that you would be able to realize estimated net asset values if you were to attempt to sell your shares; or
- that the estimated values, or the method used to establish such values, would comply with the ERISA or IRA requirements described above.

Description of Properties

As of March 31, 2003, we had purchased interests in 74 real estate properties located in 23 states. Below is a description of our recent real property acquisition.

150 West Jefferson Detroit Building

On March 31, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a 25-story office building containing approximately 505,417 rentable square feet located at 150 West Jefferson Avenue, downtown Detroit, Michigan (150 West Jefferson Detroit Building) for a purchase price of $93,750,000, from 150 West Jefferson Partners LLC (Seller). Seller is not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc., our advisor.

The 150 West Jefferson Detroit Building was built in 1989 and is located on a 1.527-acre tract of land at 150 West Jefferson Avenue in downtown Detroit, Michigan. The 150 West Jefferson Detroit Building is leased to 17 different tenants. Miller, Canfield, Paddock & Stone (Miller Canfield), Butzel Long PC (Butzel Long) and MCN Energy Group, Inc., formerly known as MCN Corporation (MCN) lease, in the aggregate, approximately 311,285 rentable square feet (61.6%) of the 150 West Jefferson Detroit Building. The other 14 tenants lease approximately 190,863 rentable square feet (37.8%) of the 150 West Jefferson Detroit Building for an aggregate annual base rent payable of approximately $3,900,000. Approximately 3,269 rentable square feet (0.6%) of the 150 West Jefferson Detroit Building is vacant.

Approximately 129,902 rentable square feet of the 150 West Jefferson Detroit Building (25.7%) is leased to Miller Canfield, a law firm with eight offices in the state of Michigan, as well as offices in New York, Florida, Washington, D.C., Canada, and Poland. Miller Canfield, which engages in a variety of practice areas such as litigation, employment, real estate, business and bankruptcy, has approximately 350 attorneys.

The Miller Canfield lease commenced in June 1989 and expires in June 2009, except for the lease of the 14th and 20th floors, which expires in June 2004. The current annual base rent payable under the Miller Canfield lease is $2,335,994. In addition, Miller Canfield leases storage space in the 150 West Jefferson Detroit Building at an annual rate of $38,619. Miller Canfield has the right, at its option, to extend the initial term of its lease for three additional five-year periods at rental rates specified in the Miller Canfield lease, except that Miller Canfield has the right to extend the lease of the 14th and 20th floors for four additional five-year periods. Miller Canfield also has a right of first refusal to lease any additional available space in the 150 West Jefferson Detroit Building. Under the Miller Canfield lease, Miller Canfield is generally responsible for its pro rata share of operating and maintenance costs, including real estate taxes. Wells OP, as the landlord, is also responsible for maintaining and repairing the structural portions and mechanical systems of the 150 West Jefferson Detroit Building.

Approximately 101,147 rentable square feet of the 150 West Jefferson Detroit Building (20.0%) is leased to Butzel Long, a Michigan-based law firm with five offices in Michigan and two offices in Florida. Butzel Long has approximately 200 attorneys and provides services in a wide variety of legal practice areas. Butzel Long serves clients from numerous business sectors, including automotive, manufacturing, banking and financial services, retail and wholesale distribution, insurance, professional services, health care, advertising, media, publishing, technology and computers, marine, transportation, construction, utilities and real estate.

The Butzel Long lease commenced in February 1990 and expires in July 2013. The current annual base rent payable under the Butzel Long lease is $1,770,073. In addition, Butzel Long leases storage space in the 150 West Jefferson Detroit Building at an annual rate of $71,857. Butzel Long has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95%

of the then-current market rental rate. Butzel Long also has a right of first refusal to lease any additional available space accessible by the low rise bank of elevators in the 150 West Jefferson Detroit Building. Under the Butzel Long lease, Butzel Long is responsible for its pro rata share of operating and maintenance costs. Wells OP, as the landlord, is also responsible for maintaining and repairing the structural portions and mechanical systems of the 150 West Jefferson Detroit Building.

Approximately 80,236 rentable square feet of the 150 West Jefferson-Detroit Building (15.9%) is leased to MCN, a wholly-owned subsidiary of DTE Energy Company (DTE), as a result of the acquisition by DTE of all of MCN's stock in May 2001. DTE is a Michigan corporation with corporate headquarters in Detroit, Michigan, and is a leader in the gas and energy service industry. DTE provides approximately 2.1 million customers with electric service and approximately 1.2 million customers with gas service in Michigan. DTE's three main operating units include energy resources, energy distribution, and gas. MCN, through its primary subsidiary, Michigan Consolidated Gas Company, specializes in the natural gas distribution industry.

The MCN lease commenced in February 1994 and expires in January 2006. The current annual base rent payable under the MCN lease is $1,816,027. MCN has the right, at its option, to extend the initial term of its lease for two additional five-year periods at rental rates specified in the MCN lease. Under the MCN lease, MCN is required to pay for its share of real estate taxes and operating expenses relating to its lease of space on the 10th floor of the 150 West Jefferson Detroit Building. Wells OP, as the landlord, is also responsible for maintaining and repairing the structural portions and mechanical systems of the 150 West Jefferson Detroit Building.

Wells Management will manage the 150 West Jefferson Detroit Building on behalf of Wells OP and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the 150 West Jefferson Detroit Building, subject to certain limitations.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained on page 101 in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus is revised as of the date of this supplement by the deletion of that entire section and the insertion of the information below. The following discussion and analysis should also be read in conjunction with our accompanying financial statements and notes thereto.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow. (See generally "Risk Factors.")

REIT Qualification

We have made an election under Section 856 (c) of the Internal Revenue Code of 1986 (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with our taxable year ended December 31, 1998. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially adversely affect our financial position and results of operations. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

General

During the fiscal year ended December 31, 2002, we received aggregate gross offering proceeds of $1,340.3 million from the sale of 134.0 million shares of our common stock. After payment of $46.4 million in acquisition and advisory fees and acquisition expenses, payment of $127.3 million in selling commissions, and payment of $20.5 million in organization and offering expenses, and common stock redemptions of $15.4 million pursuant to our share redemption program, we raised net offering proceeds available for investment in properties of $1,130.7 million during the year ended December 31, 2002.

During the fiscal year ended December 31, 2001, we received aggregate gross offering proceeds of $522.5 million from the sale of 52.3 million shares of our common stock. After payment of $18.1 million in acquisition and advisory fees and acquisition expenses, payment of $58.4 million in selling commissions and organization and offering expenses, and common stock redemptions of $4.1 million pursuant to our share redemption program, we raised net offering proceeds available for investment in properties of $441.8 million during the year ended December 31, 2001.

As of December 31, 2002, we had received aggregate gross offering proceeds from all of our offerings of approximately $2,177.9 million from the sale of 217.8 million shares of our common stock to approximately 58,000 investors. After our payment of $75.5 million in acquisition and advisory fees and acquisition expenses, payment of $206.4 million in selling commissions, payment of $40.0 million in organization and offering expenses, capital contributions to joint ventures and property acquisitions expenditures of $1,808.5 million, and common stock redemptions of $20.9 million pursuant to our share redemption program, we were holding net offering proceeds of $26.6 million available for investment in properties, as of December 31, 2002.

The net decrease in cash and cash equivalents of approximately $30.1 million during the year ended December 31, 2002 is primarily the result of the higher level of investment in real estate as compared to the level of fund raising and borrowing during the period. The increase in cash and cash equivalents of $71.3 million during 2001 is primarily the result of higher levels of fund raising and borrowings as compared to the levels of investment in real estate during those periods.

As of December 31, 2002, we owned interests in 72 real estate properties either directly or through interests in joint ventures. These properties are currently generating operating cash flow sufficient to cover our operating expenses and pay dividends to shareholders. We pay dividends on a quarterly basis. Dividends will be paid to investors who are stockholders as of the record dates selected by our board of directors. We currently calculate quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares. Dividends declared during 2002 and 2001 totaled $0.76 per share in each year. Dividends declared for the fourth quarter of 2002 and the first and second quarters of 2003 were at an annualized rate of $0.70 per share.

Due primarily to the pace of our property acquisitions from late 2001 through 2002, as explained in more detail in the following paragraphs, dividends paid during 2002 in the aggregate amount of approximately $105.0 million exceeded Funds From Operations for the year by approximately $3.2 million. Dividends paid during 2002 also exceeded taxable income of $80.5 million and, accordingly, the company exceeded the minimum distribution requirement to be taxed as a REIT for federal income tax purposes.

We continue to acquire properties that meet our standards and quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused our advisor to add to its internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders. Accordingly, because of the additional time it now takes in the acquisition process for our advisor to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we have been required to lower the dividend yield to our stockholders.

As a result of the factors described in the preceding paragraph, our board of directors declared dividends for the fourth quarter of 2002 and the first and second quarters of 2003 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share.

Dividends to be distributed to our stockholders are determined by our board of directors and are dependent on a number of factors related to the Wells REIT, including funds available for payment of dividends, financial condition, amounts paid for properties, the timing of property acquisitions, capital expenditure requirements and annual distribution requirements in order to maintain our status as a REIT under the Internal Revenue Code.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $104.6 million, $42.3 million, and $7.3 million for the years ended December 31, 2002, 2001, and 2000, respectively. The increase in net cash provided by operating activities was due primarily to the additional net income generated by 32, 11, and 12 properties acquired during the years ended December 31, 2002, 2001, and 2000, respectively. We do not recognize in operations the full annual effect from the properties during the year of acquisition, as the operations of the properties are only included in operations from the date of acquisition. Operating cash flows are expected to increase as we acquire additional properties in future periods and as we obtain the benefit of a full year of operations for properties acquired during the year ended December 31, 2002.

Cash Flows Used In Investing Activities

Comparison of 2002 vs 2001

Our net cash used in investing activities was $1,362.5 million for the year ended December 31, 2002 compared to $274.6 million for the year ended December 31, 2001. The increase in net cash used in investing activities was due primarily to investments in properties, directly and through contributions to joint ventures, and the payment of related deferred project costs. Investments and related deferred project costs totaled $1,369.5 million and $278.8 million for the years ended December 31, 2002 and 2001, respectively. The increase in investments during the year ended December 31, 2002 was due to our ability to increase investor proceeds and identify property investments meeting our objectives. The investment in real estate assets and joint venture cash outflows were partially offset by distributions from joint ventures of $7.4 million and $4.2 million for the years ended December 31, 2002 and 2001, respectively. The increase in distributions from joint ventures is due to the additional investments in joint ventures during the year ended December 31, 2001 in which we recognized a full year's benefit during the year ended December 31, 2002.

Comparison of 2001 vs 2000

Our net cash used in investing activities was $274.6 million and $249.3 million for the years ended December 31, 2001 and 2000, respectively. The increase in net cash used in investing activities was due primarily to investments in properties directly or through contributions to joint ventures, and the payment of related deferred project costs. Investments and related deferred project costs totaled $278.8 million and $252.8 million for the years ended December 31, 2001 and 2000, respectively. Investments in real estate assets and joint venture cash outflows were partially offset by distributions from joint ventures of $4.2 million and $3.5 million for the years ended December 31, 2001 and 2000, respectively.

Cash flows used in investment in real estate assets and joint ventures in future periods will be dependent upon the availability of funds either through capital contributions raised from the sale of stock or debt facilities and the availability of real estate assets or joint venture investments that meet our investment objectives.

The cash flows provided by joint ventures are expected to increase in 2003, when we recognize a full year of benefit for the 2002 joint venture investments. Increases to cash flows provided by joint venture distributions will be dependent upon whether we invest in additional properties through joint ventures in the future as expected cash flows from existing joint ventures are expected to provide nominal increases based on scheduled rent increases.

Cash Flows From Financing Activities

Comparison of 2002 vs 2001

Our net cash provided by financing activities was $1,227.8 million and $303.5 million for the years ended December 31, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital of $1,340.3 million during the year ended December 31, 2002 compared to $522.5 million during the year ended December 31, 2001. The amounts raised were partially offset by the payment of commissions and offering costs totaling $140.5 million and $58.6 million for the years ended December 31, 2002 and 2001, respectively and redemptions of our stock of $15.4 million and $4.1 million for the years ended December 31, 2002, and 2001, respectively.

Additionally, we obtained funds from financing arrangements totaling $212.9 million and $110.2 million and made debt repayments of $62.8 million and $229.8 million for the years ended December 31, 2002 and 2001, respectively. As a result of our increased operations and activities during the years ended December 31, 2002 and 2001, we paid dividends of $105.0 million and $36.7 million, respectively.

Comparison of 2001 vs 2000

Our net cash provided by financing activities was $303.5 million and $243.4 million for the years ended December 31, 2001 and 2000, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital of $522.5 million during the year ended December 31, 2001 compared to $180.4 million for the year ended December 31, 2000. The amounts raised were partially offset by the payment of commissions and offering costs totaling $58.6 million and $22.4 million for the years ended December 31, 2001 and 2000, respectively, and redemptions of our stock of $4.1 million and $1.4 million for the years ended December 31, 2001 and 2000, respectively.

Additionally, we obtained funds from financing arrangements totaling $110.2 million and $187.6 million and made debt repayments of $229.8 million and $83.9 million for the years ended December 31, 2001 and 2000, respectively. As a result of our increased operations and activities during the years ended December 31, 2001 and 2000, we paid dividends of $36.7 million and $17.0 million, respectively.

The amounts of cash provided by and used in financing activities in the future will be dependent upon our ability to raise additional funds from investors and from the ability to secure debt facilities for the acquisition of real estate assets in future periods, and may not be comparable to the amounts of cash provided in past periods.

Results of Operations

As of December 31, 2002, our 72 real estate properties were 98.3% leased. Our results of operations have changed significantly for the years ended December 31, 2002, 2001, and 2000, generally as a result of the 32, 11, and 12 property acquisitions during the years ended December 31, 2002, 2001, and 2000, respectively. We expect that rental income, equity income of joint ventures, tenant reimbursements, operating expenses, management and leasing fees, and net income will each increase in future periods as a result of owning real estate assets acquired in 2002 for a full year and as a result of future acquisitions of real estate assets. Due to the average remaining terms of the long-term leases currently in place at our properties, management does not anticipate significant changes in near-term rental revenues from properties currently owned.

Comparison of 2002 vs 2001

Rental income was $107.5 million and $44.2 million for the years ended December 31, 2002 and 2001, respectively. Tenant reimbursements were $19.0 million and $6.8 million for the years ended December 31, 2002 and 2001, respectively. Tenant reimbursements were equivalent to 70% and 63% of the property operating costs for these respective years. The variance in the costs is dependent upon the terms of the lease agreements for the real estate assets in each year.

Equity in income of joint ventures was $4.7 million and $3.7 million for the years ended December 31, 2002 and 2001, respectively. The increase is primarily a result of recognizing a full year of operations in 2002 for the investments in joint ventures made during 2001. Equity in income of joint ventures is expected to increase in future periods as additional investments in joint ventures are made; however, returns from existing joint venture investments are not expected to change materially from the historical results.

Lease termination income was $1.4 million for the year ended December 31, 2002 compared to $0 for the year ended December 31, 2001. The 2002 activity relates to a single lease termination at the Vertex-Sarasota Building (formerly the Andersen Building), in which, in consideration for releasing Arthur Andersen from its obligations to pay rent under the lease, Arthur Andersen paid Wells OP a termination fee of approximately $1.0 million and conveyed to Wells OP an adjacent parcel of land which we valued at $0.4 million.

Interest and other income was $7.0 million and $1.5 million for the years ended December 31, 2002 and 2001, respectively. Of this amount $2.8 million and $0.5 million was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the related interest expense associated with the bonds. We invest any funds received from stockholders in short-term investments until the funds are invested in real estate asset investments. At certain times during the years ended December 31, 2002 and 2001, we held a significant amount of cash on hand resulting in the relatively high interest income. The level of interest income is dependent upon our ability to find suitable real estate asset investments on a pace consistent with investor proceeds, therefore interest income amounts for the years ended December 31, 2002 and 2001, may or may not be indicative of interest income for future periods.

Depreciation expense was $38.8 million and $15.3 million for the years ended December 31, 2002 and 2001, representing 36% and 35%, of rental income for the respective year. The change between periods is generally due to a change in applicable cost of the real estate assets compared to the straight-line revenues generated by the real estate assets. Operating costs were $26.9 million and $10.9 million for the years ended December 31, 2002 and 2001, representing 21% of the sum of the rental income and tenant reimbursements revenue amounts for each year. Management and leasing fees were $5.2 million, and $2.5 million for the years ended December 31, 2002, and 2001, respectively.

General and administrative costs were $3.2 million and $1.2 million for the years ended December 31, 2002 and 2001, respectively, and legal and accounting expenses were $1.0 million and $0.4 million, for the years ended December 31, 2002 and 2001, respectively. The increase in the expenses are attributable to our increased size over the years, but represent 3% of total revenues for each year ended December 31, 2002 and 2001. In the future, such costs as a percentage of total revenues are expected to be materially consistent with the historical periods, but may change as we continue to grow.

Interest expense and amortization of deferred financing costs was $4.6 million and $4.2 million for the years ended December 31, 2002 and 2001, respectively. Of this amount $2.8 million and $0.5 million was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings for the years ended December 31, 2002 and 2001, respectively, which is offset by the related interest income associated with the bonds as noted above. Interest expense is dependent upon the amount of borrowings outstanding during the period as well as the interest rate. Interest expense payable to third parties (excluding the interest on the bonds) for the year ended December 31, 2002 decreased as compared to the year ended December 31, 2001 due to lower average amounts of borrowings outstanding during the periods as well as lower interest rates.

Comparison of 2001 vs 2000

Rental income revenues were $44.2 million and $20.5 million for the years ended December 31, 2001 and 2000, respectively. Tenant reimbursements were $6.8 million and $2.3 million for the years ended December 31, 2001 and 2000, respectively. Tenant reimbursements were equivalent to 63% and 71% of the property operating costs for the respective years. The variance in the cost is dependent upon the terms of the lease agreements for the real estate assets in each year.

Equity in income of joint ventures was $3.7 million and $2.3 million for the years ended December 31, 2001 and 2000, respectively. The increase is due to the investments in joint ventures during 2001 and recognizing a full year of operations for investments in joint ventures during 2000.

Interest and other income was $1.5 million and $0.6 million for the years ended December 31, 2001 and 2000, respectively. Of this amount $0.5 million and $0 during the years ended December 31, 2001 and 2000, respectively was attributable to interest on the bonds related to the Ingram Micro Building, which is offset by the related interest expense associated with the bonds. We invest any funds received from our stockholders in short-term investments until the funds are placed in real estate asset investments. At certain times during the years ended December 31, 2001 and 2000, we held varying amounts of cash on hand resulting in the increases in interest income between years.

Depreciation expense was $15.3 million and $7.7 million for the years ended December 31, 2001 and 2000, representing 35% and 38% of rental income for the respective year. The change between years is generally due to a change in applicable cost of the real estate assets compared to the straight-line revenues generated by the real estate assets. Operating costs were $10.9 million and $3.2 million for the years ended December 31, 2001 and 2000, respectively, representing 21% and 14%, respectively, of the sum of the rental income and tenant reimbursements revenue amounts. Management and leasing fees were $2.5 million and $1.3 million for the years ended December 31, 2001 and 2000, respectively.

General and administrative costs were $1.2 million and $0.4 million for the years ended December 31, 2001 and 2000, respectively, and legal and accounting expenses were $0.4 million and $0.2 million for the years ended December 31, 2001 and 2000, respectively. The increase in the expenses are attributable to our increased size, but represent 3% of total revenues for each year ended December 31, 2001 and 2000.

Interest expense and amortization of deferred financing costs was $4.2 million for each of the years ended December 31, 2001 and 2000. Of this amount $0.5 million and $0.0 million was attributable to interest on the bonds related to the Ingram Micro Building for the years ended December 31, 2001 and 2000, respectively, which is offset by the related interest income associated with the bonds as noted above. Interest expense is dependent upon the amount of borrowings outstanding during the period as well as the interest rate. Interest expense payable to third parties (excluding the interest on the bonds) for the years ended December 31, 2001 compared to the year ended December 31, 2000 decreased due to a lower average amount of borrowings outstanding during the year as well as lower interest rates.

Subsequent Events

Sale of shares of our common stock

From January 1, 2003 through March 31, 2003, we had raised approximately $426.8 million through the issuance of 42.7 million shares of our common stock.

Redemptions of our common stock

From January 1, 2003 through March 31, 2003, we redeemed approximately 1.3 million shares of our common stock at an aggregate cost of approximately $12.9 million pursuant to its share redemption program. Our current share redemption plan will allow for redemptions totaling $40 million for the year ending December 31, 2003.

Property Acquisitions

On January 9, 2003, Wells OP purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, (the “East Point Buildings”) for a purchase price of $22.0 million, excluding closing costs and acquisition and advisory fees paid to the Advisor. The East Point Buildings, which were built in 2000, are located at 6085 Parkland Boulevard (“East Point I”) and 6095 Parkland Boulevard (“East Point II”) in Mayfield Heights, Cuyahoga County, Ohio. The entire 102,484 rentable square feet of East Point I is leased to Progressive Casualty Insurance Company. East Point II contains approximately 85,251 rentable square feet, of which 70,585 rentable square feet (83%) is currently leased to Austin, Danaher Power Solutions LLC and Moreland Management Co. Approximately 14,666 rentable square feet (17%) of East Point II is vacant.

In connection with the acquisition of the East Point Buildings, we entered into an earn-out agreement, whereby we are required to pay the seller for each new lease fully executed after the date of acquisition of the property but on or before March 31, 2004, or on or before July 31, 2004 if the tenant thereunder is a leasing prospect as defined by the agreement. Payments shall be in the amounts of the anticipated first year’s annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space.

On March 31, 2003, Wells OP purchased a 25-story office building containing approximately 505,417 rentable square feet located in Detroit, Michigan, (the “150 West Jefferson Detroit Building”) for a purchase price of $93.75 million, excluding closing costs and acquisition and advisory fees paid to the Advisor. The 150 West Jefferson Detroit Building, which was built in 1989, is located at 150 West Jefferson Avenue in Detroit, Michigan. Miller, Canfield, Paddock & Stone, Butzel Long PC and MCN Energy Group, Inc., formerly known as MCN Corporation aggregately lease approximately 311,285 rentable square feet of the 150 West Jefferson Detroit Building (61.6%). Approximately 190,863 rentable square feet (37.8%) is leased to an additional 14 tenants. Approximatley 3,269 rentable square feet (0.6%) of the 150 West Jefferson Detroit Building is vacant.

Dividend Declaration

On March 12, 2003, our board of directors declared dividends for the second quarter of 2003 in the amount of a 7.0% annualized percentage return on an investment of $10 per share, payable our shareholders on a daily record basis.

Commitments and Contingencies

Take Out Purchase and Escrow Agreement

We entered into a take out purchase and escrow agreement with an affiliate of our advisor whereby we earn a fee in return for agreeing to purchase any unsold co-tenancy interests related to the Section 1031 exchange program established by an affiliate of our advisor. See Note 8 to our consolidated financial statements included in this supplement for discussion of this potential obligation.

Letters of Credit

We have three unused letters of credit as required by other parties to ensure completion of the our obligations under certain contracts. See Note 8 to our consolidated financial statements included in this supplement for further discussion of the letters of credit.

Property Under Contract

We entered into an agreement to purchase a third building at the ISS Atlanta Buildings development upon completion of construction for $10 million. See Note 8 to our consolidated financial statements included in this supplement for further discussion of the property under contract and related obligations.

Properties Under Construction

We entered into three agreements for the construction and development of certain properties. See Note 8 to our consolidated financial statements included in this supplement for a more detailed discussion of the properties under construction and the related obligation.

Commitments Under Existing Lease Agreements

We entered into lease agreements with tenants that may include provisions that, at the option of the tenants, may require us to incur certain capital costs. See Note 8 to our consolidated financial statements included in this supplement for further discussion of these potential obligations.

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Earn-out Agreements

We entered into a purchase agreement containing an earn-out clause that may result in us being obligated to pay $14.5 million to the seller of a property. See Note 8 to our consolidated financial statements included in this supplement for a more detailed discussion of this potential obligation.

Leasehold Property Obligations

We own certain properties that are subject to ground leases and require us to pay rent in future years. See Note 8 to our consolidated financial statements included in this supplement for further discussion of the lease terms and required payments.

Pending Litigation

We have certain pending litigation related to a dispute over the right to a $750,000 escrow money deposit for a property that was not acquired. See Note 8 to our consolidated financial statements included in this supplement for further discussion of the litigation.

Funds from Operations

Funds from Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with accounting principles generally accepted in the United States (GAAP) excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. Management believes that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO for the three years ended December 31, 2002, 2001, and 2000, respectively:

	December 31, 2002	December 31, 2001	December 31, 2000
FUNDS FROM OPERATIONS:			
Net income	$ 59,854	$ 21,724	$ 8,553
Add:			
Depreciation of real assets	38,780	15,345	7,743
Amortization of deferred leasing costs	303	303	351
Depreciation and amortization—unconsolidated partnerships	2,861	3,212	853
Funds from operations (FFO)	$101,798	$ 40,584	$ 17,500
WEIGHTED AVERAGE SHARES:			
BASIC AND DILUTED	145,633	51,082	21,616

In order to recognize revenues on a straight line basis over the terms of the respective leases, we recognized straight line revenue of $7.6 million, $2.8 million, and $1.7 million during the years ended December 31, 2002, 2001, and 2000 respectively.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases, which would protect us from the impact of inflation. These provisions include reimbursement billings for operating expense pass-through charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

The critical accounting policies outlined below have been discussed with members of our audit committee. There have been no significant changes in the critical accounting policies, methodology, or assumptions in the current period.

Below is a discussion of the accounting policies that management considers to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain. Additional discussion of accounting policies that management considers to be significant, including further discussion of the critical accounting policies described below, is presented in Note 2 to our consolidated financial statements included in this supplement.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant Improvements	Lease term

In the event that management uses inappropriate useful lives or methods for depreciation, our net income would be misstated.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, management adjusts the real estate assets to the fair value and recognizes an impairment loss. We have determined that there has been no impairment in the carrying value of real estate assets we held and any unconsolidated joint ventures at December 31, 2002 and 2001.

Projections of expected future cash flows requires management to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property, and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property's future cash flows and fair value, and could result in the overstatement of our carrying value of real estate assets and net income.

Intangible Lease Asset/Liability

As part of the acquisition of real estate assets, we determine whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of the real estate. As a result of adopting the standards, amounts totaling $12.1 million have been recorded as intangible lease assets and $32.7 million have been recorded as intangible lease liabilities, relating to above and below market lease arrangements for properties acquired in 2002. The intangible assets and liabilities are recorded at their estimated fair market values at the date of acquisition, and are amortized over the remaining term of the respective lease to rental income.

The determination of the estimated fair values of the intangible lease asset or liability requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. If inappropriate estimates with regard to these variables are used, misclassification of assets or liabilities and incorrect calculation of depreciation amounts would occur, which would misstate our net income.

Related Party Transactions and Agreements

We have entered into agreements with our advisor and other affiliates, whereby we pay certain fees or reimbursements to our advisor or such affiliates for acquisition and advisory fees, organization and offering costs, sales commissions, dealer manager fees, property management and leasing fees, and reimbursement of operating costs. See Note 12 to our consolidated financial statements included in this supplement for a discussion of the various related party transactions, agreements, and fees.

Conflicts of Interest

Our advisor is also a general partner in and advisor to various Wells Real Estate Funds. As such, there are conflicts of interest in which the advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets.

Financial Statements

Ernst & Young LLP

The consolidated financial statements of the Wells REIT, as of and for the year ended December 31, 2002, and Schedule III—Real Estate Assets and Accumulated Depreciation as of December 31, 2002, included in this supplement and elsewhere in the registration statement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Arthur Andersen LLP

The consolidated financial statements of the Wells REIT, as of December 31, 2001 and 2000, and for each of the two years in the period ended December 31, 2001, and Schedule III—Real Estate Investments and Accumulated Depreciation as of December 31, 2001, included in this supplement and elsewhere in the registration statement, were audited by Arthur Andersen LLP (Andersen), independent public accountants, as indicated in their report with respect thereto, and are included in this supplement in reliance upon the authority of said firm as experts in giving said report.

Andersen ceased operations during 2002 and, accordingly, has not reissued their report related to previously audited financial statements. Additionally, Andersen has not consented to the use of their report related to previously audited financial statements. Events arising out of the ceased operations of Andersen may adversely affect the ability of Andersen to satisfy any potential claims that may arise out of Andersen's audits of the financial statements contained in this supplement. In addition, our inability to obtain a consent from Andersen may also adversely affect your ability to pursue potential claims against Andersen.

Prior Performance Tables

The prior performance tables dated as of December 31, 2002, which are included in this supplement and elsewhere in the registration statement, have not been audited.

Unaudited Financial Statements

The pro forma balance sheet of the Wells REIT, as of December 31, 2002 and the pro forma statement of income for the year ended December 31, 2001, which are included in this supplement, have not been audited.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying consolidated balance sheet of Wells Real Estate Investment Trust, Inc. and subsidiaries as of December 31, 2002 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. Our audit also included financial statement Schedule III—Real Estate Assets and Accumulated Depreciation as of December 31, 2002. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit. The financial statements and schedule of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 2001, and for the years ended December 31, 2001 and 2000 were audited by other auditors who have ceased operations, and whose report dated January 25, 2002 expressed an unqualified opinion on those financial statements and schedule before the restatement adjustments and disclosures described in Note 2.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wells Real Estate Investment Trust, Inc. and subsidiaries at December 31, 2002 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related 2002 financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed above, the financial statements of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 2001 and for the years ended December 31, 2001 and 2000 were audited by other auditors who have ceased operations. As described in Note 2, these financial statements have been restated. We audited the adjustments described in Note 2 that were applied to restate the 2001 and 2000 financial statements. Our procedures included (a) agreeing the amounts in the restatement adjustments columns to the corresponding accounts maintained in the underlying records of the Company, and (b) testing the application of the adjustments to the historical amounts. In our opinion, such adjustments are appropriate and have been properly applied. Additionally, as described in Note 2, these financial statements have been revised to include disclosure of the number of weighted average shares outstanding for the years ended December 31, 2001 and 2000 on the consolidated statements of income. Our audit procedures with respect to this disclosure included recalculating the number of weighted average shares outstanding for the years ended December 31, 2001 and 2000 by dividing the net income amount previously reported on the consolidated statements of income in 2001 and 2000 by the earnings per share amount previously reported on the consolidated statements of income in 2001 and 2000. In our opinion, the disclosure of the number of weighted average shares outstanding on the consolidated statements of income for the years ended December 31, 2001 and 2000 is appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of Wells Real Estate Investment Trust, Inc. and subsidiary other than with respect to such restatement adjustments and disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

As discussed in Note 2, in 2002 the Company adopted Statement of Financial Accounting Standards No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets".

/s/ Ernst & Young LLP

Atlanta, Georgia
January 24, 2003

(The following is a copy of the audit report previously issued by Arthur Andersen LLP in connection with the consolidated financial statements of Wells Real Estate Investment Trust, Inc. (Wells REIT) included in the previous year's Form 10-K for the fiscal year ended December 31, 2001. This audit report has not been reissued by Arthur Andersen in connection with the filing of the Wells REIT Form 10-K for the fiscal year ended December 31, 2002.)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying consolidated balance sheets of **WELLS REAL ESTATE INVESTMENT TRUST, INC.** (a Maryland corporation) **AND SUBSIDIARY** as of December 31, 2001 and 2000 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. 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 position of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 2001 and 2000 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule III—Real Estate Investments and Accumulated Depreciation as of December 31, 2001 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 25, 2002

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2002 and 2001

(in thousands, except share amounts)

ASSETS

	2002	2001
REAL ESTATE ASSETS, at cost:		
Land	**$ 279,185**	$ 86,247
Buildings and improvements, less accumulated depreciation of $63,594 and $24,814 at December 31, 2002 and 2001, respectively	**1,683,036**	472,383
Construction in progress	**42,746**	5,739
Total real estate assets	**2,004,967**	564,369
INVESTMENTS IN JOINT VENTURES	**83,915**	77,410
CASH AND CASH EQUIVALENTS	**45,464**	75,586
RENT RECEIVABLE	**19,321**	6,003
DEFERRED PROJECT COSTS	**1,494**	2,977
DUE FROM AFFILIATES	**1,961**	1,693
PREPAID EXPENSES AND OTHER ASSETS, net	**4,407**	718
DEFERRED LEASE ACQUISITION COSTS, net	**1,638**	1,525
INTANGIBLE LEASE ASSET	**12,060**	—
INVESTMENTS IN BONDS	**54,500**	22,000
Total assets	**$2,229,727**	$ 752,281

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LIABILITIES AND SHAREHOLDERS' EQUITY

	2002	2001
LIABILITIES:		
Notes payable	**$ 248,195**	$ 8,124
Obligations under capital leases	**54,500**	22,000
Intangible lease liability	**32,697**	—
Accounts payable and accrued expenses	**24,580**	8,727
Due to affiliate	**15,975**	2,166
Dividends payable	**6,046**	1,059
Deferred rental income	**11,584**	662
Total liabilities	**393,577**	42,738
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	**200**	200
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000,000 shares authorized, 217,790,874 shares issued, and 215,699,717 shares outstanding at December 31, 2002 and 125,000,000 shares authorized, 83,761,469 shares issued and 83,206,429 shares outstanding at December 31, 2001	**2,178**	838
Additional paid-in capital	**1,929,381**	738,236
Cumulative distributions in excess of earnings	**(74,310)**	(24,181)
Treasury stock, at cost, 2,091,157 shares at December 31, 2002 and 555,040 shares at December 31, 2001	**(20,912)**	(5,550)
Other comprehensive loss	**(387)**	—
Total shareholders' equity	**1,835,950**	709,343
Total liabilities and shareholders' equity	**$2,229,727**	$752,281

See accompanying notes.

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**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000

(in thousands, except per share amounts)

	2002	2001	2000
REVENUES:			
Rental income	**$107,526**	$ 44,204	$ 20,505
Tenant reimbursements	**18,992**	6,830	2,318
Equity in income of joint ventures	**4,700**	3,721	2,294
Lease termination income	**1,409**	—	—
Interest and other income	**7,001**	1,521	574
	139,628	56,276	25,691
EXPENSES:			
Depreciation	**38,780**	15,345	7,743
Interest expense	**4,638**	4,181	4,200
Property operating costs	**26,949**	10,901	3,206
Management and leasing fees	**5,155**	2,507	1,310
General and administrative	**3,244**	1,169	439
Legal and accounting	**1,008**	449	240
	79,774	34,552	17,138
NET INCOME	**$ 59,854**	$ 21,724	$ 8,553
EARNINGS PER SHARE:			
Basic and diluted	**$ 0.41**	$ 0.43	$ 0.40
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic and diluted	**145,633**	51,082	21,616

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000

(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock		Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
BALANCE, December 31, 1999	13,471	$ 135	$ 117,738	$ (1,857)	$ —	—	$ —	$ —	$ 116,016
Issuance of common stock	18,039	180	180,207	—	—	—	—	—	180,387
Treasury stock purchased	—	—	—	—	—	(141)	(1,413)	—	(1,413)
Dividends ($0.73 per share)	—	—	—	(7,276)	(8,553)	—	—	—	(15,829)
Sales commissions and dealer manager fees	—	—	(17,003)	—	—	—	—	—	(17,003)
Other offering costs	—	—	(5,369)	—	—	—	—	—	(5,369)
Net income	—	—	—	—	8,553	—	—	—	8,553
BALANCE, December 31, 2000	31,510	315	275,573	(9,133)	—	(141)	(1,413)	—	265,342
Issuance of common stock	52,251	523	521,994	—	—	—	—	—	522,517
Treasury stock purchased	—	—	—	—	—	(414)	(4,137)	—	(4,137)
Dividends ($0.76 per share)	—	—	—	(15,048)	(21,724)	—	—	—	(36,772)
Sales commissions and dealer manager fees	—	—	(49,246)	—	—	—	—	—	(49,246)
Other offering costs	—	—	(10,085)	—	—	—	—	—	(10,085)
Net income	—	—	—	—	21,724	—	—	—	21,724
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	—	(555)	(5,550)	—	709,343
Issuance of common stock	**134,030**	**1,340**	**1,338,953**	—	—	—	—	—	**1,340,293**
Treasury stock purchased	—	—	—	—	—	**(1,536)**	**(15,362)**	—	**(15,362)**
Dividends ($0.76 per share)	—	—	—	**(50,129)**	**(59,854)**	—	—	—	**(109,983)**
Sales commissions and dealer manager fees	—	—	**(127,332)**	—	—	—	—	—	**(127,332)**
Other offering costs	—	—	**(20,476)**	—	—	—	—	—	**(20,476)**
Components of comprehensive income:									
Net income	—	—	—	—	**59,854**	—	—	—	**59,854**
Loss on interest rate swap	—	—	—	—	—	—	—	**(387)**	**(387)**
Comprehensive income									**59,467**
BALANCE, December 31, 2002	**217,791**	**$ 2,178**	**$ 1,929,381**	**$ (74,310)**	**$ —**	**(2,091)**	**$ (20,912)**	**$ (387)**	**$ 1,835,950**

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**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000

(in thousands)

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 59,854**	$ 21,724	$ 8,553
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of joint ventures	**(4,700)**	(3,721)	(2,294)
Depreciation	**38,780**	15,345	7,743
Amortization of deferred financing costs	**845**	770	233
Amortization of deferred lease acquisition costs	**303**	303	351
Land received in lease termination	**(430)**	—	—
Write-off of deferred lease acquisition costs	**—**	62	—
Changes in assets and liabilities:			
Rent receivable	**(13,318)**	(2,222)	(2,458)
Due from affiliates	**(185)**	11	(436)
Prepaid expenses and other assets, net	**(3,248)**	3,246	(6,827)
Accounts payable and accrued expenses	**15,853**	6,561	1,942
Deferred rental income	**10,922**	280	146
Due to affiliates	**(104)**	(10)	367
Total adjustments	**44,718**	20,625	(1,233)
Net cash provided by operating activities	**104,572**	42,349	7,320
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate assets	**(1,308,759)**	(227,934)	(231,518)
Contributions to joint ventures	**(8,910)**	(33,691)	(15,064)
Investment in intangible lease asset	**(12,060)**	—	—
Deferred project costs paid	**(39,797)**	(17,220)	(6,264)
Deferred lease acquisition costs paid	**(400)**	—	—
Distributions received from joint ventures	**7,388**	4,239	3,529
Net cash used in investing activities	**(1,362,538)**	(274,606)	(249,317)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	**212,906**	110,243	187,633
Repayments of notes payable	**(62,835)**	(229,782)	(83,899)
Dividends paid to shareholders	**(104,996)**	(36,737)	(16,971)
Issuance of common stock	**1,340,293**	522,517	180,387
Treasury stock purchased	**(15,362)**	(4,137)	(1,413)
Sales commissions and dealer manager fees paid	**(127,332)**	(49,246)	(17,003)
Other offering costs paid	**(13,156)**	(9,313)	(5,369)
Deferred financing costs paid	**(1,674)**	—	—
Net cash provided by financing activities	**1,227,844**	303,545	243,365
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(30,122)**	71,288	1,368
CASH AND CASH EQUIVALENTS, beginning of year	**75,586**	4,298	2,930
CASH AND CASH EQUIVALENTS, end of year	**$ 45,464**	$ 75,586	$ 4,298

See accompanying notes.

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002, 2001 AND 2000

1. Organization

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). The Company was incorporated in 1997 and commenced operations on June 5, 1998.

The Company engages in the acquisition and ownership of commercial real estate properties, throughout the United States, including properties which are under construction, are newly constructed or have operating histories. At December 31, 2002, the Company has invested in commercial and industrial real estate assets, either directly or through joint ventures with real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P., ("Wells OP"), a Delaware limited partnership, and its subsidiaries. Wells OP was formed to acquire, develop, own, lease, and operate real properties on behalf of the Company, either directly, through wholly-owned subsidiaries, or through joint ventures. The Company is the sole general partner in Wells OP and possesses full legal control and authority over the operations of Wells OP. In addition, the Company owns Wells REIT-Independence Square, LLC ("Wells REIT-Independence"), a single member Georgia limited liability company. Wells REIT-Independence was formed for the purpose of acquiring two office buildings located in Washington, D.C. (the "NASA Buildings"). Wells OP, and its subsidiaries, and Wells REIT-Independence comprise the Company's subsidiaries.

The Company has initiated four offerings of the Company's stock as follows:

Offering #	Date Commenced	Termination Date	Gross Proceeds	Shares Issued
1	January 30, 1998	December 19, 1999	$ 132.2 million	13.2 million
2	December 20, 1999	December 19, 2000	$ 175.2 million	17.5 million
3	December 20, 2000	July 26, 2002	$ 1,283.0 million	128.3 million
4	July 26, 2002	Offering will terminate on or before July 25, 2004	$ 587.5 million (through December 31, 2002)	58.8 million (through December 31, 2002)
Total as of December 31, 2002			$ 2,177.9 million	217.8 million

After payment of $75.5 million in acquisition and advisory fees and acquisition expenses to the Advisor, payment of $206.4 million in selling commissions, payment of $40.0 million in organization and offering expenses to the Advisor, investment in real estate assets and joint ventures of $1,808.5 million, and common stock redemptions of $20.9 million pursuant to the Company's share redemption program, the Company was holding net offering proceeds of approximately $26.6 million available for investment in properties at December 31, 2002.

The Company's stock is not listed on a national exchange. However, the Company's Articles of Incorporation currently require that, in the event that the Company's stock is not listed on a national exchange by January 30, 2008, the Company must begin liquidating its investments and distributing the resulting proceeds to the shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company, Wells OP and its subsidiaries, and Wells REIT-Independence. The financial statements of the Company's subsidiaries are prepared using accounting policies consistent with the Company. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Investments in Joint Ventures

The Company and its subsidiaries do not consolidate investments in ventures in which the Company or a subsidiary does not control the venture, including joint ventures requiring consent of both partners for all major decisions, regardless of whether the Company or a subsidiary owns a majority interest in the venture. These investments are accounted for using the equity method of accounting, whereby original investments are recorded at cost, and subsequently adjusted for contributions, distributions, and the investor's share of income or losses of the joint ventures. Allocations of income and loss and distributions by the joint ventures are made in accordance with the terms of the individual joint venture agreements. Generally, these items are allocated in proportion to the partners' respective ownership interests, which approximates economic ownership. Generally, cash distributions are made from the joint ventures to the investor on a quarterly basis.

Real Estate Assets

Real estate assets are stated at cost, less accumulated depreciation. Amounts capitalized to real estate assets consist of the cost of acquisition or construction, and any tenant improvements or major improvements and betterments which extend the useful life of the related asset. All repairs and maintenance are expensed as incurred. Additionally, the Company capitalizes interest when development of a real estate asset is in progress. Approximately $0.8 million, $0.1 million, and $0.2 million of interest was capitalized for the years ended December 31, 2002, 2001, and 2000, respectively.

The estimated useful lives of the Company's real estate assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant Improvements	Lease term

Management continually monitors events and changes in circumstances that could indicate that carrying amounts of real estate assets may not be recoverable. When indicators of potential impairment are present, management assesses the recoverability of the assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future cash flows expected from the use and eventual disposition of the asset. In the event the expected undiscounted future cash flows do not exceed the carrying value, management adjusts the real estate assets to the fair value and recognizes an impairment loss. Management has determined that there has been no impairment in the carrying value of real estate assets held by the Company, its subsidiaries, and any unconsolidated joint ventures to date.

Effective January 1, 2002, the Company adopted the Statement of Financial Accounting Standards No. 144 *"Accounting for the Impairment or Disposal of Long Lived Assets"* ("SFAS 144"), which supersedes Statement of Financial Accounting Standards No. 121 *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of"* ("SFAS 121") and Accounting Principles Board No. 30 *"Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual or Infrequently Occurring Events or Transactions,"* with regard to impairment assessment and discontinued operations respectively. In the current year, adoption of this standard did not have a significant impact on the Company, as SFAS 144 did not significantly change the measurement criteria for impairment under SFAS 121 and no properties were disposed of in the current year resulting in discontinued operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value, and consists of investments in money market accounts. At December 31, 2002 and 2001, there are no restrictions on the use of the Company's cash.

Rent Receivable

Receivables are recognized and carried at original amount earned less a provision for any uncollectible amounts, which approximates fair value. An allowance for uncollectible amounts is made when collection of the full amount is no longer probable. Bad debt expense was $0.1 million, $0.0 million, and $0.0 million for the years ended December 31, 2002, 2001, and 2000, respectively.

Deferred Project Costs

The Company pays certain fees to the Advisor with regard to the acquisition of properties which are capitalized to the cost of the properties and depreciated on the same basis and over the respective useful life of the related asset. Deferred project costs represent costs incurred for properties to be acquired.

Prepaid Expenses and Other Assets, net

Prepaid expenses and other assets include deferred financing costs, prepaid property operating expenses, earnest money amounts, and purchase price escrows. Deferred financing costs are capitalized and amortized to interest expense on a straight-line basis over the terms of the related financing arrangement. Accumulated amortization of deferred financing costs totaled $1.2 million and $1.0 million at December 31, 2002 and 2001, respectively.

Deferred Lease Acquisition Costs

Costs incurred to procure operating leases are capitalized and amortized on a straight-line basis over the terms of the related lease. Accumulated amortization of deferred lease acquisition costs totaled $0.8 million and $0.5 million at December 31, 2002 and 2001, respectively. The related amortization expense for deferred lease acquisition costs was $0.3 million, $0.3 million and $0.4 million for the years ended December 31, 2002, 2001, and 2000, respectively, which is included in management and leasing fees in the consolidated statements of income.

Intangible Lease Asset/Liability

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* and Statement of Financial Accounting Standards No. 142 *"Goodwill and Intangibles"*. These standards govern business combinations and asset acquisitions, and the accounting for acquired intangibles. As part of the acquisition of real estate assets, the Company determines whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of the real estate. As a result of adopting the standards, amounts totaling $12.1 million have been recorded as intangible lease assets and $32.7 million have been recorded as intangible lease liabilities, relating to above and below market lease arrangements for properties acquired in 2002. The intangible assets and liabilities are recorded at their estimated fair market values at the date of acquisition, and are amortized over the remaining term of the respective lease to rental income. The weighted average amortization period for the intangible lease assets and liabilities was approximately 10 years and 9 years, respectively. These intangibles will be amortized as follows:

For the year ending December 31:	Intangible Lease Asset (000s)	Intangible Lease Liability (000s)
2003	$ 1,909	$ 4,144
2004	1,909	4,144
2005	1,807	4,144
2006	677	3,602
2007	677	2,842
Thereafter	5,081	13,821
	$12,060	$32,697

Investments in Bonds and Obligations Under Capital Leases

As a result of certain purchase transactions, the Company has acquired investments in bonds and certain obligations under capital leases. The Company records the bonds and obligations under capital leases at the amounts the Company expects to pay and receive. Because the Company is obligated to pay the indebtedness evidenced by the bonds, the Company has recorded these obligations as liabilities; however, since the Company is also the owner of the bonds, the bonds are carried on the Company's books as assets. The related offsetting interest amounts are recorded as interest income and interest expense in the period that the amounts accrue. See Note 5 for a more detailed discussion of the bonds and obligations under capital leases.

Notes Payable

All loans are measured at the stated principal amount, which approximates fair value. Interest is charged to interest expense as it accrues, except for interest qualifying for capitalization relating to properties under development.

Dividends Payable and Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of the Company's taxable income. The Company intends to make regular quarterly distributions to shareholders. Currently, dividends are declared in advance of the quarter to which they relate based on a daily rate for the upcoming quarter. Thus, shareholders are entitled to receive dividends immediately upon purchase of shares.

Dividends to be distributed to the shareholders are determined by the board of directors of the Company and are dependent upon a number of factors relating to the Company, including funds available for payment of dividends, financial condition, the timing of property acquisitions, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Internal Revenue Code.

Offering and Related Costs

Offering costs are charged by the Advisor for costs incurred by the Advisor for raising capital for the Company. Such costs include legal and accounting fees, printing costs, sales, promotional, and other offering costs. Such costs, as well as sales commissions and dealer manager fees associated with the offering of shares, which are currently 7% and 2.5%, respectively, of gross offering proceeds, are accounted for as a reduction of equity.

Treasury Stock

The Company currently has a share redemption plan in place whereby the Company acquires shares from shareholders, subject to certain limitations. The Company accounts for these share repurchases using the treasury stock method.

Revenue Recognition

All leases on real estate assets held by the Company or its subsidiaries are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the respective leases. Tenant reimbursements are recognized as revenue in the period that the related operating cost is incurred and therefore contractually earned and billable pursuant to the terms of the underlying lease. Rents paid in advance, which do not qualify for revenue recognition, are deferred to future periods.

Revenues earned relating to lease termination agreements are recognized at the time the tenant loses the right to lease the space and when the Company has earned the right to receive such payments.

Stock-Based Compensation

The Company has adopted the disclosure provisions in Statement of Financial Accounting Standards No. 123 *"Accounting and Disclosure for Stock-Based Compensation"* ("SFAS 123"). As permitted by the provisions of SFAS 123, the Company applies Accounting Principles Board Opinion No. *25 "Accounting for Stock Issued to Employees"* ("APB 25") and the related interpretations in accounting for its stock option grants to members of the board of directors, and accordingly, does not recognize compensation cost in the consolidated statements of income but instead provides pro forma disclosure in the notes to the consolidated financial statements. For the years ended December 31, 2002, 2001, and 2000, stock option grants did not have any impact on the consolidated statements of income as the fair value at the date of issue for each grant is estimated at $0.

Earnings Per Share

Earnings per share are calculated based on the weighted average number of common shares outstanding during each period. The weighted average number of common shares outstanding is identical for basic and fully diluted earnings per share. Outstanding stock options and warrants have been excluded from the diluted earnings per share calculation as their impact would be anti-dilutive using the treasury stock method, as the exercise price of the options and warrants exceed the stock offering price.

Financial Instruments

The Company considers its cash, accounts receivable, accounts payable, bonds, obligations under capital leases, notes payable, and interest rate swaps to meet the definition of financial instruments. At December 31, 2002 and 2001, the carrying value of the Company’s financial instruments approximated their fair value. Notes payable bear interest based on variable interest rates that periodically adjust to market or are fixed rate debt that is due within twelve months.

Interest Rate Swap Agreements

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133 *“Accounting for Derivative Instruments and Hedging Activities”* (“SFAS 133”) as amended by Statement of Financial Accounting Standards No. 137 *“Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of SFAS 133”* and Statement of Financial Accounting Standards No. 138 *“Accounting for Certain Derivative Instruments and Certain Hedging Activities.”* SFAS 133 requires recording all derivative instruments as assets or liabilities, measured at fair value in the consolidated balance sheet. The effect of adopting SFAS 133 did not have a material effect on the Company’s consolidated financial statements.

The Company has entered into certain interest rate swap agreements to minimize the Company’s exposure to increases in interest rates on certain variable interest rate agreements. At the time of entering into the agreement and on an ongoing basis, the Company considers effectiveness of the interest rate swap at hedging the Company’s exposure to interest rate fluctuations. The Company recognizes interest rate swap agreements at fair value at each balance sheet date. If the agreement is deemed to effectively hedge the risk, the corresponding change in value is recorded as an adjustment to other comprehensive income. In the event that the swap is not effective, the corresponding change in fair value of the swap is recorded in the consolidated statements of income. Currently, each interest rate swap agreement entered into by the Company has been deemed effective and therefore reflected as a component of other comprehensive income, with no impact on the consolidated statements of income. The fair value of the swap agreements are included in prepaid and other assets or accounts payable and accrued expenses in the consolidated balance sheets. Net receipts and payments are recognized as adjustments to interest expense.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”), and has operated as such beginning with its taxable year ended December 31, 1998. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% (95% in 2000) of the REIT’s ordinary taxable income to shareholders. As a REIT, the Company generally will not be subject to federal income tax on taxable income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income taxes on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service granted the Company relief under certain statutory provisions. Such an event could materially adversely affect the Company’s net income and net cash

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available for distribution to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as the Company made distributions in excess of its taxable income in the years ended December 31, 2002, 2001, and 2000.

Restatement Adjustments and Disclosures

The Company and its joint ventures have historically reported property operating costs net of reimbursements from tenants as an expense in its consolidated statements of income. These costs include property taxes, property insurance, utilities, repairs and maintenance, management fees and other expenses related to the ownership and operation of the Company's properties that are required to be reimbursed by the properties' tenants in accordance with the terms of their leases. In response to FASB Emerging Issues Task Force consensus reached in November 2001, the Company and its joint ventures will now present these reimbursements as revenue and the gross property operating costs as expenses. Consequently, the accompanying consolidated statements of income of the Company for the years ended December 31, 2001 and 2000 have been restated to reflect the effects of this revised presentation.

	2001			2000		
	As Previously Reported (000s)	Restatement Adjustments (000s)	As Restated (000s)	As Previously Reported (000s)	Restatement Adjustments (000s)	As Restated (000s)
Revenues:						
Rental income	$ 44,204	**$ —**	$ 44,204	$ 20,505	**$ —**	$ 20,505
Tenant reimbursements	—	**6,830**	6,830	—	**2,318**	2,318
Equity in income of joint ventures	3,721	—	3,721	2,294	—	2,294
Take out fee	138	**(138)**	—	—	—	—
Interest and other income	1,246	**275**	1,521	574	—	574
	49,309	**6,967**	56,276	23,373	**2,318**	25,691
Expenses:						
Depreciation	15,345	—	15,345	7,743	—	7,743
Interest expense	3,411	**770**	4,181	3,967	**233**	4,200
Amortization of deferred financing costs	770	**(770)**	—	233	**(233)**	—
Property operating costs	4,129	**6,772**	10,901	888	**2,318**	3,206
Management and leasing fees	2,507	—	2,507	1,310	—	1,310
General and administrative	974	**195**	1,169	439	—	439
Legal and accounting	449	—	449	240	—	240
	27,585	**6,967**	34,552	14,820	**2,318**	17,138
Net income	$ 21,724	**$ —**	$ 21,724	$8,553	**$ —**	$8,553

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In addition, the condensed combined statements of income disclosed in Note 4 have also been restated to reflect the effects of this revised presentation.

Since this presentation does not impact the amount of reimbursements received or property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on the financial position, net income, earnings per share or cash flows of the Company.

Furthermore, the statements of income for the years ended December 31, 2001 and 2000 have been revised to include disclosure of the weighted average shares outstanding for the years ended December 31, 2001 and 2000.

3. REAL ESTATE ASSETS

The Company owns 100% interests in the following properties as of December 31, 2002. Operating results of the properties are included in the financial statements of the Company from the date of acquisition.

Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
Nestle Los Angeles (1)	Nestle USA, Inc. Various other tenants	8/2010	Glendale, CA	12/2002	$ 157,000,000	505,115	$ 14,844,799 $ 29,065
Capital One Richmond (2)	Capital One Services, Inc Capital One Services, Inc Capital One Services, Inc.	3/2010 5/2004 2/2010	Glen Allen, VA	11/2002	$ 28,509,000	225,220	$ 786,573 913,076 940,249
Caterpillar Nashville	Caterpillar Financial Services Corporation Thoughtworks, Inc Highwoods Properties, Inc	2/2015 5/2005 9/2005	Nashville, TN	11/2002	$ 61,525,000	312,297	$ 7,384,111 $ 162,944 $ 129,946
NASA	National Aeronautics and Space Administration Office of the Comptroller of the Currency	7/2012 5/2006	Washington, D.C.	11/2002	$ 345,000,000	948,800	$ 21,534,124 $ 12,159,948
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	12/2011	Westlake, TX	9/2002	$ 25,100,000	130,290	$ 2,389,517
Allstate Indianapolis	Allstate Insurance Company Holladay Property Services Midwest, Inc.	8/2012 9/2006	Indianapolis, IN	9/2002	$ 10,900,000	84,200 5,756	$ 1,246,164 $ 74,832
Intuit Dallas	Lacerte Software Corporation	6/2011	Plano, TX	9/2002	$ 26,500,000	166,238	$ 2,461,985
EDS Des Moines	EDS Information Services LLC	4/2012	Des Moines, IA	9/2002	$ 26,500,000	405,000	$ 2,389,500

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Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
Federal Express Colorado Springs	Federal Express Corporation	10/2016	Colorado Springs, CO	9/2002	$ 26,000,000	155,808	$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A.	2/2016	Parsippany, NJ	9/2002	$ 101,350,000	200,000	$ 3,800,000
	Gemini Technology Services	12/2013				204,515	$ 5,726,420
IRS Long Island (3)	IRS Collection	8/2005	Holtsville, NY	9/2002	$ 50,975,000	128,000	$ 5,029,380
	IRS Compliance	12/2011				50,949	$ 1,663,200
	IRS Daycare Facility	9/2004				12,100	$ 486,799
AmeriCredit Phoenix (4) (5)	AmeriCredit Financial Services, Inc.	12/2013	Chandler, AZ	8/2002	$ 24,700,000	153,494	$ 1,609,315
Harcourt Austin	Harcourt, Inc.	6/2016	Austin, TX	8/2002	$ 39,000,000	195,230	$ 3,353,040
Nokia Dallas	Nokia, Inc.	7/2009	Irving, TX	8/2002	$ 119,550,000	228,678	$ 4,413,485
	Nokia, Inc.	12/2010				223,470	$ 4,547,614
	Nokia, Inc.	7/2009				152,086	$ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc.	1/2012	Suwanee, GA	8/2002	$ 11,625,000	73,264	$ 945,106
	Perkin Elmer Instruments, LLC	11/2016				13,955	$ 198,580
BMG Greenville (1)	BMG Direct Marketing, Inc.	12/2010	Duncan, SC	7/2002	$ 26,900,000	473,398	$ 1,394,156
	BMG Music	12/2009				313,380	$ 763,600
Kerr-McGee (1) (4) (5)	Kerr-McGee Oil & Gas Corporation	8/2014	Houston, TX	7/2002	$ 15,760,000	100,000	$ 1,655,000
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	11/2010	San Antonio, TX	7/2002	$ 14,650,000	142,500	$ 1,471,700
ISS Atlanta (6)	Internet Security Systems, Inc.	5/2013	Atlanta, GA	7/2002	$ 40,500,000	238,600	$ 4,055,985
MFS Phoenix	Massachusetts Financial Services Company	7/2011	Phoenix, AZ	6/2002	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	9/2007	Aurora, CO	5/2002	$ 21,060,000	108,240	$ 2,871,069
Agilent Boston (7)	Agilent Technologies, Inc.	9/2011	Boxborough, MA	5/2002	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	10/2010	Allen, TX	5/2002	$ 35,150,000	292,700	$ 3,701,918
BellSouth Ft. Lauderdale (8)	BellSouth Advertising and Publishing Corporation	7/2008	Ft. Lauderdale, FL	4/2002	$ 6,850,000	47,400	$ 765,519
Agilent Atlanta (1)	Agilent Technologies, Inc.	9/2011	Alpharetta, GA	4/2002	$ 15,100,000	66,811	$ 1,368,289
	Koninklijke Philips Electronics N.V.	9/2011				34,396	$ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	3/2012	Lakewood, CO	4/2002	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo (9)	Dana Corporation	10/2021	Kalamazoo, MI	3/2002	$ 41,950,000	147,004	$ 1,842,800
Dana Detroit (9)	Dana Corporation	10/2021	Farmington Hills, MI	3/2002	$ 41,950,000	112,480	$ 2,330,600
Novartis Atlanta (1)	Novartis Opthalmics, Inc.	7/2011	Duluth, GA	3/2002	$ 15,000,000	100,087	$ 1,454,765

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Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc. Newpark Drilling Fluids, Inc.	3/2011 10/2009	Houston, TX	3/2002	$ 22,000,000	103,260 52,731	$ 2,103,285 $ 1,153,227
Vertex Sarasota (formerly, Arthur Andersen) (10)	Vertex Tax Technology	10/2009	Sarasota, FL	1/2002	$ 21,400,000	157,700	$ 621,257
Windy Point I (11)	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Various other tenants	11/2009 7/2009 4/2010 Various	Schaumburg, IL	12/2001	$ 32,225,000	129,157 28,322 22,028 8,884	$ 2,128,503 $ 477,226 $ 393,776 $ 141,010
Windy Point II (11)	Zurich American Insurance	8/2011	Schaumburg, IL	12/2001	$ 57,050,000	300,034	$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	9/2011	Tamarac, FL	12/2001	$ 13,255,000	100,000	$ 1,279,397
Lucent	Lucent Technologies, Inc.	9/2011	Cary, NC	9/2001	$ 17,650,000	120,000	$ 1,854,000
Ingram Micro (6)	Ingram Micro, L.P.	9/2011	Millington, TN	9/2001	$ 21,050,000	701,819	$ 2,035,275
Nissan (1) (4) (5)	Nissan Motor Acceptance Corporation	3/2013	Irving, TX	9/2001	$ 42,259,000	268,290	$ 4,225,860
IKON	IKON Office Solutions, Inc.	4/2010	Houston, TX	9/2001	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	3/2011	Quincy, MA	7/2001	$ 49,563,000	234,668	$ 6,922,706
Metris Minnesota (1)	Metris Direct, Inc.	12/2011	Minnetonka, MN	12/2000	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc. SYSCO Corporation	12/2010 9/2008	Houston, TX	12/2000	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield (1)	Motorola, Inc.	10/2010	S. Plainfield, NJ	11/2000	$ 33,648,156	236,710	$ 3,324,428
Delphi (1)	Delphi Automotive Systems, LLC	4/2007	Troy, MI	6/2000	$ 19,800,000	107,193	$ 1,955,520
Avnet (1) (8)	Avnet, Inc.	4/2010	Tempe, AZ	6/2000	$ 13,250,000	132,070	$ 1,516,164
Motorola Tempe (8)	Motorola, Inc.	8/2005	Tempe, AZ	3/2000	$ 16,000,000	133,225	$ 2,054,329
ASML (1) (8)	ASM Lithography, Inc.	6/2013	Tempe, AZ	3/2000	$ 17,355,000	95,133	$ 1,927,788
Dial (1)	Dial Corporation	8/2008	Scottsdale, AZ	3/2000	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	1/2010	Tulsa, OK	2/2000	$ 12,700,000	101,100	$ 1,187,925
Cinemark (1)	Cinemark USA, Inc. The Coca-Cola Company	12/2009 11/2006	Plano, TX	12/1999	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,406,268

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Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
Videojet Technologies Chicago (1)	Videojet Technologies, Inc.	11/2011	Wood Dale, IL	9/1999	$ 32,630,940	250,354	$ 3,376,743
Alstom Power Richmond (4) (1)	Alstom Power, Inc.	7/2007	Midlothian, VA	7/1999	$ 11,400,000	99,057	$ 1,244,501
Matsushita (4) (1)	Matsushita Avionics Systems Corporation	1/2007	Lake Forest, CA	3/1999	$ 18,431,206	144,906	$ 1,998,768
AT&T Pennsylvania (1)	Pennsylvania Cellular Telephone Corp.	11/2008	Harrisburg, PA	2/1999	$ 12,291,200	81,859	$ 1,468,529
Eisenhower Boulevard (formerly, PwC) (1)	IBM (formerly, PricewaterhouseCoopers, LLP)	12/2008	Tampa, FL	12/1998	$ 21,127,854	130,091	$ 2,093,382

(1) Property is security for a debt facility.
(2) The previous owner has provided a guarantee of the Capital One leases for a specified period subsequent to the acquisition of the buildings, whereby the previous owner agrees to pay any rental shortfall, but also has the right to repurchase one of the buildings under certain terms.
(3) Excludes space subject to earn-out agreement.
(4) Includes the actual costs incurred or estimate to be incurred by Company to develop and construct the building in addition to the purchase price of the land.
(5) The related lease agreement and annual rent for the Americredit Phoenix, Kerr McGee and Nissan Properties do not take effect until construction of the building is completed and the tenant is occupying the building.
(6) Property is subject to capital lease obligation.
(7) In connection with the acquisition of the property, the Company assumed the obligation as landlord to provide the tenant $3.4 million for tenant improvements, of which $1.1 million had not been incurred at December 31, 2002.
(8) Property is subject to operating ground lease obligation.
(9) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.
(10) At December 31, 2002, 111,000 square feet, or approximately 70%, of the property was vacant and unleased as a result of the Company negotiating a lease termination agreement with the former tenant whereby the Company received approximately $1.0 million in cash and a 1.3 acre tract of land adjacent to the property which is used for parking.
(11) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

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4. INVESTMENTS IN JOINT VENTURES

At December 31, 2002, the Company, through its ownership in Wells OP, owns interests in certain properties through joint ventures with affiliates as outlined below:

Joint Venture	Joint Venture Partners	Ownership Percentage	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells OP Wells Real Estate Fund XIII, L.P.	61%	AmeriCredit Building ADIC Buildings John Wiley Building
Fund XII-REIT Joint Venture	Wells OP Wells Real Estate Fund XII, L.P.	55%	Siemens Building AT&T Oklahoma Buildings Comdata Building
Fund XI-XII-REIT Joint Venture	Wells OP Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	57%	EYBL CarTex Building Sprint Building Johnson Matthey Building Gartner Building
Fund IX-X-XI-REIT Joint Venture	Wells OP Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	4%	Alstom Power Knoxville Building Ohmeda Building Interlocken Building Avaya Building Iomega Building
Wells/Freemont Associates Joint Venture (the “Freemont Joint Venture”)	Wells OP Fund X-XI Joint Venture	78%	Fairchild Building
Wells/Orange County Associates Joint Venture (the “Orange County Joint Venture”)	Wells OP Fund X-XI Joint Venture	44%	Cort Building
Fund VIII-IX-REIT Joint Venture	Wells OP Fund VIII-IX Joint Venture	16%	Quest Building

Details of the properties owned by the Company through Wells OP’s joint venture investments are as follows.

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Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
John Wiley Indianapolis (1)	John Wiley & Sons, Inc.	10/2009	Fishers, IN	12/2002	$ 17,450,000	141,047	$ 1,940,892
	United Student Aid Funds, Inc.	7/2005					$ 223,401
	Robert Half International, Inc.	4/2005					$ 55,500
ADIC (1)	Advanced Digital Information Corporation	10/2011	Parker, CO	12/2001	$ 12,954,213	148,204	$ 1,247,137
AmeriCredit (1)	AmeriCredit Financial Services Corporation	6/2011	Orange Park, FL	7/2001	$ 12,500,000	85,000	$ 1,336,200
Comdata (1)	Comdata Network, Inc.	5/2016	Brentwood, TN	5/2001	$ 24,950,000	201,237	$ 2,458,638
AT&T Oklahoma (1)	AT&T Corp.	8/2010	Oklahoma City, OK	12/2000	$ 15,300,000	103,500	$ 1,242,000
	Jordan Associates, Inc.	12/2008				25,000	$ 294,504
Quest (1)	Quest Software, Inc.	1/2004	Irvine, CA	7/2000	$ 7,193,000	65,006	$ 1,287,119
Siemens (1)	Siemens Automotive Corp.	8/2010	Troy, MI	5/2000	$ 14,265,000	77,054	$ 1,374,643
Gartner (1)	The Gartner Group, Inc.	1/2008	Ft. Myers, FL	9/1999	$ 8,320,000	62,400	$ 830,656
Johnson Matthey (1)	Johnson Matthey, Inc.	6/2007	Wayne, PA	8/1999	$ 8,000,000	130,000	$ 854,750
Sprint (1)	Sprint Communications Company, L.P.	5/2007	Leawood, KS	7/1999	$ 9,500,000	68,900	$ 1,102,400
EYBL CarTex (2)	EYBL CarTex, Inc.	—	Fountain Inn, SC	5/1999	$ 5,085,000	169,510	—
Cort Furniture (1)	Cort Furniture Rental Corporation	10/2003	Fountain Valley, CA	7/1998	$ 6,400,000	52,000	$ 834,888
Fairchild (1)	Fairchild Technologies U.S.A., Inc.	11/2004	Fremont, CA	7/1998	$ 8,900,000	58,424	$ 945,564
Avaya (1)	Avaya, Inc.	1/2008	Oklahoma City, OK	6/1998	$ 5,504,276	57,186	$ 536,977
Iomega (1)	Iomega Corporation	4/2009	Ogden, UT	7/1998	$ 5,025,000	108,250	$ 539,958
Interlocken (3)	GAIAM, Inc.	5/2005	Broomfield, CO	3/1998	$ 8,275,000	51,975	$ 574,464
	ODS Technologies, L.P. Infocenter	9/2003					$ 205,835
		5/2005					$ 69,840
Ohmeda (1)	Ohmeda, Inc.	1/2005	Louisville, CO	2/1998	$ 10,325,000	106,750	$ 1,004,517
Alstom Power Knoxville (1)	Alstom Power, Inc.	11/2007	Knoxville, TN	3/1997	$ 7,900,000	84,404	$ 1,059,522

(1) Property is 100% leased as of December 31, 2002.
(2) The tenant vacated the space in November 2002 and filed for corporate dissolution in December 2002.
(3) Property is 75% leased as of December 31, 2002.

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The investment objectives of each joint venture in which Wells OP is a partner are consistent with those of the Company. Wells OP is acting as the initial administrative venturer, as defined in the respective joint venture agreements, of each of the joint ventures included above, and as such, is responsible for establishing policies and operating procedures with respect to the business and affairs of each of these joint ventures. However, approval of the other joint venturers is required for any major decision or any action that materially affects these joint ventures or their real property investments.

Wells OP's investment balance and percentage ownership in joint ventures at December 31, 2002 and 2001 are summarized as follows:

	2002		2001	
	Amount (000s)	**Percent**	**Amount (000s)**	**Percent**
Fund VIII, IX, and REIT Joint Venture	**$ 1,089**	**16%**	$ 1,189	16%
Fund IX, X, XI, and REIT Joint Venture	**1,246**	**4**	1,290	4
Wells/Orange County Associates	**2,641**	**44**	2,740	44
Wells/Fremont Associates	**6,340**	**78**	6,576	78
Fund XI, XII, and REIT Joint Venture	**16,361**	**57**	17,188	57
Fund XII and REIT Joint Venture	**29,343**	**55**	30,300	55
Fund XIII and REIT Joint Venture	**26,895**	**61**	18,127	68
	$ 83,915		$ 77,410	

The following is a reconciliation of Wells OP's investment in joint ventures for the years ended December 31, 2002 and 2001:

	2002 (000s)	2001 (000s)
Investment in joint ventures, beginning of year	**$77,410**	$ 44,236
Equity in income of joint ventures	**4,700**	3,721
Contributions to joint ventures	**9,275**	35,086
Distributions from joint ventures	**(7,470)**	(5,633)
Investment in joint ventures, end of year	**$83,915**	$ 77,410

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Condensed combined financial information for all joint ventures as of December 31, 2002 and 2001, and for the years ended December 31, 2002, 2001 and 2000 is as follows:

Condensed Combined Balance Sheets

	2002 (000s)	2001 (000s)
Assets:		
Real estate assets	**$178,637**	$166,507
Cash	**4,780**	4,827
Accounts receivable	**2,073**	2,139
Other assets	**556**	692
Total adjustments	**$ 186,046**	$ 174,165
Liabilities and partners' equity		
Accounts payable and accrued expenses	**1,071**	1,152
Distributions payable	**3,777**	3,968
Total liabilities	**4,848**	5,120
Partners' equity	**181,198**	169,045
Total liabilities and partners' equity	**$ 186,046**	$ 174,165

Condensed Combined Statements of Income

	2002 (000s)	2001 (000s)	2000 (000s)
Revenues:			
Rental income	$19,167	$15,931	$10,895
Tenant reimbursements (1)	1,849	2,251(1)	1,768(1)
Other income	46	105	79
Total revenues	**21,062**	18,287	12,742
Expenses:			
Depreciation	6,470	5,516	3,489
Operating expenses (1)	2,898	2,399(1)	1,774(1)
Management and leasing fees	1,123	978	675
Total expenses	**10,491**	8,893	5,938
Net Income	**$ 10,571**	$ 9,394	$ 6,804

(1) Amounts have been restated to reflect tenant reimbursements of $2,251,000 in 2001, and $1,768,000 in 2000 as revenue and gross operating costs as expenses as described in the Restatement Adjustments and Disclosures section of Note 2.

The Company has historically presented the condensed balance sheets, statements of income, statements of partners' capital, and statements of cash flows for each joint venture investment in the notes to the consolidated financial statements, although such disclosure is not required. In prior years, the joint venture investments had a more significant impact on the financial position and results of operations of the Company. However, with the continued acquisition of properties in the current year, the significance of the joint venture investments has been diluted. Management has determined that inclusion of the information presented in prior years is unnecessary due to the insignificance of the joint ventures as a percentage of total assets and net income.

5. INVESTMENTS IN BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

In connection with the purchase of a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the “Ingram Bond Lease”), Wells OP acquired an Industrial Development Revenue Note (the “Ingram Bond”) dated December 20, 1995 in the principal amount of $22 million. As part of the same transaction, Wells OP also acquired a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases (the “Ingram Bond Deed of Trust”), also dated December 20, 1995, which was executed by the Industrial Development Board in order to secure the Ingram Bond. The Ingram Bond Lease expires on December 31, 2026. Beginning in 2006, the Company has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100 plus satisfaction of the indebtedness.

As part of the transaction to acquire a ground leasehold interest in the ISS Atlanta Buildings, Wells OP was assigned Development Authority of Fulton County Taxable Revenue Bonds totaling $32.5 million, which were originally issued in connection with the development of the ISS Atlanta Buildings (the “ISS Bonds”). The ISS Bonds entitle Wells OP to certain property tax abatement benefits. Upon payment of the outstanding balance on the ISS Bonds, on or before the expiration of the ground lease on December 1, 2015, fee title interest to the underlying land will be transferred to Wells OP.

The net carrying value of the ISS Atlanta Buildings and Ingram Micro Building is $62.4 million at December 31, 2002. Depreciation of the assets under capital leases is included with depreciation expense in the consolidated statements of income.

6. BORROWINGS

The Company has financed its investments, acquisitions, and developments through various lenders as described below. On December 31, 2002 and 2001, the Company had the following amounts outstanding:

Facility	2002 (000s)	2001 (000s)
$110 million Bank of America Line of Credit, accruing interest at LIBOR plus 175 basis points (3.31% at December 31, 2002), requiring interest payments monthly with principal due at maturity (May 11, 2004), collateralized by the Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Minnesota Building, the Motorola Plainfield Building, and the Delphi Building	$ 58,000	$ —
$98.138 million SouthTrust Bank Line of Credit, accruing interest at LIBOR plus 175 basis points (3.31% at December 31, 2002), requiring interest payments monthly and principal due at maturity (June 10, 2003); collateralized by the Novartis Building, the Cinemark Building, the Dial Building, the ASML Building, the Alstom Power Richmond Building, the Avnet Building, the Agilent Atlanta Building, and the Eisenhower Boulevard Building (formerly the PWC Building)	61,399	7,655
$90 million note payable to Landesbank Schleswig-Hostein Gironzentrale, Kiel, accruing interest at LIBOR plus 115 basis points, currently locked at 2.53% through July 2, 2003 (2.53% at December 31, 2002), requiring interest payments monthly, with principal due at maturity (December 20, 2006), collateralized by the Nestle Building	90,000	—

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Facility	2002 (000s)	2001 (000s)
$34.2 million construction loan payable to Bank of America, accruing interest LIBOR plus 200 basis points (3.57% at December 31, 2002), requiring interest payments monthly and principal due at maturity (July 30, 2003), collateralized by the Nissan Property (1)	**23,149**	469
$13.7 million construction loan payable to Bank of America, accruing interest at LIBOR plus 200 basis points (3.57% at December 31, 2002), requiring interest payments monthly, with principal due at maturity (January 29, 2004), collateralized by the Kerr-McGee Property (1)	**4,038**	—
$8.8 million note payable to Prudential, accruing interest at 8%, requiring interest and principal payments monthly with any unamortized principal due at maturity (December 15, 2003), collateralized by the BMG Buildings	**8,709**	—
$2.9 million note payable to Prudential, accruing interest at 8.5%, requiring interest payments monthly with principal due at maturity (December 15, 2003), collateralized by the BMG Buildings	**2,900**	—
Total borrowings	**$248,195**	$8,124

(1) The Company has entered into an interest rate swap for this construction loan. Refer to Note 7 for details of the interest rate swap agreements.

The Company's weighted average interest rate at December 31, 2002 for the aforementioned borrowings was approximately 3.3%. Cash paid for interest, including amounts capitalized was $4.2 million for the year ended December 31, 2002.

The following table summarizes the scheduled aggregate principal repayments, for the five years subsequent to December 31, 2002:

For the year ending December 31:	Amount (000s)
2003	$ 96,157
2004	62,038
2005	—
2006	90,000
2007	—
Thereafter	—
Total	$248,195

The debt agreements contain requirements with regard to certain operating and financial covenants, including, but not limited to, maintaining insurance on the properties, distribution limits, and other financial ratios. For the year ended December 31, 2002, the Company was in violation of a debt covenant which limits the amount of the Company's dividend payments to the Company's funds from operations for the period. The lender provided a waiver for this violation for the year ended December 31, 2002. The Company's compliance with this covenant in periods subsequent to December 31, 2002 will be dependent upon the future operations and dividends of the Company. Management projects that distributions will not exceed funds from operations for the year ended December 31, 2003.

7. INTEREST RATE SWAP AGREEMENTS

The Company has entered into interest rate swap agreements with Bank of America in order to hedge its interest rate exposure on the Bank of America construction loans for the Nissan Property (the Nissan Loan) and the Kerr McGee Property (the Kerr McGee Loan). The interest rate swap agreements involve the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. The notional amount of both interest rate swaps is the balance outstanding on the construction loan on the payment date.

The interest rate swap for the Nissan Loan became effective January 15, 2002 and terminates on June 15, 2003. The Company, as the fixed rate payer, has an interest rate of 3.9%, plus 200 basis points. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 5.9% on the Nissan Loan.

The interest rate swap for the Kerr McGee Loan became effective September 15, 2002 and terminates on July 15, 2003. The Company as the fixed rate payer has an interest rate of 2.27%, plus 200 basis points. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 4.27% on the Kerr McGee Loan.

For the year ended December 31, 2002, the Company made interest payments totaling approximately $0.2 million under the terms of the interest rate swap agreements. At December 31, 2002, the combined estimated fair value of the interest rate swaps for the Nissan Loan and the Kerr McGee Loan was approximately $(0.4 million).

8. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

The Advisor and it's affiliates have developed a program (the "Wells Section 1031 Program") involving the acquisition by a subsidiary of Wells Management Company ("Wells Exchange") of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to Wells OP, and following approval of the potential property acquisition by the Company's board of directors, it is anticipated that Wells OP will enter into a take out purchase and escrow agreement or similar contract providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

Ford Motor Credit Transaction

As a part of the initial transaction in the Wells Section 1031 Program, and in consideration for the payment of a take out fee in the amount of $0.1 million to the Company, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001. However, Wells OP was not required to satisfy any of the requirements under the agreement as all co-tenancy interests were sold prior to the extended deadline. The pay off of the loan on April 12, 2002 by Wells Exchange-Federal Drive-Colorado Springs, LLC triggered the release of Wells OP from its prior obligations under the take out agreement. The $0.1 million take out fee was recognized as income in 2001.

Meadow Brook Corporate Park Transaction

The second transaction in the Section 1031 Exchange Program involves the acquisition by Wells Exchange-Meadow Brook Park, Birmingham, LLC ("Wells Exchange-Meadow Brook Park"), a wholly owned subsidiary of Wells Management Company, and resale of co-tenancy interests in two single tenant office buildings each containing approximately 98,216 rentable square feet located in Birmingham, Alabama ("Meadow Brook Corporate Park") currently under lease agreements with Allstate Insurance Company and Computer Sciences Corporation. Wells Exchange-Meadow Brook Park is currently engaged in the offer and sale of co-tenancy interests in the Meadow Brook Corporate Park to 1031 Participants.

In consideration for the payment of a take out fee in the amount of $0.2 million, which was recognized as income in the year ended December 31, 2002, Wells OP entered into a take out purchase and escrow Agreement relating to the Meadow Brook Corporate Park. Pursuant to the terms of the take out purchase and escrow agreement, Wells OP is obligated to acquire, at Wells Exchange-Meadow Brook Park's cost ($0.4 million in cash for each 2.9994% co-tenancy interest), any co-tenancy interests in the Meadow Brook Corporate Park that remain unsold on September 30, 2003.

The obligation of Wells OP under the Take Out Purchase and Escrow Agreement relating to Meadow Brook Corporate Park is secured by a line of credit with Bank of America, N.A. (BOA). If, for any reason, Wells OP fails to acquire any of the co-tenancy interests in the Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or if there is otherwise an uncured default under the interim loan, BOA is authorized to draw down on Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of unsold co-tenancy interests in the Meadow Brook Corporate Park would be deeded to Wells OP. Wells OP's maximum economic exposure in the transaction is $14 million, in which event Wells OP would acquire the Meadow Brook Corporate Park for $14 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. If Wells Exchange-Meadow Brook Park successfully sells 100% of the co-tenancy interests to 1031 participants, Wells OP will not acquire any interest in the Meadow Brook Corporate Park. If some, but not all, of the co-tenancy interests are sold by Wells Exchange-Meadow Brook Park, Wells OP's exposure would be less, and it would end up owning an interest in the property in co-tenancy with 1031 Participants who had previously acquired co-tenancy interests in the Meadow Brook Corporate Park from Wells Exchange-Meadow Brook Park.

Letters of Credit

At December 31, 2002, Wells OP had three unused letters of credit totaling approximately $19.7 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million; $4.8 million; and $0.4 million with expiration dates of February 28, 2004; August 12, 2003; and February 2, 2004; respectively. These amounts are not recorded in the accompanying consolidated balance sheet as of December 31, 2002. These letters of credit were required by three unrelated parties to ensure completion of the Company's obligations under certain earn-out and construction agreements. Management does not anticipate a need to draw on these letters of credit.

Properties Under Contract

At December 31, 2002, the Company has a contract to acquire a third building at the Company's ISS Atlanta Buildings development upon completion of construction for a fixed purchase price of $10.0 million. The property is currently under construction, with an expected completion date in June 2003.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, the Company may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property, or provide other expenditures for the benefit of the tenant, which would then be leased to the tenant upon completion, in favor of additional rental revenue. No such options have been exercised by tenants.

Properties Under Construction

Wells OP has entered into an agreement with an independent third-party general contractor for the purpose of designing and constructing a three-story office building containing 268,290 rentable square feet on the Nissan Property. The construction agreement provides that Wells OP will pay the contractor a fee of $25.3 million for the design and construction of the building, plus $5.6 million for acquisition of the land. Construction commenced in January 2002 and the building was completed in February 2003. Construction was funded through a construction loan with Bank of America (see Note 6). As of December 31, 2002, approximately $25.7 million of costs had been incurred to construct the property, with minimal additional costs incurred subsequently to complete the building.

Wells OP has entered into an agreement with an independent third-party general contractor for the purpose of developing, designing, and constructing the Kerr-McGee Building. The building's completion is projected for July 2003. Construction is being funded through the construction loan with Bank of America (see Note 6). The total anticipated aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning design, development, construction, and completion of the Kerr-McGee Building will total approximately $15.8 million, plus $2.1 million for acquisition of the land. At December 31, 2002, $5.4 million had been incurred.

Wells OP has entered into an agreement with an independent third-party general contractor for the purpose of designing and constructing the Americredit Phoenix Building. Construction commenced in September 2002 with budgeted costs of $24.7 million with scheduled completion in May 2003. The cost of the underlying land was $2.7 million. Construction is being funded through the use of investor proceeds. As of December 31, 2002, approximately $6.3 million of costs had been incurred to construct the property, with an additional $15.7 million of additional costs anticipated to compete the building.

Earn-out Agreements

As part of the acquisition of the IRS Building, the Company entered into an agreement whereby the Company is obligated to pay the seller an additional $14.5 million if the Company or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, the Company is released from any obligation to pay this additional purchase consideration. The 26% of the building that was unleased at the time of acquisition remains unleased at December 31, 2002.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet, and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083, and 2049, respectively. Required payments, under the terms of the leases are as follows at December 31, 2002, in thousands:

	Amount (000s)
2003	$ 726
2004	726
2005	726
2006	726
2007	726
Thereafter	92,366
Total	$95,996

Ground rent expense for the years ended December 31, 2002, 2001, and 2000 was approximately $0.7 million, $0.7 million, and $0.5 million, respectively. The net book value of the related land improvements subject to operating leases is $50.3 million at December 31, 2002.

Pending Litigation

In the normal course of business, the Company and its subsidiaries may become subject to litigation or claims. In November 2002, Shoreview Associates LLC (“Shoreview”), the owner of an office building located in Ramsey County, Minnesota that Wells OP had contracted to purchase, filed a lawsuit against Wells OP in state court in Minnesota alleging that Shoreview was entitled to the $750,000 in earnest money that Wells OP had deposited under the contract. Wells OP has filed a counterclaim in the case asserting that it is entitled to the $750,000 earnest money deposit. Procedurally, Wells OP had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

9. SHAREHOLDERS' EQUITY

General

Under the Company's Articles of Incorporation, the total number of shares of stock authorized for issuance is 1 billion, consisting of 750 million common shares, 100 million preferred shares, and 150 million shares-in-trust, each as defined by the Company's Articles of Incorporation as amended and restated on June 26, 2002.

The common shares shall have a par value of $0.01 per share and shall entitle the holders to one vote per share on all matters upon which shareholders, subject to the express terms of any series preferred shares, are entitled to vote pursuant to the Articles of Incorporation.

The Company is authorized to issue one or more series of preferred shares. Prior to the issuance of such shares, the board of directors shall fix the number of shares outstanding to be included in each series, and the designation, preferences, terms, rights, restrictions, limitations and qualifications and terms and conditions of redemption of the shares of each class or series. As of December 31, 2002, the Company has not issued any preferred shares.

In order to ensure that certain ownership restrictions are not violated and the Company's REIT status is not violated, the Articles of Incorporation of the Company authorize the Company to issue certain shares-in-trust and exchange these for such shares causing violation. Such shares shall be deemed transferred to and held in a trust established on behalf of the violator and administered by the trustee, as defined in the Articles of Incorporation. Such shares-in-trust shall be issued and outstanding stock of the Company and are entitled to the same rights and privileges as all other shares of the same class or series, except that the trust will receive all distributions on such shares, the trustee will be entitled to the vote associated with the shares-in-trust, and shares-in-trust are not transferable. Upon liquidation, such shares-in-trust shall be treated consistently with all other shares of the same class or series. As of December 31, 2002, the Company has not issued any shares-in-trust.

2000 Employee Stock Option Plan

On June 28, 2000, the shareholders approved the 2000 Employee Stock Option Plan of Wells Real Estate Investment Trust, Inc. (the "Employee Option Plan"), which provides for grants of "non-qualified" stock options to be made to selected employees of Wells Capital and Wells Management, subject to the discretion of the Compensation Committee and the limitations of the Employee Option Plan. A total of 750,000 shares have been authorized and reserved for issuance under the Employee Option Plan. At December 31, 2002, no stock options have been granted or exercised under the Employee Stock Option Plan; therefore, 750,000 shares are available for issue.

The exercise price for the employee options shall be the greater of (1) $11.00 per share, or (2) the Fair Market Value, as defined in the Employee Option Plan, of the shares on the date the option is granted. The Compensation Committee has the authority to set the term and vesting period of the stock option except that no option shall have a term greater than five years from the later of (1) the date the Company's shares are listed on a national securities exchange, or (2) the date the stock option is granted. In the event that the Compensation Committee determines that the potential benefits of the stock options may be inappropriately diluted or enlarged as a result of a certain corporate transaction or event, the Compensation Committee may adjust the number and kind of shares or the exercise price with respect to any option. Upon exercise, the employee agrees to remain in the employment of Wells Capital or Wells Management for a period of one year after the date of grant. No stock option may be exercised if such exercise would jeopardize the Company's status as a REIT under the Internal Revenue Code. No option may be sold, pledged, assigned or transferred by an employee in any manner other than by will or the laws of descent or distribution.

Independent Director Stock Option Plan

On June 16, 1999, the shareholders approved the Wells Real Estate Investment Trust, Inc. Independent Director Stock Option Plan ("the Independent Director Plan"), which provides for grants of stock to be made to independent non-employee directors of the Company. A total of 100,000 shares have been authorized and reserved for issuance under the Independent Director Plan. At December 31, 2002, 41,000 options have been granted, with 59,000 available to be granted.

Options to purchase 2,500 shares of common stock at the greater of (1) $12 per share or (2) the Fair Market Value, as defined in the Independent Director Plan, are granted upon initially becoming an independent director of the Company, or at the date of the approval of the Independent Stock Option Plan for existing independent directors. Of these shares, 20% are exercisable immediately on the date of grant. An additional 20% of these shares become exercisable on each anniversary following the date of grant for a period of four years. Additionally, effective on the date of each annual meeting of shareholders of the Company, beginning in 2000, each independent director will be granted an option to purchase 1,000 additional shares of common stock. These options are 100% exercisable at the completion of two years of service after the date of grant. All options granted under the Independent Director Plan expire no later than the date immediately following the tenth anniversary of the date of grant and may expire sooner in the event of the disability or death of the independent director or if the independent director ceases to serve as a director. In the event that the potential benefits of the stock options may be inappropriately diluted or enlarged as a result of a certain corporate transaction or event, a corresponding adjustment to the consideration payable with respect to all stock options shall be made. No option may be sold, pledged, assigned or transferred by an independent director in any manner other than by will or the laws of descent or distribution.

A summary of the Company's stock option activity for the years ended December 31, 2002, 2001, and 2000 is as follows:

	Number	Exercise Price	Exercisable
Outstanding at December 31, 1999	17,500	$ 12	
Granted in 2000	7,000	12	
Outstanding at December 31, 2000	24,500	12	7,000
Granted in 2001	7,000	12	
Outstanding at December 31, 2001	31,500	12	10,500
Granted in 2002	9,500	12	
Outstanding at December 31, 2002	41,000	12	21,500

For SFAS 123 purposes, the fair value of each stock option for 2002, 2001, and 2000 has been estimated as of the date of the grant using the Black-Scholes minimum value method. The weighted average risk-free interest rates assumed for 2002, 2001 and 2000 were 4.57%, 5.05% and 6.45%, respectively. Projected future dividend yields of 7.0%, 7.8% and 7.3% were estimated for the options granted in 2002, 2001, and 2000, respectively. The expected life of an option was assumed to be six, six, and four years for 2002, 2001, and 2000, respectively. Based on these assumptions, the fair value of the options granted during the years ended December 31, 2002, 2001, and 2000 is $0. All options granted have an exercise price of $12 per share. The weighted average contractual remaining life for options that are exercisable at December 31, 2002 was approximately 8.7 years.

Independent Director Warrant Plan

The Independent Director Warrant Plan (the "Independent Director Warrant Plan"), was approved by the shareholders on June 28, 2000, providing for the issuance of one warrant to purchase common stock for every 25 shares of common stock purchased by the independent director. A total of 500,000 warrants have been authorized and reserved for issuance under the Independent Director Warrant Plan. The exercise price of the warrants shall be $12 per share. No warrant may be sold, pledged, assigned or transferred by an independent director in any manner other than by the laws of descent or distribution. At December 31, 2002, approximately 5,000 warrants have been earned under the Independent Director Warrant Plan, but no warrants have been issued under the Independent Director Warrant Plan.

Dividend Reinvestment Plan

During 1999, the Company's board of directors authorized a dividend reinvestment plan (the "DRP"), through which common shareholders may elect to reinvest an amount equal to the dividends declared on their common shares into additional shares of the Company's common stock in lieu of receiving cash dividends. The shares may be purchased at a fixed price per share and participants in the DRP may purchase fractional shares so that 100% of the dividends will be used to acquire shares of the Company's stock. With respect to such shares, the Company will pay selling commissions of 7%, a dealer manager fee of 2.5%, organization and offering costs of up to 3% of the reinvestment, acquisition and advisory fees and expenses of 3.5% of the purchase price, which is consistent with the costs paid in connection with the current offering of shares of the Company's common stock. The board of directors, by majority vote, may amend or terminate the DRP for any reason upon 10 days notice to the participants of the DRP.

Share Redemption Program

As the Company's stock is currently not listed on a national exchange, there is no market for the Company's stock. As a result, there is risk that a shareholder may not be able to sell the Company's stock at a time or price acceptable to the shareholder. During 2000, the Company's board of directors authorized a common stock redemption plan for investors who held the shares for more than one year, subject to the limitation that aggregate shares redeemed under the plan could not exceed the lesser of (i) the amount reinvested in the Company's common shares through the DRP, less shares already redeemed, or (ii) 3% of the average common shares outstanding during the preceding year. The Company has no obligation to repurchase shares under its share redemption program. Shares redeemed under the share redemption program are purchased by the Company at the amount contributed by the shareholder, including any commissions paid at issuance. During 2002, 2001, and 2000, the Company repurchased 1.5 million; 0.4 million; and 0.1 million of its own common shares at an aggregate cost of $15.3 million; $4.1 million; and $1.4 million, respectively. These transactions were funded with cash on hand and did not exceed any of the foregoing limitations. At the time of such redemption, Wells Investment Securities, Inc. ("WIS") has refunded to the Company the 2.5% commission earned upon the issuance of such shares. The board of directors, by majority vote, may amend or terminate the Company's share redemption program at any time.

Dealer Warrant Plan

Under the terms of each offering of the Company's stock, warrants to purchase shares of the Company's stock were delivered to WIS. Currently such warrants are issued in book form only and warrant certificates are not issued. For each warrant, the warrant-holder shall have the right to purchase one share from the Company at a price of $12 during the time period beginning one year from the effective date of the respective offering and ending on the date five years after the effective date. Warrants outstanding as of December 31, 2002 for the first, second, third, and fourth offerings to date are approximately 0.5 million, 0.7 million, 4.7 million, and 1.1 million, respectively. As of December 31, 2002, no warrants have been exercised under the plan.

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10. SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES

Outlined below are significant non-cash transactions for the years ended December 31, 2002, 2001, and 2000:

	2002 (000s)	2001 (000s)	2000 (000s)
Deferred project costs applied to real estate assets	**$47,491**	$14,321	$5,114
Deferred project costs contributed to joint ventures	**$ 366**	$ 1,395	$ 628
Deferred project costs applied to lease acquisition costs	**$ 16**	$ —	$ —
Deferred project costs due to affiliate	**$ 7,708**	$ 1,114	$ 191
Deferred offering costs due to affiliate	**$ —**	$ —	$1,291
Reversal of deferred offering costs due to affiliate	**$ —**	$ 965	$ —
Other offering expenses due to affiliate	**$ 8,263**	$ 943	$ —
Assumption of obligation under capital lease and related bonds	**$32,500**	$22,000	$ —
Assumption of debt at property acquisition	**$ 90,000**	$ —	$ —

	2002 (000s)	2001 (000s)	2000 (000s)
Acquisition of intangible lease liability	**$32,697**	$ —	$ —
Dividends Payable	**$ 6,046**	$1,059	$1,025
Due from affiliates	**$ 1,774**	$1,693	$ 250
Write off fully amortized deferred financing costs	**$ 623**	$ —	$ —

11. INCOME TAX BASIS NET INCOME

The Company's income tax basis net income for the years ended December 31, 2002, 2001, and 2000 is calculated as follows:

	2002 (000s)	2001 (000s)	2000 (000s)
GAAP basis financial statement net income	**$ 59,854**	$ 21,724	$ 8,553
Increase (decrease) in net income resulting from:			
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	**17,160**	7,347	3,511
Rental income accrued for income tax purposes in excess of (less than) amounts for financial reporting purposes	**3,578**	(2,735)	(1,822)
Expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	**(71)**	26	38
Income tax basis net income, prior to dividends paid deduction	**$80,521**	$26,362	$10,280

At December 31, 2002, the tax basis carrying value of the Company's total assets was approximately $2,237.2 million.

12. RELATED-PARTY TRANSACTIONS

Advisory Agreement

The Company has entered into an Advisory Agreement with the Advisor, which entitles the Advisor to specified fees upon the completion of certain services with regard to the offering of shares to the public and investment of funds in real estate projects. The current Advisory Agreement dated January 30, 2002 has been temporarily extended by the board of directors until May 19, 2003.

The Company pays a percentage of shareholder contributions to the Advisor for acquisition and advisory services and acquisition expenses. These payments, as stipulated in the Company's current offering prospectus, are limited to 3.5% of shareholder contributions, subject to certain overall operating expense limitations contained in the prospectus. Aggregate fees incurred through December 31, 2002 and 2001 were $75.5 million and $29.1 million, respectively, and approximated 3.5% of shareholder contributions received. As of December 31, 2002, $67.8 million had been paid to the Advisor through December 31, 2002, with $7.7 million payable to the Advisor.

Under the terms of the Advisory Agreement, the Company reimburses the Advisor for organization and offering costs not to exceed 3% of the offering proceeds raised. To the extent that organization and offering costs exceed 3% of gross offering proceeds, offering costs will be paid by the Advisor and not by the Company. As of December 31, 2002 the Advisor had paid fund to date organization and offering expenses on behalf of the Company in the aggregate amount of approximately $40.0 million, which did not exceed the 3% limitation. The Advisor had been reimbursed $31.7 million as of December 31, 2002.

Additionally, the Advisory Agreement provides that if the Advisor provides a substantial amount of the associated services, as determined by the Independent Directors, the Advisor shall earn a disposition fee in the event that properties are disposed of, in the amount of 50% of a competitive real estate commission or 3.0% of the sales price of the property. At December 31, 2002, no such fees had been paid to the Advisor as no properties had been disposed of to date. The disposition fee will be paid only if shareholders have received total dividends in an amount equal to the sum of their aggregate invested capital, plus an 8% return on invested capital.

The Advisory Agreement also provides that the Advisor shall earn an amount equal to 10% of the net sales proceeds remaining after shareholders have received dividends equal to the sum of the shareholders' invested capital plus an 8% return of invested capital. The Advisor will not earn this fee in the event that the Company's shares are listed on a national stock exchange. As of December 31, 2002, no such fees have been paid.

If the Company's shares are listed on a national stock exchange at any future date, the Advisor shall be entitled to an incentive fee in an amount equal to 10.0% of the amount by which (1) the market value of the outstanding stock of the Company as defined in the Advisory Agreement, exceeds (2) the sum of 100% of invested capital and the total dividends required to be paid to the shareholders in order to pay the shareholders an 8.0% return on invested capital from inception through the date of listing. No such amounts have been incurred as of December 31, 2002. In the event the fee is paid to the Advisor following listing, no other performance fee will be paid to the Advisor.

Administrative Services Reimbursement

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The related expenses are allocated among the Company and the various Wells Real Estate Funds based on time spent on each entity by individual administrative personnel. The Company was allocated salaries, wages, and other payroll related costs by the Advisor and Wells Management totaling $2.0 million, $0.7 million, and $0.2 million for the years ended December 31, 2002, 2001, and 2000, respectively. These amounts are included in general and administrative expenses in the consolidated statements of income.

Property Management and Leasing Agreements

The Company entered into a property management and leasing agreement with Wells Management. In consideration for supervising the management and leasing of the Company's properties, the Company will pay management and leasing fees to Wells Management equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Company. These management and leasing fees are calculated on an annual basis plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent. Management and leasing fees incurred for services provided by Wells Management were $5.0 million, $2.5 million, and $1.1 million for the years ended December 31, 2002, 2001, and 2000, respectively.

Dealer Manager Agreement

The Company has entered into a dealer manager agreement, whereby, WIS, performs the dealer manager function for the Company. For these services, WIS earns fees of 7% of the gross proceeds from the sale of the shares of the Company, which is reallocated to participating broker-dealers. Additionally, WIS earns a dealer manager fee of 2.5% of the gross offering proceeds at the time the shares are sold, of which up to 1.5% may be reallowed to the broker-dealer. WIS has elected, although is not obligated, to reduce the dealer manager fee amount in each period by 2.5% of the gross redemptions under the Company's redemption plan. The amount of such reduction was $0.4 million, $0.1 million, and $0.0 million for the years ended December 31, 2002, 2001, and 2000, respectively. During the years ended December 31, 2002, 2001, and 2000, the Company incurred commissions and dealer manager fees of $127.3 million, $49.2 million, and $17.0 million, respectively.

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Due From Affiliates

Due from affiliates included in the consolidated balance sheets at December 31, 2002 and 2001 represents the Company's share of the cash to be distributed from its joint venture investments for the fourth quarter of 2002 and 2001 and other amounts payable to the Company from other related parties:

	2002 (000s)	2001 (000s)
Fund VIII, IX, and REIT Joint Venture	**$ 48**	$ 47
Fund IX, X, XI, and REIT Joint Venture	**21**	36
Wells/Orange County Associates	**85**	84
Wells/Fremont Associates	**168**	164
Fund XI, XII, and REIT Joint Venture	**361**	430
Fund XII and REIT Joint Venture	**688**	681
Fund XIII and REEIT Joint Venture	**403**	251
Affiliates of the Advisor	**187**	—
	$1,961	$1,693

Conflict of Interest

The Advisor also is a general partner in various Wells Real Estate Funds. As such, there are conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with the Company in connection with property acquisitions or for tenants in similar geographic markets.

13. OPERATING LEASES

Virtually all of the Company's real estate assets are leased to tenants under operating leases for which the terms and expirations vary. The leases frequently have provisions to extend the lease agreement, options for early termination after paying a specified penalty, and other terms and conditions as negotiated. The Company retains substantially all of the risks and benefits of ownership of the real estate assets leased to tenants. Amounts required as security deposits vary depending upon the terms of the respective leases and the creditworthiness of the tenant, but generally are not significant amounts. Therefore exposure to credit risk is limited to the extent that the receivables exceed this amount. Security deposits related to tenant leases are included in accounts payable and accrued expenses in the consolidated balance sheets.

The future minimum rental income from the Company's investment in real estate assets under non-cancelable operating leases, excluding properties under development, at December 31, 2002 is as follows:

	Amount (000s)
Year ending December 31:	
2003	$ 195,677
2004	197,680
2005	197,852
2006	192,666
2007	183,494
Thereafter	759,559
	$1,726,928

No individual tenant accounted for greater than 10% of the rental income for the year ended December 31, 2002. At December 31, 2002, approximately 12% of the future rental amounts are attributable to one tenant, the National Aeronautics and Space Administration.

14. QUARTERLY RESULTS (UNAUDITED)

Presented below is a summary of the unaudited quarterly financial information for the years ended December 31, 2002 and 2001, in thousands, except per share data:

	2002 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	**$23,608**	**$29,402**	**$ 34,913**	**$ 51,705**
Net income	**$10,780**	**$13,756**	**$ 15,285**	**$ 20,033**
Basic and diluted earnings per share (a)	**$ 0.11**	**$ 0.11**	**$ 0.09**	**$ 0.10**
Dividends per share (a)	**$ 0.19**	**$ 0.19**	**$ 0.19**	**$ 0.18**

	2001 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	$12,232	$12,468	$ 13,839	$ 17,737
Net income	$ 3,275	$ 5,039	$ 6,109	$ 7,301
Basic and diluted earnings per share (a)	$ 0.10	$ 0.12	$ 0.11	$ 0.10
Dividends per share (a)	$ 0.19	$ 0.19	$ 0.19	$ 0.19

(a) The totals of the four quarterly amounts for the years ended December 31, 2002, and 2001, do not equal the totals for the years then ended. This difference results from rounding differences between quarters.

15. ECONOMIC DEPENDENCY

The Company is dependent on the Advisor for certain services which are essential to the Company, including the sale of the Company's shares of common stock available for issue, asset acquisition and disposition decisions and other general administrative responsibilities. Additionally, the Company is dependent upon Wells Management to provide certain property management and leasing services. In the event that these companies were unable to provide the respective services to the Company, the Company would be required to obtain such services from other sources.

The Company is dependent upon the ability of its current tenants to pay their contractual rent amounts as they become due. The inability of a tenant to pay future rental amounts would have a negative impact on the Company. One tenant, the National Aeronautics and Space Administration, represents approximately 12% of the future rental income under non-cancelable leases at December 31, 2002. No other tenants exceed 10% of future rental income. Except for the tenant that has filed for corporate dissolution as discussed in Note 4, the Company is not aware of any reason that its current tenants would not be able to pay their contractual rental amounts as they become due.

16. SUBSEQUENT EVENTS

Sale of Shares of Common Stock

From January 1, 2003 through January 24, 2003, the Company has raised approximately $84.6 million through the issuance of 8.5 million shares of common stock of the Company.

Redemptions of Common Stock

From January 1, 2003 through January 24, 2003, the Company has redeemed approximately 0.5 million shares of common stock of the Company at an aggregate cost of $4.8 million pursuant to its share redemption program. The Company's current plan allows for redemptions of approximately 4.0 million shares at an aggregate cost of $40.0 million for the year ending December 31, 2003. See Note 9 for a description of the limitations of the Company's share redemption plan.

Property Acquisitions

On January 9, 2003, Wells OP purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, for a purchase price of $22.0 million, excluding closing costs and acquisition and advisory fees paid to the Advisor. The entire 102,484 rentable square feet of East Point I is leased to Progressive Casualty Insurance Company. East Point II contains approximately 85,251 rentable square feet, of which 70,585 is currently leased to Austin, Danaher Power Solutions LLC and Moreland Management Co. Approximately 14,666 rentable square feet (17%) of East Point II is vacant.

In connection with the acquisition of the property, the Company entered into an earn-out agreement whereby the Company is required to pay the seller certain amounts for each new lease fully executed after the date of acquisition of the property but on or before March 31, 2004, or on or before July 31, 2004, if the tenant thereunder is a leasing prospect as defined by the agreement. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARIES
(A MARYLAND CORPORATION)
SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002

(dollars in thousands)

				Initial Cost		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at December 31, 2002							
Description	Location	Ownership Percentage	Encumbrances	Land	Buildings and Improvements		Land	Buildings and Improvements	Construction in Progress	Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on which Depreciation is Computed
EISENHOWER BLVD	Tampa, FL	100	(a)	$ 1,460	$19,839	$ 826	$ 1,521	$20,604	$ 0	$22,125	$3,294	1998	12/31/98	20 to 25 years
AT&T—PA	Harrisburg, PA	100	(b)	662	11,836	676	690	12,484	0	13,174	1,905	1998	2/4/99	20 to 25 years
VIDEOJET TECHNOLOGY	Wood Dale, IL	100	(b)	5,000	28,162	1,381	5,208	29,335	0	34,543	3,911	1991	9/10/99	20 to 25 years
CINEMARK	Plano, TX	100	(a)	1,456	20,377	908	1,517	21,224	0	22,741	2,618	1999	12/21/99	20 to 25 years
MATSUSHITA	Lake Forest, CA	100	(b)	4,577	0	13,965	4,768	13,774	0	18,542	3,072	1999	3/15/99	20 to 25 years
ALSTOM POWER —RICHMOND	Midlothian, VA	100	(a)	948	0	9,963	988	9,923	0	10,911	1,542	1999	7/22/99	20 to 25 years
METRIS—OK	Tulsa, OK	100	None	1,150	11,570	541	1,198	12,063	0	13,261	1,404	2000	2/11/00	20 to 25 years
DIAL	Scottsdale, AZ	100	(a)	3,500	10,785	736	3,646	11,375	0	15,021	1,276	1997	3/29/00	20 to 25 years
ASML	Tempe, AZ	100	(a)	0	17,393	731	0	18,124	0	18,124	2,040	1995	3/29/00	20 to 25 years
MOTOROLA TEMPE	Tempe, AZ	100	None	0	16,036	670	0	16,706	0	16,706	1,887	1998	3/29/00	20 to 25 years
AVNET	Tempe, AZ	100	(a)	0	13,272	551	0	13,823	0	13,823	1,421	2000	6/12/00	20 to 25 years
DELPHI	Troy, MI	100	(b)	2,160	16,776	1,811	2,250	18,497	0	20,747	2,117	2000	6/29/00	20 to 25 years
MOTOROLA—NJ	South Plainfield, NJ	100	(b)	9,653	20,495	5,857	10,055	25,950	0	36,005	3,020	2000	11/1/00	20 to 25 years
METRIS—MN	Minnetonka, MN	100	(b)	7,700	45,152	2,211	8,021	47,042	0	55,063	3,882	2000	12/21/00	20 to 25 years
STONE & WEBSTER	Houston, TX	100	None	7,100	37,915	1,889	7,396	39,508	0	46,904	3,260	1994	12/21/00	20 to 25 years
STATE STREET	Quincy, MA	100	None	10,600	38,963	4,348	11,042	40,933	1,936	53,911	2,438	1990	7/30/2001	20 to 25 years
IKON	Houston, TX	100	None	2,735	17,915	990	2,847	18,793	0	21,640	1,002	2000	9/7/2001	20 to 25 years
NISSAN PROPERTY	Irving, TX	100	23,149	5,546	0	25,727	5,567	0	25,706	31,273	0	2002	9/19/2001	20 to 25 years
INGRAM MICRO	Millington, TN	100	22,000	320	20,667	936	333	21,590	0	21,923	1,156	1997	9/26/2001	20 to 25 years
LUCENT	Cary, NC	100	None	7,000	10,650	1,110	7,276	11,484	0	18,760	612	2000	9/28/2001	20 to 25 years
CONVERGYS	Tamarac, FL	100	None	3,500	9,755	792	3,642	10,405	0	14,047	451	2001	12/21/2001	20 to 25 years
WINDY POINT I	Schaumburg, IL	100	None	4,360	29,299	2,735	4,537	31,857	0	36,394	1,380	1999	12/31/2001	20 to 25 years
WINDY POINT II	Schaumburg, IL	100	None	3,600	52,016	3,156	3,746	55,026	0	58,772	2,384	2001	12/31/2001	20 to 25 years
VERTEX SARASOTA	Sarasota, FL	100	None	1,700	19,866	1,291	2,203	20,654	0	22,857	821	1999	1/11/2002	20 to 25 years
TRANSOCEAN HOUSTON	Houston, TX	100	None	845	21,186	887	879	22,039	0	22,918	735	1999	3/15/2002	20 to 25 years
NOVARTIS ATLANTA	Duluth, GA	100	(a)	2,000	13,047	605	2,080	13,572	0	15,652	452	2001	3/28/2002	20 to 25 years
DANA DETROIT	Farmington Hills, MI	100	None	2,208	21,703	973	2,298	22,586	0	24,884	753	1999	3/29/2002	20 to 25 years
DANA KALAMAZOO	Kalamazoo, MI	100	None	963	13,318	753	1,002	14,032	0	15,034	608	1999	3/29/002	20 to 25 years
TRAVELERS EXPRESS	Lakewood, CO	100	None	1,487	9,076	430	1,548	9,445	0	10,993	283	2002	4/10/2002	20 to 25 years
AGILENT ATLANTA	Alpharetta, GA	100	(a)	1,500	13,652	616	1,561	14,207	0	15,768	426	2001	4/18/2002	20 to 25 years

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Description	Location	Ownership Percentage	Encumbrances	Initial Cost: Land	Initial Cost: Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at December 31, 2002: Land	Gross Amount at Which Carried at December 31, 2002: Buildings and Improvements	Gross Amount at Which Carried at December 31, 2002: Construction in Progress	Gross Amount at Which Carried at December 31, 2002: Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on which Depreciation is Computed
BELLSOUTH FT. LAUDERDALE	Ft. Lauderdale, FL	100	None	$ 1,100	$ 5,792	$ 280	$ 1,145	$ 6,027	$ 0	$ 7,172	181	2001	4/18/2002	20 to 25 years
EXPERIAN/ TRW DALLAS	Allen, TX	100	None	4,000	31,695	1,453	4,163	32,985	0	37,148	880	1982	5/1/2002	20 to 25 years
AGILENT BOSTON	Boxborough, MA	100	None	3,500	31,751	1,296	3,642	29,498	3,407	36,547	787	2002	5/3/2002	20 to 25 years
TRW DENVER	Aurora, CO	100	None	1,325	14,570	6,069	1,397	20,567	0	21,964	548	1997	5/29/2002	20 to 25 years
MFS PHOENIX	Phoenix, AZ	100	None	2,500	23,381	1,054	2,602	24,333	0	26,935	568	2001	6/4/2002	20 to 25 years
ISS ATLANTA	Atlanta, GA	100	32,500	2,700	38,065	1,659	2,810	39,614	0	42,424	792	2001	7/1/2002	20 to 25 years
PACIFICARE SAN ANTONIO	San Antonio, TX	100	None	2,450	12,240	598	2,550	12,738	0	15,288	255	2000	7/12/2002	20 to 25 years
KERR MCGEE HOUSTON	Houston, TX	100	4,038	1,738	0	5,754	2,118	0	5,374	7,492	0	2003	7/29/2002	20 to 25 years
BMG GREENVILLE	Greenville, SC	100	11,609	1,600	25,601	1,087	1,665	26,623	0	28,288	522	1987	7/31/2002	20 to 25 years
KRAFT ATLANTA	Suwanee, GA	100	None	2,700	8,976	475	2,810	9,341	0	12,151	156	2001	7/31/2002	20 to 25 years
NOKIA DALLAS	Irving, TX	100	None	9,100	110,831	4,892	9,470	115,353	0	124,823	1,923	1999	8/15/2002	20 to 25 years
HARCOURT AUSTIN	Austin, TX	100	None	5,860	33,143	1,587	6,098	34,492	0	40,590	575	2001	8/15/2002	20 to 25 years
AMERICREDIT PHOENIX	Chandler, AZ	100	None	2,632	0	6,362	2,671	0	6,323	8,994	0	2003	9/12/2002	20 to 25 years
IRS LONG ISLAND	Holtsville, NY	100	None	4,200	38,716	2,104	4,374	40,646	0	45,020	643	200	9/16/2002	20 to 25 years
KEYBANK PARSIPPANY	Parsippany, NJ	100	None	8,700	92,944	4,137	9,053	96,728	0	105,781	1,290	1985	9/27/2002	20 to 25 years
FEDEX COLORADO SPRINGS	Colorado Springs, CO	100	None	2,100	23,988	1,061	2,185	24,964	0	27,149	333	2001	9/27/2002	20 to 25 years
EDS DES MOINES	Des Moines, IA	100	None	850	25,727	1,082	885	26,774	0	27,659	357	2002	9/27/2002	20 to 25 years
INTUIT DALLAS	Plano, TX	100	None	3,030	23,640	1,089	3,153	24,606	0	27,759	328	2001	9/27/2002	20 to 25 years
ALLSTATE INDIANAPOLIS	Indianapolis, IN	100	None	1,275	9,680	443	1,327	10,071	0	11,398	134	2001	9/27/2002	20 to 25 years
DAIMLER CHRYSLER DALLAS	Westlake, TX	100	None	2,585	22,588	1,010	2,689	23,494	0	26,183	313	2001	9/30/2002	20 to 25 years
NASA	Washington, DC	100	None	80,000	299,188	11,909	82,881	308,216	0	391,097	1,850	1991	11/22/2002	20 to 25 years
CATERPILLAR NASHVILLE	Nashville, TN	100	None	4,900	58,923	1,124	5,101	59,846	0	64,947	380	2000	11/26/2002	20 to 25 years
CAPITAL ONE RICHMOND	Glen Allen, VA	100	None	2,855	25,541	442	2,972	25,866	0	28,838	172	1999	11/26/2002	20 to 25 years
NESTLE LOS ANGELES	Glendale, CA	100	90,000	23,200	134,447	2,751	23,605	136,793	0	160,398	457	1990	12/20/2002	20 to 25 years
Total— 100% REIT Properties			$ 302,695	$268,630	$ 1,652,148	$ 147,783	$279,185	$ 1,746,630	$ 42,746	$2,068,561	$ 63,594			
ALSTOM POWER —KNOXVILLE	Knoxville, TN	4%	None	$ 583	$ 744	$ 6,745	$ 608	$ 7,464	$ 0	$ 8,072	$ 2,250	1997	3/26/97	20 to 25 years
AVAYA	Oklahoma City, OK	4	None	1,003	4,386	242	1,051	4,580	0	5,631	840	1998	6/24/98	20 to 25 years
360 INTERLOCKEN	Broomfield, CO	4	None	1,570	6,734	748	1,650	7,369	33	9,052	1,388	1996	3/20/98	20 to 25 years
IOMEGA	Ogden City, UT	4	None	597	4,675	876	642	5,506	0	6,148	963	1998	7/01/98	20 to 25 years
OHMEDA	Louisville, CO	4	None	2,614	7,762	528	2,747	8,157	0	10,904	1,604	1998	2/13/98	20 to 25 years
FAIRCHILD	Fremont, CA	78	None	2,130	6,853	374	2,219	7,138	0	9,357	1,285	1998	7/21/98	20 to 25 years
CORT FURNITURE	Fountain Valley, CA	44	None	2,100	4,464	288	2,188	4,664	0	6,852	838	1988	7/31/98	20 to 25 years
EYBL CARTEX	Fountain Inn, SC	57	None	330	4,792	213	344	4,991	0	5,335	732	1998	5/18/99	20 to 25 years
SPRINT	Leawood, KS	57	None	1,696	7,851	398	1,767	8,178	0	9,945	1,145	1998	7/2/99	20 to 25 years

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Description	Location	Ownership Percentage	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at December 31, 2002				Accumulated Depreciation	Date of Construction	Date Acquired	Life on which Depreciation is Computed
				Land	Buildings and Improvements		Land	Buildings and Improvements	Construction in Progress	Total				
JOHNSON MATTHEY	Tredyffrin, PA	57	None	$ 1,925	$ 6,131	$ 336	$ 2,005	$ 6,387	$ 0	$ 8,392	$ 873	1973	8/17/99	20 to 25 years
GARTNER	Ft. Myers, FL	57	None	896	7,452	347	933	7,762	0	8,695	1,035	1998	9/20/99	20 to 25 years
SIEMENS	Troy, MI	55	None	2,144	12,049	695	2,233	12,655	0	14,888	1,586	2000	5/10/00	20 to 25 years
QUEST	Irvine, CA	16	None	2,221	5,545	57	2,221	5,602	0	7,823	1,111	1997	7/1/00	20 to 25 years
AT&T—OK	Oklahoma City, OK	55	None	2,100	13,228	646	2,188	13,786	0	15,974	1,149	1999	12/28/00	20 to 25 years
COMDATA	Brentwood, TN	55	None	4,300	20,650	1,095	4,479	21,566	0	26,045	1,438	1986	5/15/2001	20 to 25 years
AMERICREDIT	Orange Park, FL	61	None	1,610	10,890	563	1,677	11,386	0	13,063	683	2001	7/16/2001	20 to 25 years
ADIC	Parker, CO	61	None	1,954	11,000	758	2,048	11,664	0	13,712	505	2001	12/21/2001	20 to 25 years
JOHN WILEY INDIANAPOLIS	Indianapolis, IN	61	None	1,300	15,042	723	1,354	15,711	0	17,065	56	1999	12/12/2002	20 to 25 years
Total – JV Properties			$ 0	$ 31,073	$ 150,248	$ 15,632	$ 32,354	$ 164,566	$ 33	$ 196,953	$ 19,481			
Total—All Properties			$302,695	$299,703	$ 1,802,396	$ 163,415	$311,539	$ 1,911,196	$42,779	$2,265,514	$ 83,075			

(a) These properties collateralize the $98.138 million SouthTrust Bank line of credit that accrues interest at LIBOR plus 175 basis points (3.31% at December 31, 2002) and requires interest payments monthly and principal due at maturity (June 10, 2003). The principal amount outstanding as of December 31, 2002 was $61.399 million.

(b) These properties collateralize the $110 million Bank of America line of credit that accrues interest at LIBOR plus 175 basis points (3.31% at December 31, 2002) and requires interest payments monthly and principal due at maturity (May 11, 2004). The principal amount outstanding as of December 31, 2002 was $58 million.

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARIES

(A Maryland Corporation)

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2002

(dollars in thousands)

	Cost	Accumulated Depreciation
BALANCE AT DECEMBER 31, 1999	$ 180,118	$ 5,732
2000 additions	293,450	11,232
BALANCE AT DECEMBER 31, 2000	473,568	16,964
2001 additions	294,740	20,821
BALANCE AT DECEMBER 31, 2001	768,308	37,785
2002 additions	1,497,206	45,290
BALANCE AT DECEMBER 31, 2002	**$ 2,265,514**	**$ 83,075**

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PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (Tables) provide information relating to real estate investment programs sponsored by Wells Capital, Inc., our advisor, and its affiliates (Wells Public Programs) which have investment objectives similar to Wells Real Estate Investment Trust, Inc. (Wells REIT). (See "Investment Objectives and Criteria.") Except for the Wells REIT, all of the Wells Public Programs have used capital, and no acquisition indebtedness, to acquire their properties.

Prospective investors should read these Tables carefully together with the summary information concerning the Wells Public Programs as set forth in the "Prior Performance Summary" section of this prospectus.

Investors in the Wells REIT will not own any interest in the other Wells Public Programs and should not assume that they will experience returns, if any, comparable to those experienced by investors in other Wells Public Programs.

Our advisor is responsible for the acquisition, operation, maintenance and resale of the real estate properties. For both the Wells REIT and other Wells Public Programs. The financial results of other Wells Public Programs, thus, may provide some indication of our advisor's 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 (As a Percentage of Investment)

Table II—Compensation to Sponsor (in Dollars)

Table III—Annual Operating Results of Wells Public Programs

Table IV (Results of completed programs) has been omitted since none of the Wells Public Programs have been liquidated.

Table V—Sales or Disposals of Property

Additional information relating to the acquisition of properties by the Wells Public Programs is contained in **Table VI**, which is included in Part II of the registration statement which the Wells REIT has filed with the Securities and Exchange Commission. Copies of any or all information will be provided to prospective investors at no charge upon request.

The following are definitions of certain terms used in the Tables:

"**Acquisition Fees**" shall mean fees and commissions paid by a Wells Public Program in connection with its purchase or development of a property, except development fees paid to a person not affiliated with the Wells Public Program or with a general partner or advisor of the Wells Public Program in connection with the actual development of a project after acquisition of the land by the Wells Public Program.

"**Organization Expenses**" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the sponsor in connection with the planning and formation of the Wells Public Program.

"**Underwriting Fees**" shall include selling commissions and wholesaling fees paid to broker-dealers for services provided by the broker-dealers during the offering.

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TABLE I

EXPERIENCE IN RAISING AND INVESTING FUNDS
(UNAUDITED)

This Table provides a summary of the experience of the sponsors of Wells Public Programs for which offerings have been completed since December 31, 1999. Information is provided with regard to the manner in which the proceeds of the offerings have been applied. Also set forth is information pertaining to the timing and length of these offerings and the time period over which the proceeds have been invested in the properties. All figures are as of December 31, 2002.

	Wells Real Estate Fund XII, L.P.	Wells Real Estate Investment Trust, Inc.
Dollar Amount Raised	$35,611,192(3)	$1,458,206,058(4)
Percentage Amount Raised	100%(3)	100%(4)
Less Offering Expenses		
Underwriting Fees	9.5%	9.5%
Organizational Expenses	3.0%	3.0%
Reserves(1)	0.0%	0.0%
Percent Available for Investment	87.5%	87.5%
Acquisition and Development Costs		
Prepaid Items and Fees related to Purchase of Property	0.0%	0.0%
Cash Down Payment	84.0%	81.7%
Acquisition Fees(2)	3.5%	3.5%
Development and Construction Costs	0.0%	2.3%
Reserve for Payment of Indebtedness	0.0%	0.0%
Total Acquisition and Development Cost	87.5%	87.5%
Percent Leveraged	0.0%	0.0%
Date Offering Began	03/22/99	(4)
Length of Offering	24 mo.	(4)
Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering)	26 mo.	(4)
Number of Investors as of 12/31/02	1,337	37,270

(1) Does not include general partner contributions held as part of reserves.

(2) Includes acquisition fees, real estate commissions, general contractor fees and/or architectural fees paid to affiliates of the general partners.

(3) Total dollar amount registered and available to be offered was $70,000,000. Wells Real Estate Fund XII, L.P. closed its offering on March 21, 2001, and the total dollar amount raised was $35,611,192.

(4) This amount includes only the Wells Real Estate Investment Trust, Inc.'s second and third offerings. The total dollar amount registered and available to be offered in the second offering was $222,000,000. Wells Real Estate Investment Trust, Inc. began its second offering on December 20, 1999 and closed its second offering on December 19, 2000. It took Wells Real Estate Investment Trust, Inc. 10 months to invest 90% of the amount available for investment in the second offering. The total dollar amount raised in its second offering was $175,229,193. The total dollar amount registered and available to be offered in the third offering was $1,350,000,000. Wells Real Estate Investment Trust, Inc. began its third offering on December 20, 2000 and closed its third offering on July 26, 2002. It took Wells Real Estate Investment Trust, Inc. 21 months to invest 90% of the amount available for investment in the third offering. The total dollar amount raised in its third offering was $1,282,976,862.

TABLE II
COMPENSATION TO SPONSOR
(UNAUDITED)

The following sets forth the compensation received by Wells Capital, Inc., our advisor, and its affiliates, including compensation paid out of offering proceeds and compensation paid in connection with the ongoing operations of Wells Public Programs having similar or identical investment objectives the offerings of which have been completed since December 31, 1999. All figures are as of December 31, 2002.

	Wells Real Estate Fund XII, L.P.	Wells Real Estate Investment Trust, Inc.(1)	Other Public Programs(2)
Date Offering Commenced	03/22/99	12/20/99	—
Dollar Amount Raised	$35,611,192	$1,458,206,058	$284,902,808
Amount paid to Sponsor from Proceeds of Offering:			
Underwriting Fees(3)	$ 362,416	$ 59,280,729	$ 1,646,381
Acquisition Fees			
Real Estate Commissions	—	—	—
Acquisition and Advisory Fees(4)	$ 1,246,392	$ 51,037,212	$ 13,223,204
Dollar Amount of Cash Generated from Operations Before Deducting Payments to Sponsor(5)	$ 520,102	$ 113,853,928	$ 7,980,284
Amount Paid to Sponsor from Operations:			
Property Management Fee(2)	$ 158,647	$ 3,250,927	$ 2,342,594
Partnership Management Fee	—	—	—
Reimbursements	$ 205,071	$ 1,130,152	$ 3,186,612
Leasing Commissions	$ 158,647	$ 3,250,927	$ 2,342,594
General Partner Distributions	—	—	—
Other	—	—	—
Dollar Amount of Property Sales and Refinancing Payments to Sponsors:			
Cash	—	—	—
Notes	—	—	—
Amount Paid to Sponsor from Property Sales and Refinancing:			
Real Estate Commissions	—	—	—
Incentive Fees	—	—	—
Other	—	—	—

(1) This amount includes only the Wells Real Estate Investment Trust, Inc.'s second and third offerings. The total dollar amount registered and available to be offered in the second offering was $222,000,000. Wells Real Estate Investment Trust, Inc. closed its second offering on December 19, 2000, and the total dollar amount raised in its second offering was $175,229,193. The total dollar amount registered and available to be offered in the third offering was $1,350,000,000. Wells Real Estate Investment Trust, Inc. closed its third offering on July 26, 2002, and the total dollar amount raised in its third offering was $1,282,976,862.

(2) Includes compensation paid to the general partners from Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P. during the past three years. In addition to the amounts shown, affiliates of the general partners of Wells Real Estate Fund I are entitled to certain property management and leasing fees but have elected to defer the payment of such fees until a later year on properties owned by Wells Real Estate Fund I. As of December 31, 2002, the aggregate amount of such deferred fees totaled $2,881,491.

(3) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offering which was not reallowed to participating broker-dealers.

(4) Fees paid to the general partners or their affiliates for acquisition and advisory services in connection with the review and evaluation of potential real property acquisitions.

(5) Includes $2,263 in net cash used in operating activities and $522,365 in payments to sponsor for Wells Real Estate Fund XII, L.P., $106,221,922 in net cash provided by operating activities and $7,632,006 in payments to sponsor for Wells Real Estate Investment Trust, Inc. and $108,482 in net cash provided by operating activities and $7,871,802 in payments to sponsor for other public programs.

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TABLE III
(UNAUDITED)

The following two tables set forth operating results of Wells Public Programs the offerings of which have been completed since December 31, 1997. The information relates only to public programs with investment objectives similar to those of Wells Real Estate Investment Trust, Inc. All figures are as of December 31 of the year indicated.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS
(UNAUDITED)
WELLS REAL ESTATE FUND XI, L.P.

	2002	2001	2000	1999	1998
Gross Revenues[1]	$ 839,691	$ 960,676	$ 975,850	$ 766,586	$ 262,729
Profit on Sale of Properties	—	—	—	—	—
Less: Operating Expenses[2]	92,876	90,326	79,861	111,058	113,184
Depreciation and Amortization[3]	0	0	—	25,000	6,250
Net Income GAAP Basis[4]	$ 746,815	$ 870,350	$ 895,989	$ 630,528	$ 143,295
Taxable Income: Operations	$ 965,422	$ 1,038,394	$ 944,775	$ 704,108	$ 177,692
Cash Generated (Used By):					
Operations	(105,148)	(128,985)	(72,925)	40,906	(50,858)
Joint Ventures	1,473,190	1,376,673	1,333,337	705,394	102,662
	$ 1,368,042	$1,247,688	$1,260,412	$ 746,300	$ 51,804
Less Cash Distributions to Investors:					
Operating Cash Flow	1,294,485	1,247,688	1,205,303	746,300	51,804
Return of Capital	—	4,809	—	49,761	48,070
Undistributed Cash Flow From Prior Year Operations	—	55,109	—	—	—
Cash Generated (Deficiency) after Cash Distributions	$ 73,557	$ (59,918)	$ 55,109	$ (49,761)	$ (48,070)
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	—	—	—	—	—
Increase in Limited Partner Contributions	—	—	—	—	16,532,801
	$ 73,557	$ (59,918)	$ 55,109	$ (49,761)	$ 16,484,731
Use of Funds:					
Sales Commissions and Offering Expenses	—	—	—	214,609	1,779,661
Return of Original Limited Partner's Investment	—	—	—	100	—
Property Acquisitions and Deferred Project Costs	—	—	—	9,005,979	5,412,870
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ 73,557	$ (59,918)	$ 55,109	$(9,270,449)	$ 9,292,200
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)	91	101	103	77	50
— Operations Class A Units	(168)	(158)	(155)	(112)	(77)
— Operations Class B Units	—	—	—	—	—
Capital Gain (Loss)					
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)	93	100	97	71	18
— Operations Class A Units	(109)	(100)	(112)	(73)	(17)
— Operations Class B Units	—	—	—	—	—
Capital Gain (Loss)					
Cash Distributions to Investors:					
Source (on GAAP Basis)					
— Investment Income Class A Units	90	97	90	60	8
— Return of Capital Class A Units	4	—	—	—	—
— Return of Capital Class B Units	—	—	—	—	—
Source (on Cash Basis)					
— Operations Class A Units	94	97	90	56	4
— Return of Capital Class A Units	—	—	—	4	4

— Operations Class B Units	—	—	—	—	—
Source (on a Priority Distribution Basis) (5)					
— Investment Income Class A Units	75	75	69	46	6
— Return of Capital Class A Units	19	22	21	14	2
— Return of Capital Class B Units	—	—	—	—	—

	2002	2001	2000	1999	1998
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%	100%			

(1) Includes $142,163 in equity in earnings of joint ventures and $120,566 from investment of reserve funds in 1998; $607,579 in equity in earnings of joint ventures and $159,007 from investment of reserve funds in 1999; $967,900 in equity in earnings of joint ventures and $7,950 from investment of reserve funds in 2000; $959,631 in equity in earnings of joint ventures and $1,045 from investment of reserve funds in 2001; and $837,509 in equity in earnings of joint ventures and $2,182 from investment of reserve funds in 2002. As of December 31, 2002, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $105,458 for 1998; $353,840 for 1999; $485,558 for 2000; $491,478 for 2001; and $492,404 for 2002.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $254,862 to Class A Limited Partners, $(111,067) to Class B Limited Partners and $(500) to General Partners for 1998; $1,009,368 to Class A Limited Partners, $(378,840) to Class B Limited Partners and $0 to the General Partners for 1999; $1,381,547 to Class A Limited Partners, $(485,558) to Class B Limited Partners and $0 to General Partners for 2000; $1,361,828 to Class A Limited Partners, $(491,478) to Class B Limited Partners and $0 to the General Partners for 2001; and $ 1,239,219 to Class A Limited Partners, $ (492,404) to Class B Limited Partners and $ 0 to the General Partners for 2002.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2002, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,057,338.

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TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS
(UNAUDITED)
WELLS REAL ESTATE FUND XII, L.P.

	2002	2001	2000	1999
Gross Revenues(1)	$ 1,727,330	$ 1,661,194	$ 929,868	$ 160,379
Profit on Sale of Properties	—	—	—	—
Less: Operating Expenses(2)	179,436	105,776	73,640	37,562
Depreciation and Amortization(3)	0	0	0	0
Net Income GAAP Basis(4)	$ 1,547,894	$ 1,555,418	$ 856,228	$ 122,817
Taxable Income: Operations	$ 1,929,381	$ 1,850,674	$ 863,490	$ 130,108
Cash Generated (Used By):				
Operations	(176,478)	(73,029)	247,244	3,783
Joint Ventures	2,824,519	2,036,837	737,266	61,485
	$ 2,648,041	$ 1,963,808	$ 984,510	$ 65,268
Less Cash Distributions to Investors:				
Operating Cash Flow	2,648,041	1,963,808	779,818	62,934
Return of Capital	—	—	—	—
Undistributed Cash Flow From Prior Year Operations	2,156	164,482	—	—
Cash Generated (Deficiency) after Cash Distributions	$ (2,156)	$ (164,482)	$ 204,692	$ 2,334
Special Items (not including sales and financing):				
Source of Funds:				
General Partner Contributions	—	—	—	—
Increase in Limited Partner Contributions	—	10,625,431	15,617,575	9,368,186
	$ (2,156)	$ 10,460,949	$ 15,822,267	$ 9,370,520
Use of Funds:				
Sales Commissions and Offering Expenses	—	1,338,556	1,952,197	1,171,024
Return of Original Limited Partner's Investment	—	—	—	100
Property Acquisitions and Deferred Project Costs	—	9,298,085	16,246,485	5,615,262
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (2,156)	$ (175,692)	$ (2,376,415)	$ 2,584,134
Net Income and Distributions Data per $1,000 Invested:				
Net Income on GAAP Basis:				
Ordinary Income (Loss)				
— Operations Class A Units	94	98	89	50
— Operations Class B Units	(151)	(131)	(92)	(56)
Capital Gain (Loss)		—	—	—
Tax and Distributions Data per $1,000 Invested:				
Federal Income Tax Results:				
Ordinary Income (Loss)				
— Operations Class A Units	91	84	58	23
— Operations Class B Units	(95)	(74)	(38)	(25)
Capital Gain (Loss)		—	—	—
Cash Distributions to Investors:				
Source (on GAAP Basis)				
— Investment Income Class A Units	93	77	41	8
— Return of Capital Class A Units	—	—	—	—
— Return of Capital Class B Units	—	—	—	—
Source (on Cash Basis)				
— Operations Class A Units	93	77	41	8
— Return of Capital Class A Units	—	—	—	—

— Operations Class B Units	—	—	—	—
Source (on a Priority Distribution Basis)(5)				
— Investment Income Class A Units	70	55	13	6
— Return of Capital Class A Units	23	22	28	2
— Return of Capital Class B Units	—	—	—	—
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%	100%		

(1) Includes $124,542 in equity in earnings of joint ventures and $35,837 from investment of reserve funds in 1999; $664,401 in equity in earnings of joint ventures and $265,467 from investment of reserve funds in 2000; $1,577,523 in equity in earnings of joint ventures and $83,671 from investment of reserve funds in 2001; and $1,726,553 in equity in earnings of joint ventures and $777 from investment of reserve funds in 2002. As of December 31, 2002, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $72,427 for 1999; $355,210 for 2000; $1,035,609 for 2001; and $1,107,728 for 2002.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $195,244 to Class A Limited Partners, $(71,927) to Class B Limited Partners and $(500) to the General Partners for 1999; $1,209,438 to Class A Limited Partners, $(353,210) to Class B Limited Partners and $0 to General Partners for 2000; $2,591,027 to Class A Limited Partners, $(1,035,609) to Class B Limited Partners and $0 to the General Partners for 2001; and $2,655,622 to Class A Limited Partners, $(1,107,728) to Class B Limited Partners, $ 0 to General Partners for 2002.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2002, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,524,597.

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TABLE V
SALES OR DISPOSALS OF PROPERTIES
(UNAUDITED)

The following Table sets forth sales or other disposals of properties by Wells Public Programs within the most recent three years. The information relates to only public programs with investment objectives similar to those of Wells Real Estate Investment Trust, Inc. All figures are as of December 31, 2002.

			Selling Price, Net Of Closing Costs And GAAP Adjustments						Cost Of Properties Including Closing And Soft Costs		
Property	Date Acquired	Date Of Sale	Cash Received Net Of Closing Costs	Mortgage Balance At Time Of Sale	Purchase Money Mortgage Taken Back By Program	Adjustments Resulting From Application Of GAAP	Total	Original Mortgage Financing	Total Acquisition Cost, Capital Improvement, Closing And Soft Costs(1)	Total	Excess (Deficiency) Of Property Operating Cash Receipts Over Cash Expenditures
3875 Peachtree Place, Atlanta, GA	12/1/85	08/31/00	$ 727,982	-0-	-0-	-0-	$ 727,982(2)	-0-	$ 582,337	$ 582,337	-0-
Crowe's Crossing Shopping Center, DeKalb County, GA	12/31/86	01/11/01	$ 6,487,000	-0-	-0-	-0-	$ 6,487,000(3)	-0-	$ 9,255,594	$ 9,255,594	-0-
Cherokee Commons Shopping Center, Cherokee County, GA	10/30/87	10/01/01	$ 8,434,089	-0-	-0-	-0-	$ 8,434,089(4)	-0-	$ 10,450,555	$ 10,450,555	-0-
Greenville Center, Greenville, SC	6/20/90	9/30/02	$ 2,271,187	-0-	-0-	-0-	$ 2,271,187(5)	-0-	$ 4,297,901	$ 4,297,901	-0-
Tanglewood Commons Outparcel, Clemmens, NC	5/30/95	10/07/02	$ 524,398	-0-	-0-	-0-	$ 524,398(6)	-0-	$ 506,326	$ 506,326	-0-

(1) Amount shown does not include *pro rata* share of original offering costs.
(2) Includes Wells Real Estate Fund I's share of taxable gain from this sale in the amount of $205,019, of which $205,019 is allocated to capital gain and $0 is allocated to ordinary gain.
(3) Includes taxable gain from this sale in the amount of $11,496, of which $11,496 is allocated to capital gain and $0 is allocated to ordinary gain.
(4) Includes taxable gain from this sale in the amount of $207,613, of which $207,613 is allocated to capital gain and $0 is allocated to ordinary gain.
(5) Includes taxable loss from this sale in the amount of $910,227.
(6) Includes taxable gain from this sale in the amount of $ 13,062 of which $13,062 is allocated to capital gain and $0 is allocated to ordinary gain.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the “Wells REIT”), included in its annual report on Form 10-K for the year ended December 31, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of December 31, 2002 has been prepared to give effect to the first quarter 2003 acquisition of the East Point Buildings and the 150 West Jefferson Building (collectively, the “Recent Acquisitions”) by Wells Operating Partnership, L.P. (“Wells OP”) as if the acquisitions occurred on December 31, 2002.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the “2002 Acquisitions”) and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

DECEMBER 31, 2002

(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments			
			Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc. (e)	Other	East Point	150 West Jefferson	Pro Forma Total
REAL ESTATE ASSETS, at cost:					
Land	$ 279,185	$ 0	$ 2,163(c)	$ 9,375(c)	$ 291,196
			89(d)	384(d)	
Buildings, less accumulated depreciation of $63,594	1,683,036	0	19,916(c)	84,519(c)	1,791,746
			815(d)	3,460(d)	
Construction in progress	42,746	0	0	0	42,746
Total real estate assets	2,004,967	0	22,983	97,738	2,125,688
INVESTMENT IN JOINT VENTURES	83,915	0	0	0	83,915
CASH AND CASH EQUIVALENTS	45,464	380,046(a)	(22,079)(c)	(93,894)(c)	294,591
		(14,946)(b)			
RENT RECEIVABLE	19,321	0	0	0	19,321
DEFERRED PROJECT COSTS	1,494	14,946(b)	(904)(d)	(3,844)(d)	11,692
DUE FROM AFFILIATES	1,961	0	0	0	1,961
PREPAID EXPENSES AND OTHER ASSETS, NET	4,407	0	0	0	4,407
DEFERRED LEASE ACQUISITION COSTS, NET	1,638	0	0	0	1,638
INTANGIBLE LEASE ASSET	12,060	0	0	0	12,060
INVESTMENT IN BONDS	54,500	0	0	0	54,500
Total assets	$2,229,727	$380,046	$ 0	$ 0	$ 2,609,773

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LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

	Wells Real Estate Investment Trust, Inc. (e)	Pro Forma Adjustments: Other	Pro Forma Adjustments: Recent Acquisitions: East Point	Pro Forma Adjustments: Recent Acquisitions: 150 West Jefferson	Pro Forma Total
LIABILITIES:					
Notes payable	$ 248,195	$ 0	$ 0	$ 0	$ 248,195
Obligations under capital lease	54,500	0	0	0	54,500
Intangible lease liability	32,697	0	0	0	32,697
Accounts payable and accrued expenses	24,580	0	0	0	24,580
Due to affiliate	15,975	0	0	0	15,975
Dividends payable	6,046	0	0	0	6,046
Deferred rental income	11,584	0	0	0	11,584
Total liabilities	393,577	0	0	0	393,577
COMMITMENTS AND CONTINGENCIES					
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	200
SHAREHOLDERS' EQUITY:					
Common shares, $.01 par value; 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 outstanding at December 31, 2002	2,178	427(a)	0	0	2,605
Additional paid-in capital	1,929,381	379,619(a)	0	0	2,309,000
Cumulative distributions in excess of earnings	(74,310)	0	0	0	(74,310)
Treasury stock, at cost, 2,091,157 shares at December 31, 2002	(20,912)	0	0	0	(20,912)
Other comprehensive loss	(387)	0	0	0	(387)
Total shareholders' equity	1,835,950	380,046	0	0	2,215,996
Total liabilities and shareholders' equity	$2,229,727	$ 380,046	$ 0	$ 0	$ 2,609,773

(a) Reflects capital raised through issuance of additional shares subsequent to December 31, 2002 through 150 West Jefferson acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.

(b) Reflects deferred project costs capitalized as a result of additional capital raised described in note (a) above.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(d) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(e) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments			
			Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc. (h)	2002 Acquisitions	East Point	150 West Jefferson	Pro Forma Total
REVENUES:					
Rental income	$107,526	$ 98,599(a)	$ 1,531(a)	$ 11,665(a)	$ 219,321
Tenant reimbursements	18,992	9,584(b)	63(b)	5,527(b)	34,166
Equity in income of joint ventures	4,700	648(c)	0	0	5,348
Lease termination income	1,409	0	0	0	1,409
Interest and other income	7,001	0	0	0	7,001
	139,628	108,831	1,594	17,192	267,245
EXPENSES:					
Depreciation	38,780	34,362(d)	829(d)	3,519(d)	77,490
Interest expense	4,638	9,657(e)	0	0	14,295
Property operating costs	26,949	25,244(f)	990(f)	7,752(f)	60,935
Management and leasing fees	5,155	3,196(g)	72(g)	774(g)	9,197
General and administrative	3,244	0	0	0	3,244
Legal and accounting	1,008	0	0	0	1,008
	79,774	72,459	1,891	12,045	166,169
NET INCOME	$ 59,854	$ 36,372	$ (297)	$ 5,147	$ 101,076
EARNINGS PER SHARE, basic and diluted	$ 0.41				$ 0.39
WEIGHTED AVERAGE SHARES, basic and diluted	145,633				257,084

(a) Rental income is recognized on a straight-line basis.

(b) Consists of operating costs reimbursements.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(d) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(e) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 3.99% for the year ended December 31, 2002 and assumed mortgages on the BMG Direct, BMG Music and Nestle Buildings, which bear interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.

(f) Consists of operating expenses.

(g) Management and leasing fees are calculated at 4.5% of rental income and tenant reimbursements.

(h) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUPPLEMENT NO. 7 DATED MAY 15, 2003 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, and Supplement No. 6 dated April 14, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

- (A) Acquisition of a three-story office building in Englewood Cliffs, New Jersey (Citicorp Englewood Cliffs, NJ Building);
- (B) Acquisition of a 32-story office building in Minneapolis, Minnesota (US Bancorp Minneapolis Building);
- (C) Acquisition of an 83-story office building in Chicago, Illinois (Aon Center Chicago Building); and
- (D) Acquisition of a three-story office building in Auburn Hills, Michigan (GMAC Detroit Building);

(3) Status of the development of the Nissan Project, the Kerr-McGee Property and the AmeriCredit Phoenix Building;

(4) Description of unsecured line of credit in the amount of $500 million;

(5) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(6) Unaudited financial statements of the Wells REIT for the three month period ended March 31, 2003;

(7) Financial statements relating to the recently acquired US Bancorp Minneapolis Building and the Aon Center Chicago Building; and

(8) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building and the GMAC Detroit Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132.2 million in gross offering proceeds from the sale of 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of May 15, 2003, we had received additional gross proceeds of approximately $1.3 billion from the sale of approximately 126.8 million shares in our fourth public offering. Accordingly, as of May 15, 2003, we had received aggregate gross offering proceeds of approximately $2.9 billion from the sale of approximately 285.9 million shares in all of our public offerings. After payment of approximately $98.6 million in acquisition and advisory fees and acquisition expenses, payment of $319.4 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $42.7 million pursuant to our share redemption program, as of May 15, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $2.4 billion, out of which approximately $2.3 billion had been invested in real estate properties, and approximately $74.3 million remained available for investment in real estate properties.

Description of Properties

As of May 15, 2003, we had purchased interests in 78 real estate properties located in 23 states. Below is a description of our recent real property acquisitions.

Citicorp Englewood Cliffs, NJ Building

On April 30, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a three-story office building containing approximately 410,000 rentable square feet located on an approximately 27-acre tract of land at 111 Sylvan Avenue in Englewood Cliffs, New Jersey (Citicorp Englewood Cliffs, NJ Building) for a purchase price of $70.5 million. The Citicorp Englewood Cliffs, NJ Building was purchased from US Fund Sylvan Avenue, L.P., a Delaware limited partnership not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc., our advisor. In order to finance the acquisition of the Citicorp Englewood Cliffs, NJ Building, Wells OP obtained approximately $50 million in loan proceeds by drawing down on its existing line of credit with SouthTrust Bank, N.A.

The Citicorp Englewood Cliffs, NJ Building, which was originally built in 1953 and renovated in 1998, is leased under a net lease (i.e., operating costs and maintenance costs are paid by the tenant) entirely to Citicorp North America, Inc. (Citicorp North America), a wholly-owned subsidiary of Citicorp, Inc. (Citicorp). Citicorp, which is a guarantor of the Citicorp North America lease, is a financial services holding company whose four main business segments include consumer financial services, corporate and institutional financial services, investment management services, and private investment services. Citicorp provides its services in approximately 100 countries worldwide.

The Citicorp North America lease commenced in June 1998 and expires in November 2010. The current annual base rent payable under the Citicorp North America lease is approximately $6.0 million. Citicorp North America has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Under the Citicorp North America lease, the tenant is responsible for maintaining the Citicorp Englewood Cliffs, NJ Building and for the payment of all operating expenses relating to the property and Wells OP, as the landlord, is responsible for maintaining and repairing the structural portions and mechanical systems of the Citicorp Englewood Cliffs, NJ Building.

Since the Citicorp Englewood Cliffs, NJ Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the lease, Citicorp, is more relevant to investors than financial statements of the property acquired.

Citicorp currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding Citicorp is taken from its previously filed public reports:

CONSOLIDATED STATEMENT OF OPERATIONS DATA:

	FOR THE FISCAL YEAR ENDED		
	12/31/2002	12/31/2001	12/31/2000
		(IN MILLIONS)	
Revenues	$ 66,401	$67,266	$ 64,503
Operating Income	$16,166	$ 15,221	$12,915
Net Income	$ 10,709	$ 9,642	$ 8,110

CONSOLIDATED BALANCE SHEET DATA:

	AS OF THE FISCAL YEAR ENDED		
	12/31/2002	12/31/2001	12/31/2000
		(IN MILLIONS)	
Total Assets	$727,337	$646,944	$551,607
Long-Term Debt	$ 78,372	$ 81,053	$ 80,335
Stockholders' Equity	$ 73,540	$ 63,453	$ 47,865

For more detailed financial information regarding Citicorp, please refer to the financial statements of Citicorp, Inc., which are publicly available with the SEC at http://www.sec.gov.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will manage the Citicorp Englewood Cliffs, NJ Building on behalf of Wells OP and will be paid management and leasing fees in the amount of up to 4.5% of the gross revenues from the Citicorp Englewood Cliffs, NJ Building, subject to certain limitations.

US Bancorp Minneapolis Building

On May 1, 2003, Wells OP purchased a 32-story office building containing approximately 929,694 rentable square feet located at 800 Nicollet Mall, Minneapolis, Minnesota (US Bancorp Minneapolis Building) for a purchase price of $174 million from MN-Nicolet Mall, L.L.C. (Nicolet Mall), a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The US Bancorp Minneapolis Building was built in 2000 and is located on an approximately 1.2-acre tract of land in downtown Minneapolis, Minnesota. The US Bancorp Minneapolis Building is leased to 29 different tenants.

U.S. Bancorp Piper Jaffray Companies, Inc. (US Bancorp Piper Jaffray) leases approximately 718,171 rentable square feet of the US Bancorp Minneapolis Building (77.2%). US Bancorp Piper Jaffray is currently a wholly-owned subsidiary of U.S. Bancorp. U.S. Bancorp, which is a guarantor of the US Bancorp Piper Jaffray lease, is a financial services holding company having its corporate headquarters in Minneapolis, Minnesota. U.S. Bancorp reported a net worth, as of December 31, 2002, of approximately $18.1 billion. US Bancorp Piper Jaffray provides investment products and services, including securities, mutual funds and annuities, and insurance products, to individuals, institutions and businesses. In February 2003, U.S. Bancorp announced a plan to spin-off its capital markets business unit, including US Bancorp Piper Jaffray, in late 2003. In connection with the spin-off, shareholders of U.S. Bancorp will receive a stock dividend of the shares in US Bancorp Piper Jaffray, as a result of which US Bancorp Piper Jaffray will become an independent company and will no longer be a wholly-owned subsidiary of U.S. Bancorp. U.S. Bancorp will remain as a guarantor of the US Bancorp Piper Jaffray lease after the spin-off.

The US Bancorp Piper Jaffray lease commenced in June 2000 and expires in May 2014. The current annual base rent payable under the US Bancorp Piper Jaffray lease is approximately $10.8 million. US Bancorp Piper Jaffray has the right, at its option, to extend the initial term of its lease for one additional six-year period, and two additional five-year periods. US Bancorp Piper Jaffray also has options to lease additional available space in the US Bancorp Minneapolis Building in 2004, 2006, 2008, 2010, and 2012, as well as a right of first refusal to lease additional available space beginning in June 2003. Under the US Bancorp Piper Jaffray lease, US Bancorp Piper Jaffray is responsible for its pro rata share of operating and maintenance costs. Wells OP, as the landlord, is responsible for maintaining and repairing the structural portions and mechanical systems of the US Bancorp Minneapolis Building.

The other 28 tenants lease approximately 205,056 rentable square feet (22.1%) of the US Bancorp Minneapolis Building for an aggregate annual base rent payable of approximately $3.7 million. Approximately 6,467 rentable square feet (0.7%) of the US Bancorp Minneapolis Building is currently vacant.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the US Bancorp Minneapolis Building, subject to certain limitations. Wells OP has entered into a two-year management agreement with Equity Office Management, L.L.C. (Equity Office Management), an affiliate of the seller of the US Bancorp Minneapolis Building, to serve as the on-site property manager for the US Bancorp Minneapolis Building. The property management fees payable to Equity Office Management will be paid out of or credited against the fees payable to Wells Management. Equity Office Management is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Aon Center Chicago Building

On May 9, 2003, Wells REIT—Chicago Center, Chicago, LLC (REIT—Chicago Center), a single member Delaware limited liability company wholly-owned by Wells OP, purchased an 83-story office building containing approximately 2,577,000 rentable square feet located at 200 East Randolph Street in Chicago, Illinois (Aon Center Chicago Building) for a purchase price of approximately $465.2 million, from BRE/Randolph Drive, L.L.C. (BRE/Randolph), a Delaware limited liability company. BRE/Randolph is not in any way affiliated with the Wells REIT, REIT—Chicago Center, Wells OP or our advisor. In order to finance the acquisition of the Aon Center Chicago Building, REIT—Chicago Center obtained (1) approximately $350 million in loan proceeds by having Wells OP draw down on its existing $500 million unsecured line of credit described below, and (2) approximately $112.3 million in seller financing from BRE/Randolph. The seller financing in favor of BRE/Randolph (a) was provided on an interest free basis, (b) is due and payable in full on January 31, 2004, (c) is secured by a first priority mortgage on the Aon Center Chicago Building, and (d) is guaranteed by Wells OP.

The Aon Center Chicago Building, which was built in 1972 and is located on an approximately 3.7-acre tract of land in downtown Chicago, is the third tallest building in North America. The Aon Center Chicago Building is leased or subleased to approximately 40 different tenants. BP Corporation North America Inc., Aon Corporation, Kirkland & Ellis, DDB & Needham Chicago Inc., Daniel J. Edelman, Inc., PricewaterhouseCoopers, Deloitte and Touche USA LLP, and Jones Lang LaSalle

Americas, Inc. lease or sublease, in the aggregate, approximately 1,759,000 rentable square feet (68.3%) of the Aon Center Chicago Building. The other tenants lease approximately 622,000 rentable square feet (24.1%) of the Aon Center Chicago Building for an aggregate annual base rent payable of approximately $7.9 million. Approximately 196,000 rentable square feet (7.6%) of the Aon Center Chicago Building is vacant. REIT—Chicago Center, as the landlord for the Aon Center Chicago Building, is responsible for maintaining and repairing the structural portions and mechanical systems of the Aon Center Chicago Building.

Approximately 775,796 rentable square feet of the Aon Center Chicago Building (30.1%) is leased to BP Corporation North America Inc. (BP Corporation) is a wholly-owned subsidiary of BP p.l.c. (BP), a British public limited company which is one of the leading oil companies in the world. BP Corporation controls operations in North America for BP.

The BP Corporation lease is a net lease which commenced in December 1998 and expires in December 2013. The current annual base rent payable under the BP Corporation lease is approximately $15.6 million. BP Corporation has the right, at its option, to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate. BP Corporation also has an option to lease an additional floor in the Aon Center Chicago Building, as well as a right of first offer to lease additional available space, subject to various restrictions. Further, BP Corporation has a right of first offer to purchase the Aon Center Chicago Building upon a subsequent sale of the Aon Center Chicago Building by REIT—Chicago Center, subject to various restrictions.

BP Corporation has subleased approximately 515,083 rentable square feet of the Aon Center Chicago Building (20.0%) to Aon Corporation (Aon). The Aon sublease commenced in September 2001 and expires in December 2013. The current annual base rent payable to BP Corporation under the Aon sublease is approximately $6.9 million. Aon, which has its headquarters located in the Aon Center Chicago Building, is a holding company whose subsidiaries provide insurance brokerage, consulting, and insurance underwriting services. Aon has approximately 550 offices in 120 countries worldwide. Aon reported a net worth, as of December 31, 2002, of approximately $3.9 billion.

Approximately 351,243 rentable square feet of the Aon Center Chicago Building (13.6%) is leased to Kirkland & Ellis. Kirkland & Ellis is a law firm with approximately 900 attorneys and offices in Chicago, Washington, D.C., New York, Los Angeles, San Francisco, and London. Kirkland & Ellis handles matters of litigation, corporate, intellectual property and technology, bankruptcy, tax, and counseling for national and international clients.

The Kirkland & Ellis lease is a net lease which commenced in January 1987 and expires in December 2011. The current annual base rent payable under the Kirkland & Ellis lease is approximately $4.8 million. Kirkland & Ellis has the right, at its option, to extend the initial term of its lease for one additional ten-year period at the then-current market rental rate. Kirkland & Ellis also has an option to lease additional available space in the Aon Center Chicago Building, and a right of first offer to lease additional space on the 47th, 50th, 51st, 52nd, and 66th floors. Kirkland & Ellis has exercised a right of first offer to lease additional available space in the Aon Center Chicago Building on the 65th and 67th floors beginning in 2004 and 2005 respectively.

Approximately 263,978 rentable square feet of the Aon Center Chicago Building (10.2%) is leased to DDB & Needham Chicago Inc. (DDB), which has its corporate headquarters in the Aon Center Chicago Building. DDB is an advertising and marketing firm with offices in approximately 96 countries worldwide. DDB is a wholly-owned subsidiary of Omnicom Group, Inc. (Omnicom), which is a guarantor of the DDB lease. Omnicom is one of the largest advertising and corporate communications companies in the world. Omnicom reported a net worth, as of December 31, 2002, of approximately $2.57 billion.

The DDB lease is a net lease which commenced in July 1997 and expires in June 2018. The current annual base rent payable under the DDB lease is approximately $4.3 million. DDB has the right, at its option, to extend the initial term of its lease for one additional five-year period at the then-current market rental rate. DDB also has an option and a right of first offer to lease space on the 34th floor in the Aon Center Chicago Building. In addition, the DDB lease provides DDB with the right to reduce its leased space by between 10,000 and 50,000 square feet if DDB experiences reduced advertising account revenue.

Approximately 126,735 rentable square feet of the Aon Center Chicago Building (4.9%) is leased to Daniel J. Edelman, Inc. (Edelman), the parent company of Edelman Public Relations Worldwide. Edelman Public Relations Worldwide is a large privately held public relations firm with 38 offices worldwide and has its corporate headquarters in the Aon Center Chicago Building.

The Edelman lease is a net lease which commenced in March 1995 and expires in February 2010. The current annual base rent payable under the Edelman lease is approximately $1.9 million. Edelman has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. Edelman also has a right of third offer to lease additional space on the 78th floor of the Aon Center Chicago Building.

Approximately 121,788 rentable square feet of the Aon Center Chicago Building (4.7%) is leased to PricewaterhouseCoopers (PwC), an accounting services firm with offices in approximately 142 countries worldwide. PwC's five main business units include Audit, Assurance and Business Advisory Services; Business Process Outsourcing; Corporate Finance and Recovery Services; Human Resource Services; and Global Tax Services.

The PwC lease is a net lease which commenced in January 1994 and expires in December 2003. The current annual base rent payable under the PwC lease is approximately $1.7 million. PwC currently subleases its entire leased premises to Deloitte and Touche USA LLP (Deloitte), a professional services organization which provides assurance and advisory, tax, and consulting services in over 140 countries worldwide.

Deloitte's sublease expires in December 2003 at the same time as the expiration of the PwC lease. Deloitte has entered into a new net lease for 134,966 rentable square feet, which commences on the earlier of (1) the termination of the PwC lease, or (2) January 1, 2004, and expires in June 2005. The initial annual base rent payable under the Deloitte lease will be approximately $3.9 million. Deloitte has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate.

Approximately 119,215 rentable square feet of the Aon Center Chicago Building (4.6%) is leased to Jones Lang LaSalle Americas, Inc. (Jones Lang), which has its corporate headquarters in the Aon Center Chicago Building. Jones Lang is a real estate services and investment company with offices in approximately 34 countries worldwide. Jones Lang's operations include space acquisition and disposition, facilities and property management, project and development management services, leasing, buying and selling properties, consulting and capital markets expertise. Jones Lang reported a net worth, as of December 31, 2002, of approximately $367 million.

The Jones Lang lease is a net lease which commenced in March 1996 and expires in February 2006. The current annual base rent payable under the Jones Lang lease is approximately $1.4 million. Jones Lang has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Jones Lang also has a right of first offer to lease additional space on the 42nd floor of the Aon Center Chicago Building.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Aon Center Chicago Building, subject to certain limitations. REIT—Chicago Center has entered into a five-year management agreement with Brea Property Management of Illinois, LLC (Brea) pursuant to which Brea will serve as the on-site property manager for the Aon Center Chicago Building.

Brea will be paid management fees out of or credited against the fees payable to Wells Management. Brea is not in any way affiliated with the Wells REIT, REIT—Chicago Center, Wells OP or our advisor.

GMAC Detroit Building

On May 9, 2003, Wells OP purchased a three-story office building containing approximately 119,122 rentable square feet located at 900 Squirrel Road in Auburn Hills, Michigan (GMAC Detroit Building) for a purchase price of approximately $17.8 million, from KDC-SW, Auburn Hills 1, L.P., a Texas limited partnership (KDC-SW). KDC-SW is not in any way affiliated with the Wells REIT, Wells OP or our advisor. KDC-SW is an affiliate of the sellers of the Federal Express Colorado Springs Building, the EDS Des Moines Building, and the Intuit Dallas Building, which were purchased by Wells OP in September 2002.

The GMAC Detroit Building was built in 2001 and is located on an approximately 7.3-acre tract of land in Auburn Hills, Michigan, 30 miles north of downtown Detroit. The GMAC Detroit Building is leased to General Motors Acceptance Corp and Delmia Corp. Approximately 16,182 rentable square feet (13.6%) of the GMAC Detroit Building is vacant. Wells OP entered into an earn-out agreement with the seller at closing, pursuant to which Wells OP is required to pay the seller certain amounts for each new lease executed before November 8, 2004 for any portion of the currently vacant space.

Approximately 60,034 rentable square feet of the GMAC Detroit Building (50.4%) is leased to General Motors Acceptance Corp (GMAC), a wholly-owned subsidiary of General Motors Corporation (GM). GMAC provides financing, mortgage and insurance services directly and through its subsidiaries to consumers and businesses on a global basis. GMAC reported a net worth, as of December 31, 2002, of approximately $17.8 billion.

The GMAC lease commenced in January 2002 and expires in March 2007. The current annual base rent payable under the GMAC lease is approximately $1.4 million. GMAC has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. Under the GMAC lease, Wells OP, as the landlord, is responsible for maintaining and repairing the structural portions and mechanical systems of the GMAC Detroit Building and for paying operating expenses and maintenance costs relating to the GMAC Detroit Building, subject to reimbursement obligations described below. Beginning in the lease year after 95% of the GMAC Detroit Building is occupied, GMAC will be responsible for its pro rata share of increases in operating and maintenance costs which exceed the expenses incurred by Wells OP in the first lease year in which 95% of the GMAC Detroit Building is occupied.

Approximately 42,906 rentable square feet of the GMAC Detroit Building (36.0%) is leased to Delmia Corp. (Delmia). Delmia designs digital manufacturing software products for process planning, detailing, verification and simulation of digital factories. Delmia, which has its corporate headquarters in the GMAC Detroit Building, is a subsidiary of Dassault Systemes, S.A. (Dassault), a French corporation. Dassault, which is a guarantor of the Delmia lease, provides product lifecycle management software using three-dimensional digital technology. Dassault reported a net worth, as of December 31, 2002, of approximately $735 million.

The Delmia lease commenced in January 2003 and expires in July 2013. The initial annual base rent payable under the Delmia lease is approximately $0.9 million. Delmia has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. Delmia also has a right of first refusal to lease additional available space in the GMAC Detroit Building during the first 2 years of the Delmia lease and a right of first offer on available space for the remainder of the Delmia lease. Delmia, at its option, may terminate the Delmia lease at the end of the 66th month by paying a termination fee of approximately $1 million plus other costs and commissions. Under the Delmia lease, Wells OP, as the landlord, is responsible for maintaining and repairing the structural portions and mechanical systems of the GMAC Detroit Building and for paying operating expenses and maintenance costs relating to the GMAC Detroit Building, subject to reimbursement obligations described below. Beginning in 2004, Delmia will be responsible for its pro rata share of increases in operating and maintenance costs which exceed the expenses incurred by Wells OP in 2003.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the GMAC Detroit Building, subject to certain limitations. Wells OP has entered into an agreement with Trammell Crow Company (Trammell Crow) to serve as the on-site property manager for the GMAC Detroit Building. The property management fees payable to Trammel Crow will be paid out of or credited against the fees payable to Wells Management. Trammell Crow is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Status of the Nissan Building

In March 2003, the construction of the Nissan Building , a three-story approximately 268,290 rentable square foot office building in Irving, Texas, was substantially completed. The aggregate cost and expenses incurred by Wells OP with respect to the acquisition and construction of the Nissan Building totaled approximately $41.7 million, which is within the budgeted amount for the property. Nissan Motor Acceptance Corporation occupied the building under a net lease agreement commencing on April 1, 2003. The construction was financed through a loan that was paid off in March 2003, when the building was substantially completed.

Status of the AmeriCredit Phoenix Building

In April 2003, the construction of the AmeriCredit Phoenix Building, a three-story approximately 153,494 rentable square foot office building in Chandler, Arizona, was substantially completed. The aggregate cost and expenses incurred by Wells OP with respect to the acquisition and construction of the AmeriCredit Phoenix Building totaled approximately $25.6 million. The revised total cost, which reflects an increase of approximately $0.9 million from the budgeted amount for the property, is due to certain recently requested additional tenant improvements and requirements by the City of Chandler. AmeriCredit Financial Services, Inc. occupied the building under a net lease agreement commencing on April 15, 2003.

Status of the Kerr-McGee Building

As of May 15, 2003, Wells OP had expended approximately $11.0 million towards the construction of the four-story approximately 100,000 rentable square foot office building in Houston, Texas. The Kerr-McGee Building is approximately 65% complete and is currently expected to be completed in July 2003. We estimate that the aggregate cost and expenses to be incurred by Wells OP with respect to the acquisition and construction of the Kerr-McGee Building will total approximately $15.8 million, which is within the budgeted amount for the property.

Description of $500 Million Line of Credit

Wells OP established an unsecured secured line of credit in the amount of $500 million with Bank of America, N.A. (BOA) and a consortium of other financial institutions ($500 Million Line of Credit). This unsecured line of credit replaces the $110 million secured line of credit with BOA. The interest rate on the $500 Million Line of Credit is an annual variable rate equal to the London InterBank Offered Rate (LIBOR) for a 30-day period plus up to 1.625% or certain other alternative rates. Wells OP paid up-front commitment fees in an amount equal to approximately $2.3 million in connection with the $500 Million Line of Credit. In addition, Wells OP is required to pay a quarterly facility fee of .25% per annum on the entire amount of the $500 Million Line of Credit. As of May 15, 2003, the interest rate on the $500 Million Line of Credit was 4.4% per annum, and the outstanding principal balance on the $500 Million Line of Credit was $350 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in Supplement No. 6 dated April 14, 2003 and should also be read in conjunction with our accompanying financial statements and notes thereto.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

REIT Qualification

We have made an election under Section 856 of the Internal Revenue Code to be taxed as a REIT beginning with our taxable year ended December 31, 1998. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially, adversely affect our financial position and results of operations. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during the year ending December 31, 2003. In addition, we intend to continue to operate to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the three months ended March 31, 2003, we received aggregate gross offering proceeds of $426.8 million from the sale of 42.7 million shares of our common stock. After incurring costs of $14.4 million in acquisition and advisory fees and acquisition expenses, $45.0 million in selling commissions and organization and offering expenses and common stock redemptions of $12.9 million pursuant to our share redemption program, we raised net offering proceeds of $354.5 million during the three months ended March 31, 2003.

During the three months ended March 31, 2002, we received aggregate gross offering proceeds of $255.7 million from the sale of 25.7 million shares of our common stock. After incurring costs of $8.9 million in acquisition and advisory fees and acquisition expenses, $27.1 million in selling commissions and organizational and offering expenses and common stock redemptions of $3.0 million pursuant to our share redemption program, we raised net offering proceeds of $216.7 million during the three months ended March 31, 2002.

The significant increase in capital resources available to us is due to significantly increased sales of our common stock during the first quarter of 2003. After payment of the costs described above associated with the sale of shares of common stock and acquisitions of properties, we have $108.6 million available for investment in real estate assets as of March 31, 2003.

As of March 31, 2003, we owned interests in 74 real estate properties either directly or through our interests in joint ventures located throughout the United States. Our real estate investment policies are to identify and invest in high-grade commercial office and industrial buildings located in densely populated metropolitan markets which are newly constructed, under construction or which have been previously constructed and have operating histories. However, we are not limited to such investments. We expect to continue to acquire commercial properties which meet our standards of quality in terms of the real estate and the creditworthiness of the tenants.

We have developed specific standards for determining creditworthiness of potential tenants of our properties in order to reduce the risk of tenant default. Although authorized to enter into leases with any type of tenant, we anticipate that a majority of our tenants will be large corporations or other entities which have a net worth in excess of $100 million or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of $100 million.

Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before entering into any commitment to buy a property. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders.

Dividends during the three months ended March 31, 2003, were $39.7 million compared to $17.6 million during the three months ended March 31, 2002. For each $10 share of our common stock, our board of directors declared dividends for the period December 16, 2002 through March 15, 2003, at an annualized percentage rate of return of 7.0% compared to an annualized percentage rate of return of 7.75% for the period December 16, 2001 through March 15, 2002. The reduction of the annualized percentage rate of return for the dividends resulted from the higher value placed on our type of properties and the additional time it now takes in the acquisition process for us to assess tenant creditworthiness and, therefore, invest proceeds in properties.

Our board of directors has declared dividends for the period March 16, 2003, through June 15, 2003, at an annualized percentage rate of return of 7.0%. Second quarter dividends are calculated on a daily record basis of $0.001902 (0.1902 cents) per day per share on the outstanding shares of our common stock payable to stockholders of record as shown on our books at the close of business on each day during the period commencing on March 16, 2003, and continuing on each day thereafter through and including June 15, 2003.

The payment of dividends in the future will generally be dependent upon the cash flows from operating the properties currently owned and acquired in future periods, our financial condition, amounts paid for properties acquired, the timing of property acquisitions, capital expenditure requirements and distribution requirements in order to maintain our REIT status under the Internal Revenue Code.

Subsequent to March 31, 2003, we obtained an additional variable rate unsecured line of credit in the amount of $500 million to provide us with increased flexibility for funding acquisitions at times when real estate investments are available at appropriate prices but sufficient offering proceeds to fund such acquisitions have not been raised.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $38.7 million and $13.5 million for the three months ended March 31, 2003 and 2002, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by $1.4 billion of additional properties acquired during 2002 and $115.8 million of properties acquired during the three months ended March 31, 2003. We do not recognize in operations the full effect from the properties during the year of acquisition, as the operations of the properties are only included in operations from the date of acquisition. Operating cash flows are expected to increase as we acquire additional properties in future periods and as we obtain the benefit of a full quarter of operations for properties acquired during the three months ended March 31, 2003.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $151.9 million and $112.2 million for the three months ended March 31, 2003 and 2002, respectively. The increase in net cash used in investing activities was due primarily to greater investments in properties and the payment of the related deferred project costs resulting from raising a greater amount of offering proceeds. Our investments in real estate assets and intangible lease assets and payment of acquisition and advisory costs totaled $153.6 million and $113.5 million for the three months ended March 31, 2003 and 2002, respectively. The cash outflow from the investments in properties and the payment of deferred project costs were partially offset by distributions from joint ventures of $1.8 million and $1.7 million during the three months ended March 31, 2003, and 2002, respectively. The increase in distributions from joint ventures is primarily due to additional investment in joint ventures during the fourth quarter of 2002.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $185.8 million and $210.1 million for the three months ended March 31, 2003 and 2002, respectively. The raising of additional capital increased to $426.8 million during the three months ended March 31, 2003, as compared to $255.7 million during the three months ended March 31, 2002. The amounts raised were partially offset by the payment of commissions and offering costs totaling $49.2 million and $27.9 million and redemptions of $13.0 million and $3.0 million during the three months ended March 31, 2003 and 2002, respectively.

Additionally, we obtained funds from debt financing arrangements totaling $5.2 million and $2.9 million and made debt repayments of $144.4 million and $0 during the three months ended March 31, 2003 and 2002, respectively, based on the availability and need of cash for investment in real estate assets during the period. Primarily as a result of the increased cash flow from operations, during the three months ended March 31, 2003 and 2002, we paid dividends of $39.7 million and $17.6 million, respectively.

Results of Operations

As of March 31, 2003, our 74 real estate properties were 98% leased. Our results of operations have changed significantly for the three months ended March 31, 2003, as compared to the three months ended March 31, 2002, generally as result of the acquisition of approximately $1.4 billion of real estate assets during the year ended December 31, 2002, and an additional $115.8 million of real estate assets acquired during the three months ended March 31, 2003. We expect that rental income, tenant reimbursements, depreciation expense, operating expenses, management and leasing fees and net income will each increase in future periods as a result of owning the assets acquired during the three months ended March 31, 2003, for an entire quarter and as a result of anticipated future acquisitions of real estate assets. Due to the average remaining terms of the long-term leases currently in place at our properties, management does not anticipate significant changes in near-term rental revenues from properties currently owned.

Rental income increased by $36.6 million, during the first quarter of 2003, from $16.7 million for the three months ended March 31, 2002, to $53.3 million for the three months ended March 31, 2003. Tenant reimbursements were $9.6 million and $4.4 million for the three months ended March 31, 2003 and 2002, respectively, for an increase of $5.2 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to March 31, 2002, which totaled $35.0 million and $5.3 million, respectively, for the three months ended March 31, 2003. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $1.3 million and $1.2 million for the three months ended March 31, 2003 and 2002, respectively. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments.

Depreciation expense for the three months ended March 31, 2003 and 2002, was $19.2 million and $5.7 million, respectively comprising approximately 36% and 34% of rental income for the respective three month periods. The change in the percentages between periods is generally due to a change in the applicable cost of the real estate assets compared to the revenues generated by the real estate assets. Depreciation expense relating to assets acquired after March 31, 2002, was $12.9 million. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $15.2 million and $5.0 million for the three months ended March 31, 2003 and 2002, respectively, representing approximately 24% of the sum of the rental income and tenant reimbursements for each three month period. Property operating costs for the properties acquired subsequent to March 31, 2002, were $9.1 million for the three months ended March 31, 2003. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Management and leasing fees expenses were $2.3 million and $0.9 million for the three months ended March 31, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each three month period. Management and leasing fees for properties acquired after March 31, 2002, were $1.3 million for the three months ended March 31, 2003. Management and leasing fees are expected to increase as additional properties are acquired but, as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

General and administrative expenses increased from $0.5 million for the three months ended March 31, 2002, to $1.6 million for the three months ended March 31, 2003, representing approximately 2% of the total revenues for each three month period. General and administrative expenses are expected to increase in future periods as our assets continue to increase as additional properties are acquired, but are expected remain relatively constant as a percentage of total revenues.

Interest expense was $2.6 million and $0.6 million for the three months ended March 31, 2003 and 2002, respectively. Interest expense of $1.0 and $0.4 million for the three months ended March 31, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $1.6 million and $0.2 million is due to the interest on our outstanding borrowings for each period. We had significantly more borrowings outstanding during the three months ended March 31, 2003, as compared to the three months ended March 31, 2002, resulting in a significant increase in the interest expense between the two periods. Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the three months ended March 31, 2003, decreased to $0.10 per share compared to $0.11 per share for the three months ended March 31, 2002. This decrease is primarily a result of the higher cost of investments in real estate assets resulting in lower revenues and higher depreciation expense as a percentage of the cost of those assets, as described above.

Funds From Operations

Funds from Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with accounting principles generally accepted in the United States (GAAP) excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. Management believes that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO for the three month periods ended March 31, 2003 and 2002:

	For the three months ended March 31,	
	2003	**2002**
Funds from operations:		
Net income	**$ 24,364**	$ 10,780
Add:		
Depreciation of real estate assets	**19,218**	5,744
Amortization of deferred leasing costs	**78**	73
Depreciation and amortization—unconsolidated investments in joint ventures	**785**	706
Funds from operations (FFO)	**$ 44,445**	$ 17,303
Weighted average shares		
Basic and diluted	**233,247**	95,130

In order to recognize revenues on a straight line basis over the terms of the respective leases, we recognized straight line rental revenue of $0.8 million and $1.0 million during the three months ended March 31, 2003 and 2002, respectively.

Amortization of the intangible lease assets and liabilities resulted in a net increase in rental revenue of $0.5 million for the three months ended March 31, 2003.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases, which would protect us from the impact of inflation. These provisions include reimbursement billings for operating expense pass-through charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

The critical accounting policies outlined below have been discussed with members of our audit committee. There have been no significant changes in the critical accounting policies, methodology, or assumptions in the current period.

Below is a discussion of the accounting policies that management considers to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant Improvements	Lease term

In the event that inappropriate useful lives or methods are used for depreciation, our net income would be misstated.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate assets may not be recoverable, we assess the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate assets to the fair value and recognize an impairment loss. We have determined that there has been no impairment in the carrying value of real estate assets held by us and any unconsolidated joint ventures at March 31, 2003.

Projections of expected future cash flows requires us to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property's future cash flows and fair value and could result in the overstatement of the carrying value of our real estate assets and net income.

Intangible Lease Asset/Liability

We determine whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of the real estate assets. The intangible assets and liabilities are recorded at their estimated fair market values at the date of acquisition and amortized over the remaining term of the respective lease to rental income.

The determination of the estimated fair values of the intangible lease asset or liability requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. If inappropriate estimates with regard to these variables are used, misclassification of assets or liabilities and incorrect calculation of depreciation amounts would occur, which would misstate our net income.

Commitments and Contingencies

Take Out Purchase and Escrow Agreement

Wells Capital, Inc., our advisor, and its affiliates have developed a program (Wells Section 1031 Program) involving the acquisition by a subsidiary of Wells Management Company (Wells Exchange) of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to us and following approval of the potential property acquisition by our board of directors, it is anticipated that we will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, we will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

In consideration for the payment of a take out fee in the amount of approximately $0.2 million, on December 31, 2002, Wells OP entered into a take out purchase and escrow agreement providing, among other things, that we would be obligated to acquire, at Wells Exchange's cost ($0.4 million in cash plus $0.4 million of assumed debt for each 2.9994% interest of co-tenancy interest unsold), any unsold co-tenancy interests in two buildings known as Meadow Brook Corporate Park located in Birmingham, Alabama, which remain unsold at the expiration of the offering of Wells Exchange on September 30, 2003.

Our obligations under the take out purchase and escrow agreement are secured by reserving against our existing line of credit with Bank of America, N.A. (Interim Lender). If, for any reason, we fail to acquire any of the co-tenancy interests in Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or there is otherwise an uncured default under the interim loan or the line of credit documents, the Interim Lender is authorized to draw down our line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of co-tenancy interest in Meadow Brook Corporate Park would be deeded to us. Our maximum economic exposure in the transaction was initially $14.0 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. As of March 31, 2003, due to the number of co-tenancy interests sold in Meadow Brook Corporate Park through such date, our maximum exposure has been reduced to $6.7 million in cash plus the assumption of the first mortgage financing in the amount of $6.7 million.

Letters of Credit

At March 31, 2003, we had three unused letters of credit totaling approximately $19.7 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million, $4.8 million and $0.4 million with expiration dates of February 28, 2004; August 12, 2003; and February 2, 2004, respectively. These amounts are not recorded in the accompanying consolidated balance sheet as of March 31, 2003. These letters of credit were required by three unrelated parties to ensure completion of our obligations under certain earn-out and construction agreements. We do not anticipate a need to draw on these letters of credit.

Properties Under Contract

At March 31, 2003, we have a contract to acquire a third building at our ISS Atlanta Buildings development upon completion of construction (expected in June 2003) for a fixed purchase price of $10.0 million.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, we may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property or provide other expenditures for the benefit of the tenant, in favor of additional rental revenue. At March 31, 2003, tenants have exercised no such options.

Properties Under Construction

As of March 31, 2003, we have executed construction agreements with unrelated third parties for the purpose of constructing two buildings. The table below details the status of the properties under construction as of March 31, 2003:

Property	Total Projected Cost	Construction Costs to Date	Expected Future Costs	Expected Completion Date	Primary Source of Funds
Kerr-McGee	$15.8 million	$ 9.7 million	$6.1 million	July 2003	Debt
AmeriCredit—Phoenix	$ 24.7 million	$18.9 million	$5.8 million	April 2003	Investor Proceeds

Earn-out Agreements

As part of the acquisition of the IRS Building, we entered into an agreement to pay the seller an additional $14.5 million if we or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, we are released from any obligation to pay this additional purchase consideration. The 26% of the building that was unleased at the time of acquisition remains unleased at March 31, 2003.

In connection with the acquisition of East Point I and II Buildings, we entered into an earn-out agreement whereby we are required to pay the seller certain amounts for each new, fully executed lease after the date of acquisition of the property but on or before March 31, 2004. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet, and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083 and 2049, respectively.

Pending Litigation

In the normal course of business, we may become subject to litigation or claims. In November 2002, we contracted to purchase an office building located in Ramsey County, Minnesota, from Shoreview Associates LLC (Shoreview), who filed a lawsuit against us in Minnesota state court alleging that Shoreview was entitled to the $0.8 million in earnest money that we had deposited under the contract. We have filed a counterclaim in the case asserting that we are entitled to the $0.8 million earnest money deposit. Procedurally, we had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, we do not believe that a reserve for a loss contingency is necessary.

Related Party Transactions and Agreements

We have entered into agreements with our advisor and its affiliates, whereby we pay certain fees or reimbursements to our advisor or its affiliates for acquisition and advisory fees and expenses, organization and offering costs, sales commissions dealer manager fees, property management and leasing fees and reimbursement of operating costs. See Note 5 to our consolidated financial statements included in this report for a discussion of the various related party transactions, agreements and fees.

Conflicts of Interest

Our advisor is also a general partner in and advisor to various Wells Real Estate Funds. As such, there are conflicts of interest where our advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets.

Subsequent Events

Sale of shares of our Common Stock

From April 1, 2003 through May 15, 2003, we raised approximately $271.6 million through the issuance of approximately 27.2 million shares of our common stock.

Property Acquisitions

On April 30, 2003, we purchased the Citicorp Englewood Cliffs, NJ Building, a three-story office building containing approximately 410,000 rentable square feet located in Englewood Cliffs, New Jersey, for a purchase price of $70.5 million, excluding closing costs and acquisition and advisory fees and expenses paid to our advisor. The building is leased entirely to Citicorp North America, Inc., a wholly-owned subsidiary of Citicorp, Inc.

On May 1, 2003, we purchased the US Bancorp Minneapolis Building, a 32-story office building containing approximately 929,694 rentable square feet located in Minneapolis, Minnesota, for a purchase price of $174 million, excluding closing costs and acquisition and advisory fees and expenses paid to our advisor. The building is approximately 99% leased under leases to various tenants with varying terms, including US Bancorp Piper Jaffray Companies, Inc. which leases approximately 77% of the building.

On May 9, 2003, we purchased the Aon Center Chicago Building, an 83-story office building containing approximately 2.6 million rentable square feet located in Chicago, Illinois, for a purchase price of $465.2 million, excluding closing costs and acquisition and advisory fees and expenses paid to our advisor. The building is approximately 92% leased under leases to various tenants with varying lease terms, including BP Corporation North America, Inc, DDB & Needham Chicago, Inc. and Kirkland & Ellis, which collectively lease approximately 54% of the building.

On May 9, 2003, we acquired the GMAC Detroit Building, a three-story office building containing approximately 119,122 square feet located in Auburn Hills, Michigan, for a purchase price of approximately $17.8 million, excluding closing costs and acquisition and advisory fees and expenses paid to our advisor. The building is approximately 86% leased to the GMAC Corporation and Delmia Corporation. For the remaining approximately 14% unleased portion of the building, we are required to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year’s annual rent less operating expenses by 0.095 and the result reduced by tenant improvement costs related to the space.

Line of Credit

On April 23, 2003, we entered into the $500 Million Line of Credit, an unsecured revolving credit facility with a consortium of banks, including Bank of America, N.A. (BOA). The agreement expires in April 2005 and replaced the $110 million line of credit with BOA. We paid up-front commitment fees totaling $2.3 million to the lenders based on each financial institution’s relative commitment level. The agreement contains alternative borrowing arrangements that provide for interest costs based on LIBOR plus up to 1.625% or certain other alternative rates. Additionally, we are required to pay a quarterly facility fee of .25% per annum on the entire amount of this credit facility.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the US Bancorp Minneapolis Building and the Aon Chicago Center Building for the year ended December 31, 2002, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The financial statements of the Wells REIT, as of March 31, 2003, and for the three month period ended March 31, 2003, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the Aon Chicago Center Building for the three months ended March 31, 2003, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of March 31, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the three months ended March 31, 2003, which are included in this supplement, have not been audited.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 31, 2003	December 31, 2002
	(unaudited)	
Assets:		
Real estate assets, at cost:		
Land	**$ 291,140**	$ 279,185
Building and improvements, less accumulated depreciation of $82,812 at March 31, 2003, and $63,594 at December 31, 2002	**1,811,220**	1,683,036
Construction in progress	**24,102**	42,746
Total real estate assets	**2,126,462**	2,004,967
Investments in joint ventures	**83,286**	83,915
Cash and cash equivalents	**118,030**	45,464
Rents receivable	**19,928**	19,321
Deferred project costs	**5,124**	1,494
Due from affiliates	**2,167**	1,961
Prepaid expenses and other assets, net	**5,997**	4,407
Deferred lease acquisition costs, net	**1,561**	1,638
Intangible lease assets	**14,147**	12,060
Investment in bonds	**54,500**	54,500
Total assets	**$ 2,431,202**	$2,229,727
Liabilities, Minority Interest and Shareholders' Equity:		
Borrowings	**$ 108,986**	$ 248,195
Obligations under capital leases	**54,500**	54,500
Intangible lease liabilities	**32,033**	32,697
Accounts payable and accrued expenses	**23,131**	24,580
Due to affiliates	**5,292**	15,975
Dividends payable	**7,252**	6,046
Deferred rental income	**11,164**	11,584
Total liabilities	**242,358**	393,577
Minority interest of unit holder in operating partnership	**200**	200
Commitments and Contingencies	**—**	—
Shareholders' Equity:		
Common shares, $.01 par value; 750,000,000 shares authorized, 260,469,726 shares issued and 257,083,636 outstanding at March 31, 2003, and 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 shares outstanding at December 31, 2002	**2,605**	2,178
Additional paid-in capital	**2,310,731**	1,929,381
Cumulative distributions in excess of earnings	**(90,802)**	(74,310)
Treasury stock, at cost, 3,386,090 shares at March 31, 2003 and 2,091,157 shares at December 31, 2002	**(33,860)**	(20,912)
Other comprehensive loss	**(30)**	(387)
Total shareholders' equity	**2,188,644**	1,835,950
Total liabilities, minority interest and shareholders' equity	**$ 2,431,202**	$2,229,727

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except per share amounts)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Revenues:		
Rental income	**$ 53,343**	$16,738
Tenant reimbursements	**9,601**	4,415
Equity in income of joint ventures	**1,261**	1,207
Interest income and other income	**1,154**	1,248
	65,359	23,608
Expenses:		
Depreciation	**19,218**	5,744
Property operating costs	**15,220**	5,040
Management and leasing fees	**2,333**	900
General and administrative	**1,576**	529
Interest expense	**2,648**	615
	40,995	12,828
Net income	**$ 24,364**	$ 10,780
Earnings per share		
Basic and diluted	**$ 0.10**	$ 0.11
Weighted average shares outstanding		
Basic and diluted	**233,247**	94,845
Dividends declared per share	**$ 0.18**	$ 0.19

See accompanying notes.

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002
AND FOR THE THREE MONTHS ENDED MARCH 31, 2003 (UNAUDITED)
(in thousands, except per share amounts)**

	Common Stock					Treasury Stock			
	Shares	Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Shares	Amount	Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2001	83,761	$ 838	$ 738,236	$ (24,181)	$ —	(555)	$ (5,550)	—	$ 709,343
Issuance of common stock	134,030	1,340	1,338,953	—	—	—	—	—	1,340,293
Treasury stock purchased	—	—	—	—	—	(1,536)	(15,362)	—	(15,362)
Dividends ($0.76 per share)	—	—	—	(50,129)	(59,854)	—	—	—	(109,983)
Sales commissions and dealer manager fees	—	—	(127,332)	—	—	—	—	—	(127,332)
Other offering costs	—	—	(20,476)	—	—	—	—	—	(20,476)
Components of comprehensive income:									
Net income	—	—	—	—	59,854	—	—	—	59,854
Change in value of interest rate swap	—	—	—	—	—	—	—	(387)	(387)
Comprehensive income									59,467
Balance, December 31, 2002	217,791	2,178	1,929,381	(74,310)	—	(2,091)	(20,912)	(387)	1,835,950
Issuance of common stock	**42,679**	**427**	**426,362**	**—**	**—**	**—**	**—**	**—**	**426,789**
Treasury stock purchased	**—**	**—**	**—**	**—**	**—**	**(1,295)**	**(12,948)**	**—**	**(12,948)**
Dividends ($0.18 per share)	**—**	**—**	**—**	**(16,492)**	**(24,364)**	**—**	**—**	**—**	**(40,856)**
Sales commissions and dealer manager fees	**—**	**—**	**(40,221)**	**—**	**—**	**—**	**—**	**—**	**(40,221)**
Other offering costs	**—**	**—**	**(4,791)**	**—**	**—**	**—**	**—**	**—**	**(4,791)**
Components of comprehensive income:									
Net income	**—**	**—**	**—**	**—**	**24,364**	**—**	**—**	**—**	**24,364**
Change in value of interest rate swap	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**357**	**357**
Comprehensive income									**24,721**
Balance, March 31, 2003	**260,470**	**$ 2,605**	**$ 2,310,731**	**$ (90,802)**	**—**	**(3,386)**	**$ (33,860)**	**$ (30)**	**$ 2,188,644**

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2003	**2002**
Cash flows from operating activities:		
Net income	**$ 24,364**	$ 10,780
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	**(1,261)**	(1,207)
Depreciation	**19,218**	5,744
Amortization of deferred financing costs	**415**	175
Amortization of intangible lease assets/liabilities	**(485)**	—
Amortization of deferred lease acquisition costs	**78**	73
Changes in assets and liabilities:		
Rents receivable	**(607)**	(1,694)
Due from affiliates	**—**	(13)
Deferred rental income	**(420)**	906
Accounts payable and accrued expenses	**(1,449)**	(157)
Prepaid expenses and other assets, net	**(1,140)**	(1,092)
Due to affiliates	**(21)**	(1)
Net cash provided by operating activities	**38,692**	13,514
Cash flows from investing activities:		
Investment in real estate assets	**(129,981)**	(104,052)
Contributions to joint ventures	**(78)**	—
Investment in intangible lease assets	**(2,651)**	—
Deferred project costs paid	**(20,966)**	(9,461)
Distributions received from joint ventures	**1,786**	1,691
Deferred lease acquisition costs paid	**—**	(400)
Net cash used in investing activities	**(151,890)**	(112,222)
Cash flows from financing activities:		
Proceeds from borrowings	**5,151**	2,947
Repayment of borrowings	**(144,360)**	—
Dividends paid to shareholders	**(39,650)**	(17,556)
Issuance of common stock	**426,789**	255,703
Treasury stock purchased	**(12,952)**	(3,042)
Sales commissions and dealer manager fees paid	**(40,221)**	(24,580)
Other offering costs paid	**(8,993)**	(3,327)
Net cash provided by financing activities	**185,764**	210,145
Net increase in cash and cash equivalents	**72,566**	111,437
Cash and cash equivalents, beginning of year	**45,464**	75,586
Cash and cash equivalents, end of period	**$ 118,030**	$ 187,023

See accompanying notes.

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES**

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003

(UNAUDITED)

1. Organization

General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). The Company was incorporated in 1997 and commenced operations on June 5, 1998.

The Company engages in the acquisition and ownership of commercial real estate properties throughout the United States, including properties which are under construction, are newly constructed or have operating histories. At March 31, 2003, the Company has invested in commercial office and industrial real estate assets, either directly or through joint ventures with real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

The Company's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership, and its subsidiaries, and Wells REIT-Independence Square, LLC ("Wells REIT-Independence"), a single member Georgia limited liability company. Wells OP was formed to acquire, develop, own, lease and operate properties on behalf of the Company, directly, through wholly-owned subsidiaries or through joint ventures. Wells REIT-Independence was formed to acquire the NASA building located in Washington, D.C. The Company is the sole general partner in Wells OP and the sole member of Wells REIT-Independence and possesses full legal control and authority over the operations of Wells OP and Wells REIT-Independence. Wells OP, and its subsidiaries, and Wells REIT-Independence comprise the Company's subsidiaries.

Four offerings of the Company's stock have been initiated as follows:

Offering #	Date Commenced	Termination Date	Gross Proceeds	Shares Issued
1	January 30, 1998	December 19, 1999	$ 132.2 million	13.2 million
2	December 20, 1999	December 19, 2000	$ 175.2 million	17.5 million
3	December 20, 2000	July 26, 2002	$ 1,283.0 million	128.3 million
4	July 26, 2002	Offering will terminate on or before July 25, 2004	$ 1,014.3 million (through March 31, 2003)	101.5 million (through March 31, 2003)
Total as of March 31, 2003			$ 2,604.7 million	260.5 million

After incurring costs from all offerings of $90.0 million in acquisition and advisory fees and expenses, $246.6 million in selling commissions, $44.8 million in organization and offering expenses to the Advisor, investment in real estate assets and joint ventures of $2,080.8 million and common stock redemptions pursuant to the Company's share redemption program of $33.9 million, the Company was holding net offering proceeds of approximately $108.6 million available for investment in properties at March 31, 2003.

The Company's stock is not listed on a national exchange. However, the Company's Articles of Incorporation currently require if the Company's stock is not listed on a national exchange by January 30, 2008, the Company must begin the process of liquidating its investments and distributing the resulting proceeds to the shareholders. The Company's Articles of Incorporation can only be amended by a proxy vote of the Company's shareholders.

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and Article 10 of Regulation S-X and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Independent auditors have not examined these quarterly statements, but in the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2002.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and has operated as such beginning with its taxable year ended December 31, 1998. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to shareholders. As a REIT, the Company generally will not be subject to federal income tax on taxable income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income taxes on its taxable income for four years following the year during which qualification is lost, unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could materially adversely affect the Company's net income and net cash available for distribution to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner that the Company will remain qualified as a REIT for federal income tax purposes. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as the Company made distributions in excess of its taxable income for the periods presented.

Recent Pronouncements

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* and Statement of Financial Accounting Standards No. 142 "*Goodwill and Intangibles."* These standards govern business combinations, asset acquisitions and the accounting for acquired intangibles. The Company determines whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of real estate assets. The resulting intangible lease assets and liabilities are recorded at their estimated fair market values at the date of acquisition and amortized over the remaining term of the respective lease to rental income. Amortization of the intangible lease assets and liabilities resulted in a net increase in rental revenue of $0.5 million for the three months ended March 1, 2003.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 ("FIN 46"), *"Consolidation of Variable Interest Entities,"* which clarifies the application of Accounting Research Bulletin ("ARB") No. 51, *"Consolidated Financial Statements,"* relating to consolidation of certain entities. FIN 46 requires the identification of the Company's participation in variable interest entities ("VIEs"), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a stand alone basis, or whose equity holders lack certain characteristics of a controlling financial interest. For entities identified as VIEs, FIN 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN 46 is effective for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. FIN 46 also sets forth certain disclosures regarding interests in VIEs that are deemed significant, even if consolidation is not required. As the Company's joint ventures do not fall under the definition of VIEs provided above, we do not believe that the adoption of FIN 46 will result in the consolidation of any previously unconsolidated entities.

2. Real Estate Assets

Significant Events

During the three months ended March 31, 2003, the Company acquired ownership interests in two properties for a total purchase price of $115.8 million, exclusive of related closing costs and acquisition and advisory fees paid to the Advisor as described below.

East Point I & II Buildings

On January 9, 2003, the Company purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, for a purchase price of $22.0 million. Progressive Casualty Insurance; Austin, Danaher Power Solutions; and Moreland Management Company occupy approximately 92% of the rentable square feet in the two buildings. The remaining approximately 8% of the rentable square feet is vacant. At closing, the Company entered into an earn-out agreement with the seller with regard to the vacant space that requires the Company to pay the seller certain amounts for each new, fully-executed lease after the date of acquisition but on or before March 31, 2004, relating to the vacant space. Payments are calculated by dividing the anticipated first year's annual rent less operating expenses 0.105, with the result being reduced by tenant improvement costs related to the space.

150 West Jefferson Detroit Building

On March 31, 2003, the Company purchased a 25-story office building containing approximately 505,417 rentable square feet located at 150 West Jefferson Avenue, downtown Detroit, Michigan, for a purchase price of $93.8 million. The building is 99% occupied under leases to various tenants with varying lease terms, including Miller, Canfield, Paddock, & Stone; Butzel Long PC; and MCN Energy Group, Inc., which collectively occupy approximately 62% of the building.

Nissan Building

In March 2003, the Company substantially completed the construction of the Nissan Building located in Dallas, Texas, and transferred total construction costs for the project from construction in progress to building and improvements. Nissan Motor Acceptance Corporation will occupy the building under a lease commencing on April 1, 2003. The construction was financed through a loan that was paid off in March 2003, when the building was substantially complete.

3. Investment in Joint Ventures

The information below summarizes the operations of the seven unconsolidated joint ventures that the Company, through Wells OP, had ownership interests as of March 31, 2003.

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CONDENSED COMBINED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2003	2002
	(000s)	(000s)
Revenues:		
Rental income	**$ 5,284**	$ 4,728
Tenant reimbursements	**470**	641
Other income	**8**	13
Total revenues	**5,762**	5,382
Expenses:		
Depreciation	**1,768**	1,604
Operating expenses	**966**	831
Management and leasing fees	**329**	262
Total expenses	**3,063**	2,697
Net income	**$ 2,699**	$2,685
Net income allocated to the Company	**$1,261**	$ 1,207

4. Borrowings

The Company has financed certain investments, acquisitions and developments through various borrowings as described below. On March 31, 2003, and December 31, 2002, the Company had the following amounts outstanding:

Facility	March 31, 2003	December 31, 2002
	(000s)	(000s)
$110 million Bank of America Line of Credit; accruing interest at LIBOR plus 175 basis points (3.05% at March 31, 2003); requiring interest payments monthly with principal due at maturity (May 11, 2004); collateralized by the Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Minnesota Building, the Motorola Plainfield Building and the Delphi Building	**$ —**	$ 58,000
$98.1 million SouthTrust Bank Line of Credit; accruing interest at LIBOR plus 175 basis points (3.05 % at March 31, 2003); requiring interest payments monthly and principal due at maturity (June 10, 2003); collateralized by the Novartis Building, the Cinemark Building, the Dial Building, the ASML Building, the Alstom Power Richmond Building, the Avnet Building, the Agilent Atlanta Building and the Eisenhower Boulevard Building (formerly the PwC Building)	**—**	61,399
$90 million note payable to Landesbank Schleswig-Hostein Gironzentrale, Kiel; accruing interest at LIBOR plus 115 basis points; currently locked at 2.53% through July 2, 2003 (2.53% at March 31, 2003); requiring interest payments monthly, with principal due at maturity (December 20, 2006); collateralized by the Nestle Building	**90,000**	90,000
$34.2 million construction loan payable to Bank of America; accruing interest at LIBOR plus 200 basis points; requiring interest payments monthly and principal due at maturity (July 30, 2003); collateralized by the Nissan Building(1)	**—**	23,149
$13.7 million construction loan payable to Bank of America; accruing interest at LIBOR plus 200 basis points (3.30% at March 31, 2003); requiring interest payments monthly, with principal due at maturity (January 29, 2004); collateralized by the Kerr-McGee Property(2)	**7,435**	4,038
$8.8 million note payable to Prudential; accruing interest at 8%; requiring interest and principal payments monthly with any unamortized principal due at maturity (December 15, 2003); collateralized by the BMG Buildings	**8,651**	8,709

Facility	March 31, 2003	December 31, 2002
	(000s)	(000s)
$2.9 million note payable to Prudential; accruing interest at 8.5%; requiring interest payments monthly with principal due at maturity (December 15, 2003); collateralized by the BMG Buildings	**2,900**	2,900
Total borrowings	**$ 108,986**	$248,195

(1) The Company repaid this loan in March 2003, upon substantial completion of the construction of the property. At that time, the Company terminated the interest rate swap at a cost of $0.3 million, which was reclassified from other comprehensive income to interest expense.

(2) The Company has entered into an interest rate swap for this construction loan. The swap has the effect of fixing the interest rate at 4.27% through July 15, 2003.

5. Related-Party Transactions

Advisory Agreement

The Company has entered into an Advisory Agreement with the Advisor, which entitles the Advisor to specified fees upon the completion of certain services with regard to the offering of shares to the public and investment of funds in real estate projects. The current Advisory Agreement dated January 30, 2002, has been temporarily extended by the board of directors until May 19, 2003.

Under the terms of the agreement, the Advisor receives the following fees and reimbursements:

- Acquisition and advisory fees and expenses of 3.5% of gross offering proceeds, subject to certain limitations;
- Reimbursement of organization and offering costs paid on behalf of the Company, not to exceed 3% of gross offering proceeds;
- Disposition fee of 50% of the lesser of a competitive real estate commission or 3% of the sales price of the property, subordinated to the payment of dividends to shareholders equal to the sum of the shareholders' invested capital plus an 8% return on invested capital;
- Incentive fee of 10% of net sales proceeds remaining after shareholders have received dividends equal to the sum of the shareholders' invested capital plus an 8% return of invested capital; and
- Listing fee of 10% of the excess by which the market value of the stock plus dividends paid prior to listing exceeds the sum of 100% of the invested capital plus an 8% return on invested capital.

Acquisition and advisory fees and expenses incurred for the quarters ended March 31, 2003 and 2002, totaled $14.5 million and $8.8 million, respectively. Organizational and offering costs incurred for the quarters ended March 31, 2003 and 2002, totaled $4.8 million and $1.8 million, respectively. The Company incurred no disposition, incentive or listing fees during the quarters ended March 31, 2003 and 2002.

Administrative Services Reimbursement

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The related expenses are allocated among the Company and the various Wells Real Estate Funds based on time spent on each entity by individual administrative personnel. These expenses are included in general and administrative expenses in the consolidated statements of income. These expenses totaled $1.0 million and $0.3 million for the three months ended March 31, 2003 and 2002, respectively.

Property Management and Leasing Agreements

The Company has entered into a property management and leasing agreement with Wells Management. In consideration for supervising the management and leasing of the Company's properties, the Company will pay management and leasing fees to Wells Management equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Company. These management and leasing fees are calculated on an annual basis plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent. These expenses totaled $2.2 million and $0.8 million for the three months ended March 31, 2003 and 2002, respectively.

Dealer Manager Agreement

The Company has entered into a dealer manager agreement with Wells Investment Securities, Inc. ("WIS"), an affiliate of the Advisor, whereby WIS performs the dealer manager function for the Company. For these services, WIS earns fees of 7% of the gross proceeds from the sale of the shares of the Company, most of which are reallowed to participating broker-dealers. Additionally, WIS earns a dealer manager fee of 2.5% of the gross offering proceeds at the time the shares are sold, of which up to 1.5% may be reallowed to participating broker-dealers. WIS has elected, although is not obligated, to reduce the dealer manager fee amount in each period by 2.5% of the gross redemptions under the Company's share redemption plan. During the three months ended March 31, 2003 and 2002, the Company incurred commissions of $29.9 million and $17.9 million, respectively, of which more than 99% was reallowed to participating broker-dealers. Dealer manager fees of $10.3 million and $6.3 million were incurred for the quarters ended March 31, 2003 and 2002, respectively. Of these amounts, $5.0 million and $2.0 million were reallowed to participating broker-dealers for the quarters ended March 31, 2003 and 2002, respectively.

Due From Affiliates

Due from affiliates included in the consolidated balance sheets primarily represents the Company's share of the cash to be distributed from its joint venture investments for the first quarter of 2003 and the fourth quarter 2002 and other amounts payable to the Company from other related parties.

Conflicts of Interest

The Advisor also is a general partner in various Wells Real Estate Funds. As such, there are conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with the Company in connection with property acquisitions or for tenants in similar geographic markets.

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6. Consolidated Statement of Cash Flows Supplemental Information

	For the three months ended March 31,	
	2003	**2002**
SUPPLEMENTAL INFORMATION:		
Interest paid during the period, including amounts capitalized	**$ 3,188**	$ 493
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	**$ 10,853**	$ 4,080
Deferred project costs due to affiliate	**$ 1,224**	$ 496
Deferred offering costs due to affiliate	**$ —**	$ 245
Other offering expenses due to affiliate	**$ 4,061**	$ 142
Acquisition of intangible lease liability	**$ 385**	$ —
Dividends payable	**$ 7,252**	$ 3,657
Due from affiliates	**$ 1,968**	$ 1,805

7. Commitments and Contingencies

Take Out Purchase and Escrow Agreement

The Advisor and its affiliates have developed a program (the "Wells Section 1031 Program") involving the acquisition by a subsidiary of Wells Management Company ("Wells Exchange") of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to the Company and following approval of the potential property acquisition by the Company's board of directors, it is anticipated that the Company will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, the Company will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

In consideration for the payment of a take out fee in the amount of approximately $0.2 million, on December 31, 2002, Wells OP entered into a take out purchase and escrow agreement providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost ($0.4 million in cash plus $0.4 million of assumed debt for each 2.9994% interest of co-tenancy interest unsold), any unsold co-tenancy interests in two buildings known as Meadow Brook Corporate Park located in Birmingham, Alabama, which remain unsold at the expiration of the offering of Wells Exchange on September 30, 2003.

The obligations of Wells OP under the take out purchase and escrow agreement are secured by reserving against Well OP's existing line of credit with Bank of America, N.A. (the "Interim Lender"). If, for any reason, Wells OP fails to acquire any of the co-tenancy interests in Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or there is otherwise an uncured default under the interim loan or the line of credit documents, the Interim Lender is authorized to draw down Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of co-tenancy interest in Meadow Brook Corporate Park would be deeded to Wells OP. Wells OP's maximum economic exposure in the transaction was initially $14.0 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. As of March 31, 2003, due to the number of co-tenancy interests sold in Meadow Brook Corporate Park through such date, Wells OP's maximum exposure has been reduced to $6.7 million in cash plus the assumption of the first mortgage financing in the amount of $6.7 million.

Letters of Credit

At March 31, 2003, the Company had three unused letters of credit totaling approximately $19.7 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million, $4.8 million and $0.4 million with expiration dates of February 28, 2004; August 12, 2003; and February 2, 2004, respectively. These amounts are not recorded in the accompanying consolidated balance sheet as of March 31, 2003. These letters of credit were required by three unrelated parties to ensure completion of the Company's obligations under certain earn-out and construction agreements. The Company does not anticipate a need to draw on these letters of credit.

Properties Under Contract

At March 31, 2003, the Company has a contract to acquire a third building at the ISS Atlanta Buildings development upon completion of construction (expected in June 2003) for a fixed purchase price of $10.0 million.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, the Company may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property or provide other expenditures for the benefit of the tenant, in favor of additional rental revenue. At March 31, 2003, no tenants have exercised such options.

Properties Under Construction

As of March 31, 2003, the Company had executed construction agreements with unrelated third parties for the purpose of constructing two buildings. The table below details the status of the properties under construction as of March 31, 2003:

Property	Total Projected Cost	Construction Costs to Date	Expected Future Costs	Expected Completion Date	Primary Source of Funds
Kerr-McGee	$15.8 million	$ 9.7 million	$6.1 million	July 2003	Debt
AmeriCredit—Phoenix	$ 24.7 million	$18.9 million	$5.8 million	April 2003	Investor Proceeds

Earn-out Agreements

As part of the acquisition of the IRS Building, the Company entered into an agreement to pay the seller an additional $14.5 million if the Company or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, the Company is released from any obligation to pay this additional purchase consideration. The 26% of the building that was vacant at the time of acquisition remains unleased at March 31, 2003.

In connection with the acquisition of the East Point I and II Buildings, the Company entered into an earn-out agreement whereby the Company is required to pay the seller certain amounts for each new, fully executed lease after the date of acquisition of the property but on or before March 31, 2004. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083 and 2049, respectively.

Pending Litigation

In the normal course of business, the Company may become subject to litigation or claims. In November 2002, the Company contracted to purchase an office building located in Ramsey County, Minnesota, from Shoreview Associates LLC ("Shoreview"), who filed a lawsuit against the Company in Minnesota state court alleging that Shoreview was entitled to the $0.8 million in earnest money the Company had deposited under the contract. The Company has filed a counterclaim in the case asserting that the Company is entitled to the $0.8 million earnest money deposit. Procedurally, the Company had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

8. Subsequent Events

Sale of Shares of Common Stock

From April 1, 2003 through April 30, 2003, the Company has raised approximately $179.2 million through the issuance of 17.9 million shares of common stock of the Company.

Property Acquisitions

On April 30, 2003, the Company purchased the Citicorp Englewood Cliffs, NJ Building, a three-story office building containing approximately 410,000 rentable square feet located in Englewood Cliffs, New Jersey, for a purchase price of $70.5 million, excluding closing costs and acquisition and advisory fees and expenses paid to the Advisor. The building is leased entirely to Citicorp North America, Inc., a wholly-owned subsidiary of Citicorp, Inc.

On May 1, 2003, the Company purchased the US Bancorp Minneapolis Building, a 32-story office building containing approximately 929,694 rentable square feet located in Minneapolis, Minnesota, for a purchase price of $174.0 million, excluding closing costs and acquisition and advisory fees and expenses paid to the Advisor. The building is approximately 99% leased under leases to various tenants with varying terms, including US Bancorp Piper Jaffray Companies, Inc., which leases approximately 77% of the building.

On May 9, 2003, the Company purchased the Aon Center Chicago Building, an 83-story office building containing approximately 2.6 million rentable square feet located in Chicago, Illinois, for a purchase price of approximately $465.2 million, excluding closing costs and acquisition and advisory costs paid to the Advisor. The building is approximately 92% leased under leases to various tenants with varying lease terms, including BP Corporation North American, Inc., DDB Needham Chicago, Inc. and Kirkland & Ellis, which collectively lease approximately 54% of the building.

On May 9, 2003, the Company acquired the GMAC Detroit Building, a three story office building containing approximately 119,122 square feet located in Auburn Hills, Michigan, for a purchase price of approximately $17.8 million, excluding closing costs and acquisition and advisory fees and expenses paid to the Advisor. The building is approximately 86% leased to the GMAC Corporation and Delmia Corporation. For the remaining approximately 14% of the building, the Company is required to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space.

Line of Credit

On April 23, 2003, the Company entered into a $500 million unsecured revolving credit facility with a consortium of banks. The agreement expires in April 2005 and replaced the $110 million line of credit with Bank of America. The Company paid up-front commitment fees totaling $2.3 million to the lenders based on each financial institution's relative commitment level. The agreement contains alternative borrowing arrangements that provide for interest costs based on LIBOR plus up to 1.625%, or certain other alternative rates. Additionally, the Company is required to pay a quarterly facility fee of .25% per annum on the entire amount of this credit facility.

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Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the US Bancorp Minneapolis Building for the year ended December 31, 2002. This statement is the responsibility of the US Bancorp Minneapolis Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the US Bancorp Minneapolis Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the US Bancorp Minneapolis Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
May 5, 2003

US Bancorp Minneapolis Building

Statement of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
(in thousands)

Revenues:	
Base rent	$12,495
Tenant reimbursements	9,699
Parking revenues	980
Total revenues	23,174
Expenses:	
Real estate taxes	5,839
Other operating expenses	2,022
Utilities	1,476
Cleaning	971
Management fee	690
Administrative	646
Total expenses	11,644
Revenues over certain operating expenses	$ 11,530

See accompanying notes.

US Bancorp Minneapolis Building

Notes to Statement of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002

1. Description of Real Estate Property Acquired

On May 1, 2003, Wells Operating Partnership, L.P. ("Wells OP') acquired the US Bancorp Minneapolis Building, a 929,694 square foot Class A office tower located in Minneapolis, Minnesota, from MN-Nicollet Mall, LLC ("Nicollet Mall"). Total consideration for the acquisition was approximately $174 million, excluding acquisition costs. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statement of revenues over certain operating expenses is presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, this statement is not comparable to the statement of operations of the US Bancorp Minneapolis Building after its acquisition by Wells OP.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rentals over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $1.6 million for the year ended December 31, 2002.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

US Bancorp Minneapolis Building

Notes to Statement of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002

4. Description of Leasing Arrangements

The office and retail space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. Nicollet Mall's interests in all lease agreements were assigned to Wells OP upon its acquisition of the US Bancorp Minneapolis Building.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 14,589
2004	14,645
2005	14,603
2006	13,890
2007	13,161
Thereafter	85,650
	$156,538

One tenant, US Bancorp Piper Jaffray Companies, Inc., contributed approximately 73% of rental income for the year ended December 31, 2002. Subsequent to December 31, 2002, this tenant will contribute approximately 86% of the future minimum rental income of those leases in place as of that date.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Aon Center Chicago Building for the year ended December 31, 2002. This statement is the responsibility of the Aon Center Chicago Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Aon Center Chicago Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Aon Center Chicago Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
May 9, 2003

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Aon Center Chicago Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the three months ended March 31, 2003 (unaudited)
(in thousands)

	2003	2002
	(unaudited)	
Revenues:		
Base rent	$ 9,478	$ 37,923
Tenant reimbursements	8,411	37,119
Parking revenues	436	1,679
Other revenues	526	1,332
Total revenues	18,851	78,053
Expenses:		
Real estate taxes	5,128	21,501
Other operating expenses	837	4,749
Cleaning	1,103	4,629
Security	682	4,143
Utilities	1,279	4,025
Administrative	635	2,965
HVAC	385	2,224
Total expenses	10,049	44,236
Revenues over certain operating expenses	$ 8,802	$ 33,817

See accompanying notes.

Aon Center Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses
For the year ended December 31, 2002
and the three months ended March 31, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On May 9, 2003, Wells REIT-Chicago Center, Chicago LLC ("the Company") acquired the Aon Center Chicago Building, an approximately 2.6 million square foot Class A office tower located in Chicago, Illinois, from BRE/Randolph Drive, LLC ("Randolph Drive"). Total consideration for the acquisition was approximately $465.2 million. The Company, a Georgia limited liability company, was created on April 30, 2003. Wells Operating Partnership, L.P. ("Wells OP") is the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses is presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Aon Center Chicago Building after its acquisition by the Company.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rentals over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $1.7 million for the year ended December 31, 2002 and $195,000 for the three months ended March 31, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Aon Center Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses
For the year ended December 31, 2002
and the three months ended March 31, 2003 (unaudited)

4. Description of Leasing Arrangements

The office and retail space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. Randolph Drive's interests in all lease agreements were assigned to the Company upon its acquisition of the Aon Center Chicago Building.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 36,822
2004	39,539
2005	36,693
2006	32,778
2007	32,652
Thereafter	185,071
	$363,555

Two tenants, Amoco Corporation and Kirkland & Ellis, contributed approximately 46% and 11%, respectively, of rental income for the year ended December 31, 2002. At December 31, 2002, three tenants, Amoco Corporation, DDB Needham and Kirkland & Ellis, will contribute approximately 54%, 12% and 11%, respectively, of the future minimum rental income of those leases in place as of that date.

6. Interim Unaudited Financial Information

The financial statement for the three months ended March 31, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the three months ended March 31, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of March 31, 2003 has been prepared to give effect to the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building and the GMAC Detroit Building by Wells Operating Partnership, L.P. ("Wells OP") and the acquisition of the Aon Center Chicago Building (collectively, the "Recent Acquisitions") by Wells REIT—Chicago Center, Chicago, LLC, a single member limited liability company of which Wells OP is the sole member, as if the acquisitions occurred on March 31, 2003.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the three months ended March 31, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building (collectively, the "2003 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the "2002 Acquisitions"), the 2003 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the 2002 Acquisitions, 2003 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA BALANCE SHEET
MARCH 31, 2003
(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc.(a)	Other	Citicorp Englewood Cliffs, NJ	US Bancorp Minneapolis	Aon Center Chicago	GMAC Detroit	Pro Forma Total
REAL ESTATE ASSETS, at cost:							
Land	$ 291,140	$ 0	$ 10,300(d)	$ 10,700(d)	$ 23,258(d)	$ 1,900(d)	$ 337,948
			124(e)	438(e)	10(e)	78(e)	
Buildings, less accumulated depreciation of $82,812	1,811,220	0	60,587(d)	162,797(d)	445,956(d)	15,919(d)	2,504,723
			732(e)	6,665(e)	195(e)	652(e)	
Construction in progress	24,102	0	0	0	0	0	24,102
Total real estate assets	2,126,462	0	71,743	180,600	469,419	18,549	2,866,773
INVESTMENT IN JOINT VENTURES	83,286	0	0	0	0	0	83,286
CASH AND CASH EQUIVALENTS	118,030	192,164(b)	(20,929)(d)	(173,497)(d)	(7,833)(d)	(17,819)(d)	82,559
		(7,557)(c)					
RENT RECEIVABLE	19,928	0	0	0	0	0	19,928
DEFERRED PROJECT COSTS	5,124	7,557(c)	(856)(e)	(7,103)(e)	(205)(e)	(730)(e)	3,787
DUE FROM AFFILIATES	2,167	0	0	0	0	0	2,167
PREPAID EXPENSES AND OTHER ASSETS, NET	5,997	0	0	0	0	0	5,997
DEFERRED LEASE ACQUISITION COSTS, NET	1,561	0	0	0	0	0	1,561
INTANGIBLE LEASE ASSET	14,147	0	0	0	0	0	14,147
INVESTMENT IN BONDS	54,500	0	0	0	0	0	54,500
Total assets	$ 2,431,202	$ 192,164	$ 49,958	$ 0	$ 461,381	$ 0	$ 3,134,705

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LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

	Wells Real Estate Investment Trust, Inc.(a)	Pro Forma Adjustments: Other	Recent Acquisitions: Citicorp Englewood Cliffs, NJ	US Bancorp Minneapolis	Aon Center Chicago	GMAC Detroit	Pro Forma Total
LIABILITIES:							
Borrowings	$ 108,986	$ 0	$ 49,958(d)	$ 0	$461,381(d)	$ 0	$ 620,325
Obligations under capital lease	54,500	0	0	0	0	0	54,500
Intangible lease liability	32,033	0	0	0	0	0	32,033
Accounts payable and accrued expenses	23,131	0	0	0	0	0	23,131
Due to affiliate	5,292	0	0	0	0	0	5,292
Dividends payable	7,252	0	0	0	0	0	7,252
Deferred rental income	11,164	0	0	0	0	0	11,164
Total liabilities	242,358	0	49,958	0	461,381	0	753,697
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	0	0	200
SHAREHOLDERS' EQUITY:							
Common shares, $.01 par value; 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 outstanding at December 31, 2002	2,605	216(b)	0	0	0	0	2,821
Additional paid-in capital	2,310,731	191,948(b)	0	0	0	0	2,502,679
Cumulative distributions in excess of earnings	(90,802)	0	0	0	0	0	(90,802)
Treasury stock, at cost, 2,091,157 shares at December 31, 2002	(33,860)	0	0	0	0	0	(33,860)
Other comprehensive loss	(30)	0	0	0	0	0	(30)
Total shareholders' equity	2,188,644	192,164	0	0	0	0	2,380,808
Total liabilities and shareholders' equity	$ 2,431,202	$192,164	$ 49,958	$ 0	$461,381	$ 0	$ 3,134,705

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Reflects capital raised through issuance of additional shares subsequent to March 31, 2003 through GMAC Detroit acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.
(c) Reflects deferred project costs capitalized as a result of additional capital raised described in note (b) above.
(d) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.
(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

	Wells Real Estate Investment Trust, Inc.(a)	Pro Forma Adjustments: 2002 Acquisitions	2003 Acquisitions	Recent Acquisitions: Citicorp Englewood Cliffs, NJ	US Bancorp Minneapolis	Aon Center Chicago	GMAC Detroit	Pro Forma Total
REVENUES:								
Rental income	$ 107,526	$ 98,599(b)	$ 13,196(b)	$ 6,359(b)	$ 13,665(b)	$ 42,592(b)	$ 1,336(b)	$ 283,273
Tenant reimbursements	18,992	9,584(c)	5,590(c)	14(c)	9,699(c)	37,119(c)	39(c)	81,037
Equity in income of joint ventures	4,700	648(d)	0	0	0	0	0	5,348
Lease termination income	1,409	0	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	0	7,001
	139,628	108,831	18,786	6,373	23,364	79,711	1,375	378,068
EXPENSES:								
Depreciation	38,780	34,362(e)	4,348(e)	2,453(e)	6,778(e)	17,846(e)	663(e)	105,230
Interest expense	4,638	9,657(f)	0	1,993(f)	0	22,414(i)	0	38,702
Property operating costs	26,949	25,244(g)	8,742(g)	63(g)	10,955(g)	45,627(g)	609(g)	118,189
Management and leasing fees	5,155	3,196(h)	846(h)	287(h)	1,051(h)	3,587(h)	62(h)	14,184
General and administrative	3,244	0	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	0	1,008
	79,774	72,459	13,936	4,796	18,784	89,474	1,334	280,557
NET INCOME	$ 59,854	$ 36,372	$ 4,850	$ 1,577	$ 4,580	$ (9,763)	$ 41	$ 97,511
EARNINGS PER SHARE, basic and diluted	$ 0.41							$ 0.35
WEIGHTED AVERAGE SHARES, basic and diluted	145,633							278,027

(a) Historical financial information derived from annual report on Form 10-K.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.
(e) Depreciation expense is recognized using the straight-line method and a 25-year life.
(f) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 3.99% for the year ended December 31, 2002 and assumed mortgages on the BMG Direct, BMG Music and Nestle Buildings, which bear interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.
(g) Consists of operating expenses.
(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
(i) Represents interest expense on loan used to acquire Aon Center Chicago Building, which bears interest at approximately 4.858% for the year ended December 31, 2002.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2003

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments						
			Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc. (a)	2003 Acquisitions	Citicorp Englewood Cliffs, NJ	US Bancorp Minneapolis	Aon Center Chicago	GMAC Detroit	Pro Forma Total
REVENUES:							
Rental income	$ 53,343	$ 2,941(b)	$ 1,590(b)	$ 3,421(b)	$ 10,855(b)	$ 563(b)	$ 72,713
Tenant reimbursements	9,601	1,378(c)	6(c)	2,799(c)	8,411(c)	23(c)	22,218
Equity in income of joint ventures	1,261	0	0	0	0	0	1,261
Interest and other income	1,154	0	0	0	0	0	1,154
	65,359	4,319	1,596	6,220	19,266	586	97,346
EXPENSES:							
Depreciation	19,218	888(d)	613(d)	1,694(d)	4,462(d)	166(d)	27,041
Property operating costs	15,220	1,946(f)	74(f)	2,682(f)	10,572(f)	270(f)	30,764
Management and leasing fees	2,333	194(g)	72(g)	280(g)	867(g)	26(g)	3,772
General and administrative	1,576	0	0	0	0	0	1,576
Interest expense	2,648	0	388(e)	0	5,075(h)	0	8,111
	40,995	3,028	1,147	4,656	20,976	462	71,264
NET INCOME	$ 24,364	$ 1,291	$ 449	$ 1,564	$ (1,710)	$ 124	$ 26,082
EARNINGS PER SHARE, basic and diluted	$ 0.10						$ 0.09
WEIGHTED AVERAGE SHARES, basic and diluted	233,247						278,027

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Depreciation expense is recognized using the straight-line method and a 25-year life.
(e) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 3.106% for the three months ended March 31, 2003.
(f) Consists of operating expenses.
(g) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
(h) Represents interest expense on loan used to acquire Aon Center Chicago Building, which bears interest at approximately 4.40% for the three months ended March 31, 2003.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 8 DATED JUNE 15, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, and Supplement No. 7 dated May 15, 2003 . When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the third quarter of 2003; and

(3) Notice received from the NASD of its determination to institute an enforcement action against Wells Investment Securities, Inc. (Wells Investment Securities), our Dealer Manager, and Leo F. Wells, III for alleged NASD Rule violations relating to the educational and due diligence conferences sponsored by Wells Investment Securities in 2001 and 2002.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132.2 million in gross offering proceeds from the sale of 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of May 31, 2003, we had received additional gross proceeds of approximately $1.4 billion from the sale of approximately 137.3 million shares in our fourth public offering. Accordingly, as of May 31, 2003, we had received aggregate gross offering proceeds of approximately $3.0 billion from the sale of approximately 296.3 million shares in all of our public offerings. After payment of approximately $102.2 million in acquisition and advisory fees and acquisition expenses, payment of $329.2 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $43.6 million pursuant to our share redemption program, as of May 31, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $2.5 billion, out of which approximately $2.0 billion had been invested in real estate properties, and approximately $50.6 million remained available for investment in real estate properties.

Dividends

On June 11, 2003, our board of directors declared dividends for the third quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in September 2003. Our third quarter dividends are calculated on a daily record basis of $0.001902 (0.1902 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on June 16, 2003, and continuing on each day thereafter through and including September 15, 2003.

NASD Enforcement Action

On June 6, 2003, the enforcement division of NASD, Inc. (NASD) informed Wells Investment Securities, our Dealer Manager, and Leo F. Wells, III, our President and a director, that the NASD has made a determination to institute disciplinary proceedings against both Wells Investment Securities and Mr. Wells, as registered principal of Wells Investment Securities, for alleged violations of various NASD Conduct Rules entirely related to providing non-cash compensation of more than $100 to associated persons of NASD member firms in connection with their attendance at the annual educational and due diligence conferences sponsored by Wells Investment Securities in 2001 and 2002.

While the NASD has not yet instituted a formal action against Wells Investment Securities or Mr. Wells and, in its notice, only cited alleged rule violations in general terms, Wells Investment Securities and Mr. Wells are in the process of ascertaining the specific factual details forming the basis for these allegations. Based upon what we know at this time, however, we believe that these alleged rule violations will relate primarily to (1) the failure to obtain full reimbursement from some of the registered representatives for travel expenses of guests and the cost of golf in connection with attendance at our 2001 educational conference, and (2) the payment for meals of guests of attendees at our 2001 and 2002 educational conferences. We are unable to predict at this time the potential outcome of any such enforcement action against Wells Investment Securities and Mr. Wells or the potential effect such an enforcement action may have on the operations of Wells Capital, Inc., our advisor, and, accordingly, on our operations, if any.

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 9 DATED AUGUST 27, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002**

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, and Supplement No. 8 dated June 15, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Settlement of the NASD enforcement action against Wells Investment Securities, Inc. (Wells Investment Securities), our Dealer Manager, and Leo F. Wells, III, our president and chairman of our board of directors;

(3) Revisions to the "Management—Executive Officers and Directors" section of the prospectus to describe the addition of W. Wayne Woody as a newly appointed independent director and a member of our Audit Committee;

(4) Revisions to the "Management—Compensation of Directors" section of the prospectus;

(5) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of a six-story office building and a two-story office building in Reston, Virginia (IBM Reston Buildings);

  (B) Acquisition of a three-story office building in Atlanta, Georgia (ISS Atlanta III Building);

  (C) Acquisition of two four-story office buildings in Rockville, Maryland (Lockheed Martin Rockville Buildings);

  (D) Acquisition of a 19-story office building in Atlanta, Georgia (Cingular Atlanta Building); and

  (E) Acquisition of an eight-story office building in Bridgewater, New Jersey (Aventis Northern NJ Building);

(6) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus to include information for the quarter ended June 30, 2003;

(7) Changes to the "Plan of Distribution – Underwriting Compensation and Terms" section of the prospectus to reflect an additional volume discount available for purchases of 500,000 or more shares;

(8) Description of committees of the board of directors;

(9) Unaudited financial statements of the Wells REIT for the period ended June 30, 2003;

(10) Statements of Revenues Over Certain Operating Expenses for the recently acquired Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building; and

(11) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the IBM Reston Buildings, the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132.2 million in gross offering proceeds from the sale of approximately 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of approximately 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of approximately 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 15, 2003, we had received additional gross proceeds of approximately $1.974 billion from the sale of approximately 197.4 million shares in our fourth public offering. Accordingly, as of August 15, 2003, we had received aggregate gross offering proceeds of approximately $3.565 billion from the sale of approximately 3.565 million shares in all of our public offerings. After payment of approximately $122.7 million in acquisition and advisory fees and acquisition expenses, payment of approximately $389.0 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $59.4 million pursuant to our share redemption program, as of August 15, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $2.994 billion, out of which approximately $2.955 billion had been invested in real estate properties, and approximately $38.8 million remained available for investment in real estate properties.

Redemptions of Common Stock under our Share Redemption Plan

Our current share redemption plan allows for the redemption of approximately 4.37 million shares at an aggregate cost of $43.7 million for the year ending December 31, 2003. From January 1, 2003 through August 15, 2003, we had redeemed approximately 3.85 million shares of common stock available for redemption for the year at an aggregate cost of approximately $38.5 million. We anticipate that the remaining shares eligible for redemption during the year ending December 31, 2003 will be exhausted in the very near future. All other requests for potential redemption will not be eligible for redemption on a first come, first served basis until after January 1, 2004, subject to our board's ability to change or terminate our share redemption program at any time in its discretion.

Settlement of NASD Enforcement Action

As described in more detail in Supplement No. 8 dated June 15, 2003, in a letter dated June 6, 2003, Wells Investment Securities, our Dealer Manager, and Leo F. Wells, III, registered principal of Wells Investment Securities and our president and chairman of our board of directors, were informed that the NASD had made a determination to institute certain disciplinary proceedings against them. On August 26, 2003, Wells Investment Securities and Mr. Wells settled this contemplated NASD enforcement action against them by entering into a Letter of Acceptance, Waiver and Consent (AWC) with the NASD which contained findings by the NASD that Wells Investment Securities and Mr. Wells had violated certain of its Conduct Rules related to providing non-cash compensation of more than $100 to associated persons of NASD member firms in connection with their attendance at the annual educational conferences sponsored by Wells Investment Securities in 2001 and 2002.

Without admitting or denying the allegations and findings against them, Wells Investment Securities and Mr. Wells consented in the AWC to various findings by the NASD which are summarized in the following paragraph:

In 2001 and 2002, Wells Investment Securities sponsored conferences attended by registered representatives who sold its real estate investment products. Wells Investment Securities also paid for certain expenses of guests of the registered representatives who attended the conferences. In 2001, Wells Investment Securities paid the costs of travel to the conference and meals for many of the guests, and paid the costs of playing golf for some of the registered representatives and their guests. Wells Investment Securities later invoiced registered representatives for the cost of golf and for travel expenses of guests, but was not fully reimbursed for such. In 2002, Wells Investment Securities paid for meals for the guests. Wells Investment Securities also conditioned most of the 2001 conference invitations on attainment by the registered representatives of a predetermined sales goal for Wells Investment Securities products. This conduct violated the prohibitions against payment and receipt of non-cash compensation in connection with the sales of these products contained in NASD's Conduct Rules 2710, 2810, and 3060. In addition, Wells Investment Securities and Mr. Wells failed to adhere to all of the terms of their written undertaking made in March 2001 not to engage in the conduct described above, and thereby engaged in conduct that was inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of NASD Conduct Rule 2110.

Wells Investment Securities consented to a censure and Mr. Wells consented to suspension from acting in a principal capacity with an NASD member firm for one year. Wells Investment Securities and Mr. Wells also agreed to the imposition of a joint and several fine in the amount of $150,000. Although Mr. Wells is now prohibited from acting in a principal capacity with Wells Investment Securities and has, therefore, resigned from all relevant positions in that regard, he will continue to engage in selling efforts on behalf of Wells Investment Securities and other non-principal activities. Mr. Wells will also continue to serve as our president and chairman of our board of directors and as the president of both Wells Capital, Inc., our advisor, and Wells Management Company, Inc., our property manager.

Management

Executive Officers and Directors

The following information should be read in conjunction with the "Management – Executive Officers and Directors" section beginning on page 34 of the prospectus to include background information on W. Wayne Woody. On July 15, 2003, our board of directors unanimously approved an increase in the number of our directors from 10 to 11 and elected W. Wayne Woody as a new independent director to fill the vacancy. Mr. Woody was also appointed as a member of our Audit Committee. Of our 11 directors, nine are considered independent of Wells Capital, Inc. (Wells Capital), our advisor.

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W. Wayne Woody served as the Interim Chief Financial Officer for Legacy Investment Group, a boutique investment firm, from 2000 to 2001 where he was responsible for guiding the company through a transition in accounting and reporting.

From 1968 until his retirement in 1999, Mr. Woody was employed by KMPG LLP and its predecessor firms, Peat Marwick Mitchell & Co. and Peat Marwick Main. As a Senior Partner, he served in a number of key positions in the firm, including Securities and Exchange Commission Reviewing Partner and Partner-in-Charge of Professional Practice and Firm Risk Management for the southeastern United States and Puerto Rico. Mr. Woody was also a member of the Board of Directors of KMPG LLP from 1990 through 1994. Prior to joining KMPG, Mr. Woody was the Principal Budget Analyst for the State of Georgia Office of Planning and Budget where he reviewed, analyzed and presented the Governor’s budget proposals to the state legislature.

Mr. Woody currently serves as Chairman of the Audit Committee for the City of Atlanta. He is also a director and the Chairman of the Audit Committee of the Metropolitan Atlanta Chapter of the American Red Cross. Mr. Woody is a member of the Board of Directors for the Metropolitan Atlanta Chapter of the American Heart Association. In addition, he is a trustee and the Chairman of the Finance Committee for the Georgia State University Foundation. Mr. Woody previously served a three-year term as Chairman of the Board of Trustees for the Georgia Center for the Visually Impaired.

Mr. Woody received a Bachelor of Science degree from Middle Tennessee State University and a Masters of Business Administration degree from Georgia State University. He is a Certified Public Accountant in the states of Georgia and North Carolina.

Compensation of Directors

The paragraph contained in the “Management – Compensation of Directors” section of the prospectus on page 38 should be replaced by the following paragraph to reflect a change in the manner in which we compensate our independent directors:

We pay each of our independent directors an annual retainer of $12,000, $2,500 per regularly scheduled board meeting attended, $1,500 per regularly scheduled committee meeting attended (committee chairpersons receive an additional $500 per committee meeting for serving in that capacity) and $250 per special board meeting attended whether held in person or by telephone conference. Members of our Audit Committee will receive $2,500 per meeting attended for each of the four meetings necessary to review our quarterly and annual financial statements. In addition, we have reserved 100,000 shares of common stock for future issuance upon the exercise of stock options granted to the independent directors pursuant to our Independent Director Stock Option Plan and 500,000 shares for future issuance upon the exercise of warrants to be granted to the independent directors pursuant to our Independent Director Warrant Plan. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. If a director also is an officer of the Wells REIT, we do not pay separate compensation for services rendered as a director.

Description of Properties

As of August 20, 2003, we had purchased interests in 83 real estate properties located in 24 states. Below is a description of our recent real property acquisitions.

IBM Reston Buildings

On June 27, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a six-story office building and a two-story office building containing approximately 141,000 aggregate rentable square feet located on an approximately 4.56-acre tract of land at 11107 & 11109 Sunset Hills Road in Reston, Virginia (IBM Reston Buildings) for a purchase price of approximately $28.6 million, plus closing costs. The IBM Reston Buildings were purchased from Sunset Hills, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc. (Advisor).

The IBM Reston Buildings, which were built in 1984 and 1985, respectively, are leased to International Business Machines Corporation (IBM) (approximately 71%) and Tellabs Reston, Inc. (Tellabs) (approximately 29%).

IBM, a company whose shares are publicly traded on the New York Stock Exchange (NYSE), manufactures and sells computer services, hardware and software and is the most diversified provider of computer products and services in the United States. IBM reported a net worth, as of December 31, 2002, of approximately $22.8 billion. The current annual base rent payable under the IBM lease, which expires in 2012, is approximately $2.4 million. In addition, IBM has the right to terminate the IBM lease (1) in 2007 by paying an approximately $2.3 million termination fee, or (2) in 2009 by paying an approximately $1.1 million termination fee.

Tellabs is a wholly-owned subsidiary of Tellabs, Inc., a company whose shares are publicly traded on NASDAQ which designs, manufactures, markets and services optical networking, broadband access and voice-quality enhancement solutions. The current annual base rent payable under the Tellabs lease, which expires in 2011, is approximately $1.2 million. In addition, Tellabs has obtained an approximately $2.5 million letter of credit from Silicon Valley Bank to serve as additional security for payments under the lease.

ISS Atlanta III Building

On July 1, 2003, Wells OP purchased a three-story office building containing approximately 50,400 rentable square feet (ISS Atlanta III Building) located at 859 Mount Vernon Highway in Atlanta, Georgia for a purchase price of $10.0 million, plus closing costs. The ISS Atlanta III Building was purchased from Spring Creek Partners, LLC, a Georgia limited liability company not in any way affiliated with the Wells REIT, Wells OP or our Advisor. The ISS Atlanta III Building is the third building in a three building complex. In 2002, Wells OP purchased two five-story office buildings containing approximately 238,600 aggregate rentable square feet which are immediately adjacent to the ISS Atlanta III Building.

The entire rentable area of the ISS Atlanta III Building is leased to Internet Security Systems, Inc., a Georgia corporation (ISS). The ISS Atlanta lease is guaranteed by the parent of ISS, Internet Security Systems, Inc., a Delaware corporation (ISS, Inc.), whose shares are traded on NASDAQ. ISS, Inc. provides computer security solutions to networks, servers and desktop computers for organizational customers, including corporate customers and governmental units. ISS, Inc. reported a net worth, as of December 31, 2002, of approximately $464.6 million.

The ISS Atlanta III lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) that expires in 2013. The current annual base rent payable under the ISS Atlanta III lease is approximately $1.0 million. In addition, ISS has obtained a $2.5 million letter of credit from Wachovia Bank, N.A. to serve as additional security for payments under the lease. ISS has the right to apply to the Development Authority of Fulton County (Development Authority) for tax abatement benefits in connection with the recent construction of the ISS Atlanta III Building, which, if successful, will result in Wells OP transferring fee simple title to the land and improvements to the Development Authority in connection with the issuance of Development Authority of Fulton County Taxable Revenue Bonds (Bonds) and retaining ownership of an interest in the ISS Atlanta III Building by taking back a ground lease on the land and improvements. Fee title interest to the land and improvements will be transferred back to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease. Pursuant to the ISS Atlanta III lease, ISS is required to pay all costs associated with the application for tax abatement benefits.

Since the ISS Atlanta III Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the lease, ISS, Inc., is more relevant to investors than financial statements of the property acquired.

ISS, Inc. currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding ISS, Inc. is taken from its previously filed public reports:

	For the Fiscal Year Ended		
Consolidated Statements of Operations	12/31/2002	12/31/2001	12/31/2000
		(in thousands)	
Revenues	$ 243,285	$223,559	$194,975
Operating Income	$ 8,023	$ (24,158)	$ 20,569
Net Income	$ 1,779	$ (15,458)	$ 18,315

	As of the Fiscal Year Ended		
Consolidated Balance Sheet	12/31/2002	12/31/2001	12/31/2000
		(in thousands)	
Total Assets	$546,568	$ 500,984	$ 240,240
Stockholders' Equity	$464,556	$426,935	$ 188,389

For more detailed financial information regarding ISS, Inc., please refer to the financial statements of Internet Security Systems, Inc., which are publicly available with the SEC at http://www.sec.gov.

Lockheed Martin Rockville Buildings

On July 30, 2003, Wells OP purchased all of the membership interest in Meridian/Northwestern Shady Grove North, LLC (North), a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located on an approximately 8.91-acre tract of land at 9211 & 9221 Corporate Boulevard in Rockville, Maryland (Lockheed Martin Rockville Buildings) for a purchase price of approximately $51.6 million, plus closing costs. The Lockheed Martin Rockville Buildings were purchased from Meridian/Northwestern Shady Grove Holdings, LLC (Holdings), a Delaware limited liability company which owned the entire membership interest in North. Neither North nor Holdings is in any way affiliated with the Wells REIT, Wells OP or our Advisor.

The entire rentable square feet of the Lockheed Martin Rockville Buildings are leased under two separate lease agreements to Lockheed Martin Corporation (Lockheed Martin). Lockheed Martin, a company whose shares are publicly traded on the NYSE, is a technology company formed in March of 1995 with the merger of two other technology companies, Lockheed Corporation and Martin Marietta Corporation. Lockheed Martin is principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products and services. Lockheed Martin reported a net worth, as of December 31, 2002, of approximately $5.9 billion. The current aggregate annual base rent payable under the Lockheed Martin leases, which expire in 2009, is approximately $4.7 million.

Cingular Atlanta Building

On August 1, 2003, Wells OP purchased a 19-story office building containing approximately 413,000 aggregate rentable square feet located on an approximately 5.2-acre tract of land at 5565 Glenridge Connector, N.E. in Atlanta, Georgia (Cingular Atlanta Building) for a purchase price of approximately $83.9 million, plus closing costs. The Cingular Atlanta Building was purchased from Teachers Insurance and Annuity Association of America, a New York corporation not in any way affiliated with the Wells REIT, Wells OP or our Advisor.

The Cingular Atlanta Building, which was built in 2000, is primarily leased to Cingular Wireless, LLC (Cingular) (approximately 76%). Approximately 21% of the Cingular Atlanta Building is leased to four additional tenants, and approximately 3% of the Cingular Atlanta Building is currently vacant.

Cingular is a joint venture between the domestic wireless divisions of SBC Communications, Inc. and BellSouth Corporation. Cingular serves more than 22 million voice and data customers across the United States, provides cellular/PCS service in 43 of the top 50 markets nationwide, and provides corporate e-mail and other advanced data services. Cingular reported a net worth, as of December 31, 2002, of approximately $7.5 billion.

The current annual base rent payable under the Cingular lease, which expires in 2010, is approximately $8.9 million. Cingular has the right to terminate the Cingular lease in 2008 by paying a termination fee equal to all unamortized tenant improvement allowances and leasing commissions incurred by the landlord in connection with the Cingular lease, which is currently estimated to be approximately $2.7 million. The Cingular lease prohibits Wells OP from leasing any space in the Cingular Atlanta Building to another tenant in the telecommunications business.

The current aggregate annual base rent for the remaining four tenants is approximately $2.0 million.

Aventis Northern NJ Building

On August 14, 2003, Wells Bridgewater I, LLC (Wells Bridgewater), a Georgia limited liability company wholly-owned by Wells OP, purchased an eight-story office building containing approximately 297,000 rentable square feet located on an approximately 10.47 acre tract of land at 200 Crossing Boulevard in Bridgewater, New Jersey (Aventis Northern NJ Building) for a purchase price of $96.3 million, plus closing costs, from PGC Bridgewater, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP, Wells Bridgewater or our Advisor.

The entire Aventis Northern NJ Building is leased to Aventis, Inc. (Aventis), the U.S. pharmaceuticals division and a subsidiary of Aventis SA, a French company whose shares are publicly traded on the NYSE. Aventis Pharma AG, an affiliate of Aventis and a subsidiary of Aventis SA is a guarantor of the Aventis lease. Aventis develops pharmaceutical products in areas such as oncology, cardiology, diabetes, respiratory/allergy and anti-infectives. The current annual net base rent payable under the Aventis lease, which expires in 2012, is approximately $7.3 million.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our Advisor, will manage the IBM Reston Buildings, the ISS Atlanta III Building, the Lockheed Martin Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building on behalf of Wells OP. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the IBM Reston Buildings, the ISS Atlanta III Building, the Lockheed Martin Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building, subject to certain limitations. Hines Interests Limited Partnership (Hines) is the current on-site property manager of the Aventis Northern NJ Building and Wells OP anticipates entering into a new management agreement with Hines to continue to serve as the on-site property manager. The property management fees payable to Hines will be paid out of or credited against the fees payable to Wells Management. Hines is not in any way affiliated with the Wells REIT, Wells OP, Wells Bridgewater or our Advisor.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in Supplement No. 6 dated April 14, 2003 and Supplement No. 7 dated May 15, 2003 and should also be read in conjunction with our accompanying financial statements and notes thereto.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

REIT Qualification

We have made an election under Section 856 of the Internal Revenue Code to be taxed as a REIT beginning with our taxable year ended December 31, 1998. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially, adversely affect our financial position and results of operations. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during the year ending December 31, 2003. In addition, we intend to continue to operate to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the six months ended June 30, 2003, we received aggregate gross offering proceeds of $1.04 billion from the sale of 104.4 million shares of our common stock. After incurring costs of $35.5 million in acquisition and advisory fees and acquisition expenses, $108.9 million in selling commissions and organization and offering expenses and common stock redemptions of $31.0 million pursuant to our share redemption program, we raised net offering proceeds of $868.9 million during the six months ended June 30, 2003.

The significant increase in capital resources available to us is due to significantly increased sales of our common stock during the first half of 2003. After payment of the costs described above associated with the sale of shares of common stock and acquisitions of properties, we had approximately $44.0 million available for investment in real estate assets as of June 30, 2003.

As of June 30, 2003, we owned interests in 79 real estate properties either directly or through our interests in joint ventures located throughout the United States. Our real estate investment policies are to identify and invest in high-grade commercial office and industrial buildings located in densely populated metropolitan markets which are newly constructed, under construction or which have been previously constructed and have operating histories. However, we are not limited to such investments. We expect to continue to acquire commercial properties that meet our standards of quality in terms of the real estate and the creditworthiness of the tenants.

We have developed specific standards for determining creditworthiness of potential tenants of our properties in order to reduce the risk of tenant default. Although authorized to enter into leases with any type of tenant, we anticipate that a majority of our tenants will be large corporations or other entities which have a net worth in excess of $100 million or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of $100 million.

Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before entering into any commitment to buy a property. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders.

Dividends paid during the six months ended June 30, 2003 were $87.6 million compared to $40.9 million during the six months ended June 30, 2002. For each $10 share of our common stock, our board of directors declared dividends for the period December 16, 2002 through June 15, 2003, at an annualized percentage rate of return of 7.0%, compared to an annualized percentage rate of return of 7.75% for the period December 16, 2001 through June 15, 2002. The reduction of the annualized percentage rate of return for the dividends resulted from the higher value placed on our type of properties and the additional time it now takes in the acquisition process for us to assess tenant creditworthiness and, therefore, invest proceeds in properties.

Our board of directors has declared dividends for the period June 16, 2003, through September 15, 2003, at an annualized percentage rate of return of 7.0%. Third quarter dividends are calculated on a daily record basis of $0.001902 (0.1902 cents) per day per share on the outstanding shares of our common stock payable to stockholders of record as shown on our books at the close of business on each day during the period commencing on June 16, 2003, and continuing on each day thereafter through and including September 15, 2003.

The payment of dividends in the future will generally be dependent upon the cash flows from operating the properties currently owned and acquired in future periods, our financial condition, amounts paid for properties acquired, the timing of property acquisitions, capital expenditure requirements and distribution requirements in order to maintain our REIT status under the Internal Revenue Code.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $88.5 million and $33.1 million for the six months ended June 30, 2003 and 2002, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by $1.4 billion of additional properties acquired during 2002 and an additional $871.9 million of real estate assets acquired and $76.8 million in build-to-suit projects completed during the six months ended June 30, 2003. We do not recognize in income the full effect from the properties during the year of acquisition, as the operations of the properties are only included in income from the date of acquisition. Operating cash flows are expected to increase as we acquire additional properties in future periods and as we obtain the benefit of a full quarter of operations for properties acquired during the six months ended June 30, 2003.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $829.6 million and $278.4 million for the six months ended June 30, 2003 and 2002, respectively. The increase in net cash used in investing activities was due primarily to greater investments in properties and the payment of the related deferred project costs resulting from raising a greater amount of offering proceeds. Our investments in real estate assets, lease acquisitions and intangible lease assets and payment of acquisition and advisory costs totaled $833.6 million and $281.9 million for the six months ended June 30, 2003 and 2002, respectively. The cash outflow from the investments in properties and the payment of deferred project costs were partially offset by distributions from joint ventures of $4.0 million and $3.5 million during the six months ended June 30, 2003, and 2002, respectively. The increase in distributions from joint ventures is primarily due to additional investment in joint ventures during the fourth quarter of 2002.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $754.7 million and $511.6 million for the six months ended June 30, 2003 and 2002, respectively. Capital fund raising increased to $1.04 billion during the six months ended June 30, 2003, as compared to $618.3 million during the six months ended June 30, 2002. The amounts raised were partially offset by the payment of commissions and offering costs totaling $114.8 million and $65.8 million and redemptions of $31.0 million and $6.7 million during the six months ended June 30, 2003 and 2002, respectively.

Additionally, we obtained funds from financing arrangements totaling $549.3 million and $7.5 million and made repayments of borrowings of $601.1 million and $0 during the six months ended June 30, 2003 and 2002, respectively, based on the availability and need of cash for investment in real estate assets during the period. Related to the acquisition of new financing facilities we incurred deferred financing costs of $4.4 million and $0.9 million during the six months ended June 30, 2003 and 2002. Primarily as a result of the increased cash flow from operations, during the six months ended June 30, 2003 and 2002, we paid dividends of $87.6 million and $40.9 million, respectively.

Results of Operations

As of June 30, 2003, our 79 real estate properties were approximately 97% leased. Our results of operations have changed significantly for the three and six months ended June 30, 2003, as compared to the three and six months ended June 30, 2002, generally as result of the acquisition of approximately $1.4 billion of real estate assets during the year ended December 31, 2002, and an additional $871.9 million of real estate assets acquired and $76.8 million in build-to-suit projects completed during the six months ended June 30, 2003. We expect that rental income, tenant reimbursements, depreciation expense, operating expenses, asset and property management and leasing fees and net income will each increase in future periods as a result of owning the assets acquired during the six months ended June 30, 2003, for an entire period and as a result of anticipated future acquisitions of real estate assets. Due to the average remaining terms of the long-term leases currently in place at our properties, management does not anticipate significant changes in near-term rental revenues from properties currently owned.

Three months ended June 30, 2003 vs. three months ended June 30, 2002

Rental income increased by $47.1 million, during the second quarter of 2003, from $21.8 million for the three months ended June 30, 2002, to $69.0 million for the three months ended June 30, 2003. Tenant reimbursements were $16.5 million and $4.8 million for the three months ended June 30, 2003 and 2002, respectively, for an increase of $11.7 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to March 31, 2002, which totaled $49.5 million and $12.1 million, respectively, for the three months ended June 30, 2003 and $2.4 million and $1.1 million for the three months ended June 30, 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $1.1 million and $1.3 million for the three months ended June 30, 2003 and 2002, respectively. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the three months ended June 30, 2003 and 2002, was $25.1 million and $7.2 million, respectively comprising approximately 36% and 33% of rental income for the respective three month periods. The change in the percentages between periods is generally due to a change in the applicable cost of the real estate assets compared to the revenues generated by the real estate assets. Depreciation expense relating to assets acquired after March 31, 2002, was $18.4 million and $0.9 million for the three months ended June 30, 2003 and June 30, 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $25.8 million and $6.2 million for the three months ended June 30, 2003 and 2002, respectively, representing 30% and 23% of the sum of the rental income and tenant reimbursements for each respective three month period. The increase of property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to the recent acquisition of certain full service properties that have a higher ratio of property operating costs to revenues. Property operating costs for the properties acquired subsequent to March 31, 2002 were $19.7 million and $1.1 million for the three months ended June 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Asset and property management and leasing fees expenses were $3.2 million and $1.0 million for the three months ended June 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each three month period. Asset and property management fees for properties acquired after March 31, 2002, were $1.9 million and $0.1 million for the three months ended June 30, 2003 and 2002, respectively. Asset and property management fees are expected to increase as additional properties are acquired but, as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

General and administrative expenses increased from $0.6 million for the three months ended June 30, 2002, to $0.9 million for the three months ended June 30, 2003, representing approximately 2% and 1% of the total revenues for each respective three month period. The decrease from the prior period is primarily due to greater efficiencies resulting from economies of scale. General and administrative expenses are expected to increase in future periods as additional properties are acquired, but are expected remain relatively constant as a percentage of total revenues.

Interest expense was $4.8 million and $0.7 million for the three months ended June 30, 2003 and 2002, respectively. Interest expense of $1.0 and $0.4 million for the three months ended June 30, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $3.8 million and $0.3 million is due to the interest on our outstanding borrowings and amortization of deferred financing costs for each period. We had significantly more borrowings outstanding during the three months ended June 30, 2003, as compared to the three months ended June 30, 2002, resulting in a significant increase in the interest expense between the two periods. Additionally, in the period ending June 30, 2003, we wrote-off approximately $0.5 million of deferred financing costs associated with the Bank of America $110.0 million line of credit termination (See Note 4 of our consolidated financial statements for further information). Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the three months ended June 30, 2003, decreased to $0.10 per share compared to $0.11 per share for the three months ended June 30, 2002. This decrease is primarily a result of the higher cost of investments in real estate assets relative to returns on those investments.

Six months ended June 30, 2003 vs. six months ended June 30, 2002

Rental income increased by $83.7 million, during the first half of 2003, from $38.6 million for the six months ended June 30, 2002, to $122.3 million for the six months ended June 30, 2003. Tenant reimbursements were $26.1 million and $9.2 million for the six months ended June 30, 2003 and 2002, respectively, for an increase of $16.9 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to December 31, 2001, which totaled $89.3 million $17.9 million, respectively, for the six months ended June 30, 2003, and $6.0 million and $1.3 million for the first half of 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $2.4 million and $2.5 million for the six months ended June 30, 2003 and 2002, respectively. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the six months ended June 30, 2003 and 2002, was $44.3 million and $12.9 million, respectively comprising approximately 36% and 33% of rental income for the respective six month periods. The increase in the percentages between periods is generally due to an increase in the applicable cost of the real estate assets compared to the revenues generated by the real estate assets. Depreciation expense relating to assets acquired after December 31, 2001, was $33.1 million and $2.3 million for the six months ended June 30, 2003 and 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $41.0 million and $11.2 million for the six months ended June 30, 2003 and 2002, respectively, representing approximately 28% and 24% of the sum of the rental income and tenant reimbursements for each respective six month period. The increase in the property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to operating costs of the recently acquired full service properties as a percentage of revenues. Property operating costs for the properties acquired subsequent to December 31, 2001, were $30.1 million and $1.7 million for the six months ended June 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Management and leasing fees expenses were $5.5 million and $1.9 million for the six months ended June 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each six month period. Management and leasing fees for properties acquired after June 30, 2002, were $3.5 million and $0.2 million for the six months ended June 30, 2003 and 2002, respectively. Management and leasing fees are expected to increase as additional properties are acquired; however, as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

General and administrative expenses increased from $1.1 million for the six months ended June 30, 2002, to $2.5 million for the six months ended June 30, 2003, representing approximately 2% of the total revenues for each respective six month period. General and administrative expenses are expected to increase in future periods as our assets continue to increase as additional properties are acquired, but are expected remain relatively constant as a percentage of total revenues.

Interest expense was $7.4 million and $1.3 million for the six months ended June 30, 2003 and 2002, respectively. Interest expense of $1.9 and $0.9 million for the six months ended June 30, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $5.5 million and $0.4 million, respectively, is due to the interest on our outstanding borrowings for each period and amortization of deferred finance costs. We had significantly more borrowings outstanding during the six months ended June 30, 2003, as compared to the six months ended June 30, 2002, resulting in a significant increase in the interest expense between the two periods. Additionally, in the period ending June 30, 2003, we wrote-off approximately $0.5 million of deferred costs associated with the Bank of America $110.0 million line of credit termination (See Note 4 of our consolidated financial statements for further information). Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the six months ended June 30, 2003, decreased to $0.20 per share compared to $0.22 per share for the six months ended June 30, 2002. This decrease is primarily a result of the higher cost of investments in real estate assets relative to returns on those investments resulting in lower returns.

Funds From Operations

Funds from Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with accounting principles generally accepted in the United States (GAAP) excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. Management believes that FFO is helpful to investors as a measure of the performance of an equity REIT.

However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO for the three and six month periods ended June 30, 2003 and 2002:

	For the three months ended June 30,		For the six months ended June 30,	
	2003	2002	2003	2002
FUNDS FROM OPERATIONS:				
Net income	$ 27,985	$ 13,756	$ 52,349	$ 24,536
Add:				
Depreciation of real estate assets	25,060	7,159	44,278	12,903
Amortization of deferred leasing costs	271	78	349	151
Depreciation & amortization—unconsolidated investments in joint assets	779	701	1,565	1,407
Funds from Operations (FFO)	$ 54,095	$ 21,694	$ 98,541	$ 38,997
WEIGHTED AVERAGE SHARES BASIC AND DILUTED	283,903	126,038	258,575	110,886

In order to recognize revenues on a straight line basis over the terms of the respective leases, we recognized straight line rental revenue of $4.3 million and $2.1 million during the three months ended June 30, 2003 and 2002, respectively. For the six months ended June 30, 2003 and 2002, we recognized straight line rental revenue of $5.1 million and $3.2 million, respectively.

Amortization of the intangible lease assets and liabilities resulted in a net increase in rental revenue of $0.6 million and $1.1 million, respectively for the three and six months periods ended June 30, 2003.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases, which would protect us from the impact of inflation. These provisions include reimbursement billings for operating expense pass-through charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

The critical accounting policies outlined below have been discussed with members of our Audit Committee. There have been no significant changes in the critical accounting policies, methodology, or assumptions in the current period.

Below is a discussion of the accounting policies that management considers to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant Improvements	Lease term

In the event that inappropriate useful lives or methods are used for depreciation, our net income would be misstated.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate assets may not be recoverable, we assess the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate assets to the fair value and recognize an impairment loss. We have determined that there has been no impairment in the carrying value of real estate assets held by us and any unconsolidated joint ventures at June 30, 2003.

Projections of expected future cash flows requires us to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property’s future cash flows and fair value and could result in the overstatement of the carrying value of our real estate assets and net income.

Intangible Lease Asset/Liability

We determine whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of the real estate assets. The intangible assets and liabilities are recorded at their estimated fair market values at the date of acquisition and amortized over the remaining term of the respective lease to rental income.

The determination of the estimated fair values of the intangible lease asset or liability requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. If inappropriate estimates with regard to these variables are used, misclassification of assets or liabilities and incorrect calculation of depreciation amounts would occur, which would misstate our net income.

Commitments and Contingencies

Take Out Purchase and Escrow Agreement

Wells Management Company has developed a program (Wells Section 1031 Program) involving the acquisition by a subsidiary of Wells Management Company (Wells Exchange) of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Service Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to us and following approval of the potential property acquisition by our board of directors, it is anticipated that we will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, we will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

See Note 7 to our consolidated financial statements included in this supplement for discussion of this potential obligation.

Letters of Credit

At June 30, 2003, we had three unused letters of credit as required by other parties to ensure completion of our obligations under certain contracts. See Note 7 to our consolidated financial statements included in this supplement for further discussion of the letters of credit.

Commitments Under Existing Lease Agreements

We entered into lease agreements with tenants that may include provisions that, at the option of the tenant, may require us to incur certain capital costs. See Note 7 to our consolidated financial statements included in this supplement for further discussion of these potential obligations.

Earn-out Agreements

We entered into certain purchase agreements containing various earn-out clauses that may result in Wells REIT being obligated to pay additional amounts to the seller of a property. See Note 7 to our consolidated financial statements included in this supplement for a more detailed discussion of these potential obligations.

Leasehold Property Obligations

We own certain properties that are subject to ground leases and require us to pay rent in future years. See Note 7 to our consolidated financial statements included in this supplement for further discussion of the lease terms and required payments.

Pending Litigation

We have certain pending litigation related to a dispute over the right to an approximately $0.8 million escrow deposit for a property that was not acquired. See Note 7 to our consolidated financial statements included in this supplement for further discussion of the litigation.

NASD Enforcement Action

On June 6, 2003, the enforcement division of NASD, Inc. (NASD) informed Wells Investment Securities, Inc., our Dealer Manager, and Leo F. Wells, III, our president and a director, that the NASD has made a determination to institute disciplinary proceedings against both Wells Investment Securities and Mr. Wells, as registered principal of Wells Investment Securities, for alleged violations of various NASD Conduct Rules. Please see the "Settlement of NASD Enforcement Action" section of this supplement for a discussion of the settlement with the NASD.

Related Party Transactions and Agreements

We have entered into agreements with our Advisor and its affiliates, whereby we pay certain fees or reimbursements to our Advisor or its affiliates for acquisition and advisory fees and expenses, organization and offering costs, sales commissions dealer manager fees, asset and property management fees and reimbursement of operating costs. See Note 5 to our consolidated financial statements included in this supplement for a discussion of the various related party transactions, agreements and fees.

Conflicts of Interest

Our Advisor is also a general partner in and advisor to various Wells Real Estate Funds. As such, there are conflicts of interest where our Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets.

Subsequent Events

Sale of Shares of Common Stock

From July 1, 2003 through August 15, 2003, Wells REIT has raised approximately $342.4 million through the issuance of approximately 34.2 million shares of common stock of Wells REIT. At August 15, 2003 approximately 111.1 million shares remain available under the current offering of Wells REIT's stock, excluding shares available under our dividend reinvestment plan.

Redemptions of Common Stock under our Share Redemption Plan

Our current share redemption plan allows for the redemption of approximately 4.37 million shares at an aggregate cost of $43.7 million for the year ending December 31, 2003. From January 1, 2003 through August 15, 2003, we had redeemed approximately 3.85 million shares of common stock available for redemption for the year at an aggregate cost of approximately $38.5 million. We anticipate that the remaining shares eligible for redemption during the year ending December 31, 2003 will be exhausted in the very near future. All other requests for potential redemption will not be eligible for redemption on a first come, first served basis until after January 1, 2004, subject to our board's ability to change or terminate our share redemption program at any time in its discretion.

Property Acquisitions

ISS Atlanta III

On July 1, 2003, Wells REIT purchased the third Internet Security Systems (ISS) Building, a five-story building containing approximately 50,400 rentable square feet located in Atlanta, Georgia for a purchase price of approximately $10.0 million. The building is 100% leased to ISS. The first two ISS Buildings were purchased in July 2002. The three-building project now totals approximately 289,000 rentable square feet.

Lockheed Martin Rockville

On July 30, 2003, Wells REIT purchased all the membership interest in Meridian/Northwestern Shady Grove North, LLC, a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located in Rockville, Maryland, for a purchase price of approximately $51.6 million. The buildings are 100% leased to Lockheed Martin.

Cingular Atlanta

On August 1, 2003, Wells REIT purchased the Cingular Atlanta Building, a 19-story building containing approximately 413,000 rentable square feet located in Atlanta, Georgia, for a purchase price of $83.9 million. The building is 97% leased under leases to various tenants with varying terms, including Cingular Wireless, LLC, which leases 76% of the building.

Aventis Northern NJ Building

On August 14, 2003, Wells Bridgewater purchased an eight-story office building containing approximately 297,000 rentable square feet located in Bridgewater, New Jersey for a purchase price of $96.3 million. The building is 100% leased to Aventis, Inc.

Underwriting Compensation and Terms

Notwithstanding the volume discount table contained in the first paragraph on page 148 in the "Plan of Distribution—Underwriting Compensation and Terms" section of the prospectus, the Wells REIT is offering a volume discount reduction of 6.0% for sales of 500,000 or more shares of the Wells REIT through the end of this offering. Therefore, purchasers of 500,000 or more shares will pay only 1% sales commissions resulting in a purchase price of $9.40 per share. The net proceeds to the Wells REIT will not be affected by use of this volume discount available to purchasers of 500,000 or more shares.

Board of Director Committees

The Audit Committee

The Audit Committee's primary function is to assist our board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls which our management has established and our audit and financial reporting process. In performing this function, the Audit Committee shall maintain free and open communications among our board of directors, our independent accountants and our financial management team. The Audit Committee's members are as follows:

BOARD COMMITTEE	MEMBERS
Audit Committee	Walter W. Sessoms (Chairman) William H. Keogler, Jr. Donald S. Moss Neil H. Strickland W. Wayne Woody

The Compensation Committee

The primary function of the Compensation Committee is to administer the granting of stock options to selected employees of our Advisor and Wells Management Company, based upon recommendations from Wells Capital, and to set the terms and conditions of such options in accordance with the 2000 Employee Stock Option Plan. The Compensation Committee's members are as follows:

BOARD COMMITTEE	MEMBERS
Compensation Committee	John L. Bell Richard W. Carpenter Bud Carter William H. Keogler, Jr. Donald S. Moss Walter W. Sessoms Neil H. Strickland

The Directors Nominating and Compensation Committee

The Directors Nominating and Compensation Committee was created in 2003, and the primary function of the Directors Nominating and Compensation Committee is to make recommendations to the board of directors regarding the size of the board of directors and its makeup in terms of specific areas of expertise and diversity and to make recommendations to the board of directors regarding director compensation. The Directors Nominating and Compensation Committee also nominates candidates to fill any vacancies on the board of directors and will consider nominees recommended by stockholders. The Directors Nominating and Compensation Committee members are as follows:

BOARD COMMITTEE	MEMBERS
Directors Nominating and Compensation Committee	Donald S. Moss (Chairman) John L. Bell Michael R. Buchanan Richard W. Carpenter Bud Carter William H. Keogler, Jr. Walter W. Sessoms Neil H. Strickland W. Wayne Woody

The Asset Management Committee

The Asset Management Committee was created in 2003, and the primary function of the Asset Management Committee is to review and advise the board of directors on investment criteria and acquisition policies, general economic environment in various real estate markets, existing or prospective properties or tenants, and portfolio diversification goals. The Asset Management Committee members are as follows:

BOARD COMMITTEE	MEMBERS
Asset Management Committee	Michael R. Buchanan (Chairman) John L. Bell Richard W. Carpenter Walter W. Sessoms

The Shareholder Relations, Communication and Development Committee

The Shareholder Relations, Communication and Development Committee was created in 2003, and the primary function of the Shareholder Relations, Communication and Development Committee is to advise the board of directors on various stockholders' issues including market conditions, communications with stockholders, and investor support programs. The Shareholder Relations, Communication and Development Committee members are as follows:

BOARD COMMITTEE	MEMBERS
Shareholder Relations, Communications and Development Committee	Bud Carter (Chairman) William H. Keogler, Jr. Donald S. Moss Neil H. Strickland

The Finance and Planning Committee

The Finance and Planning Committee was created in 2003, and the primary function of the Finance and Planning Committee is to review and advise the board of directors on the overall financial performance of the Wells REIT which includes issues related to net proceeds raised, fees and expenses, operating earnings, dividends, capital structure and budgetary and reporting processes. The Finance and Planning Committee members are as follows:

BOARD COMMITTEE	MEMBERS
Finance and Planning Committee	Richard W. Carpenter (Chairman) Michael R. Buchanan Bud Carter John L. Bell

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building for the year ended December 31, 2002, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The financial statements of the Wells REIT, as of June 30, 2003, and for the six month periods ended June 30, 2003 and June 30, 2002, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building for the six months ended June 30, 2003, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of June 30, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the six months ended June 30, 2003, which are included in this supplement, have not been audited.

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**WELLS REAL ESTATE INVESTMENT TRUST, INC.
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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	June 30, 2003 (unaudited)	December 31, 2002
ASSETS:		
Real estate assets, at cost:		
Land	$ 342,885	$ 279,185
Building and improvements, less accumulated depreciation of $107,872 at June 30, 2003, and $63,594 at December 31, 2002	2,575,249	1,683,036
Construction in progress	532	42,746
Total real estate assets	2,918,666	2,004,967
Investments in joint ventures	82,513	83,915
Cash and cash equivalents	59,105	45,464
Rents receivable	26,814	19,321
Deferred project costs	1,864	1,494
Due from affiliates	1,807	1,961
Prepaid expenses and other assets, net	12,656	4,407
Deferred lease acquisition costs, net	11,880	1,638
Intangible lease assets	22,839	12,060
Investment in bonds	54,500	54,500
Total assets	$ 3,192,644	$2,229,727
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY:		
Borrowings	$ 308,765	$ 248,195
Obligations under capital leases	54,500	54,500
Intangible lease liabilities	46,249	32,697
Accounts payable and accrued expenses	57,013	24,580
Due to affiliates	5,061	15,975
Dividends payable	9,532	6,046
Deferred rental income	9,379	11,584
Total liabilities	490,499	393,577
Minority interest of unit holder in operating partnership	200	200
COMMITMENTS AND CONTINGENCIES	—	—
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000,000 shares authorized, 322,219,052 shares issued and 317,026,812 outstanding at June 30, 2003, and 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 shares outstanding at December 31, 2002	3,222	2,178
Additional paid-in capital	2,863,705	1,929,381
Cumulative distributions in excess of earnings	(113,052)	(74,310)
Treasury stock, at cost, 5,192,240 shares at June 30, 2003 and 2,091,157 shares at December 31, 2002	(51,922)	(20,912)
Other comprehensive loss	(8)	(387)
Total shareholders' equity	2,701,945	1,835,950
Total liabilities, minority interest and shareholders' equity	$ 3,192,644	$2,229,727

See accompanying notes.

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**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except per share amounts)**

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
REVENUES:				
Rental income	$68,969	$ 21,834	$ 122,312	$ 38,572
Tenant reimbursements	16,457	4,762	26,058	9,177
Equity in income of joint ventures	1,131	1,271	2,392	2,478
Interest income and other income	1,161	1,535	2,315	2,648
Take out fee	—	—	—	134
	87,718	29,402	153,077	53,009
EXPENSES:				
Depreciation	25,060	7,159	44,278	12,903
Property operating costs	25,819	6,201	41,039	11,241
Management and leasing fees	3,155	1,004	5,488	1,903
General and administrative	947	592	2,523	1,121
Interest expense	4,752	690	7,400	1,305
	59,733	15,646	100,728	28,473
NET INCOME	$ 27,985	$ 13,756	$ 52,349	$ 24,536
EARNINGS PER SHARE				
Basic and diluted	$ 0.10	$ 0.11	$ 0.20	$ 0.22
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic and diluted	283,903	126,038	258,575	110,886
DIVIDENDS DECLARED PER SHARE	$ 0.18	$ 0.19	$ 0.35	$ 0.39

See accompanying notes.

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002
AND FOR THE SIX MONTHS ENDED JUNE 30, 2003 (UNAUDITED)
(in thousands, except per share amounts)**

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock		Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
BALANCE, December 31, 2001	83,761	$ 838	$ 738,236	$ (24,181)	$ —	(555)	$ (5,550)	—	$ 709,343
Issuance of common stock	134,030	1,340	1,338,953	—	—	—	—	—	1,340,293
Treasury stock purchased	—	—	—	—	—	(1,536)	(15,362)	—	(15,362)
Dividends ($0.76 per share)	—	—	—	(50,129)	(59,854)	—	—	—	(109,983)
Sales commissions and dealer manager fees	—	—	(127,332)	—	—	—	—	—	(127,332)
Other offering costs	—	—	(20,476)	—	—	—	—	—	(20,476)
Components of comprehensive income:									
Net income	—	—	—	—	59,854	—	—	—	59,854
Change in value of interest rate swap	—	—	—	—	—	—	—	(387)	(387)
Comprehensive income									59,467
BALANCE, December 31, 2002	217,791	2,178	1,929,381	(74,310)	—	(2,091)	(20,912)	(387)	1,835,950
Issuance of common stock	104,428	1,044	1,043,236	—	—	—	—	—	1,044,280
Treasury stock purchased	—	—	—	—	—	(3,101)	(31,010)	—	(31,010)
Dividends ($0.35 per share)	—	—	—	(38,742)	(52,349)	—	—	—	(91,091)
Sales commissions and dealer manager fees	—	—	(98,423)	—	—	—	—	—	(98,423)
Other offering costs	—	—	(10,489)	—	—	—	—	—	(10,489)
Components of comprehensive income:									
Net income	—	—	—	—	52,349	—	—	—	52,349
Change in value of interest rate swap	—	—	—	—	—	—	—	379	379
Comprehensive income									52,728
BALANCE, June 30, 2003	322,219	$ 3,222	$ 2,863,705	$ (113,052)	—	(5,192)	$ (51,922)	$ (8)	$ 2,701,945

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 52,349	$ 24,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(2,392)	(2,478)
Depreciation	44,278	12,903
Amortization of deferred financing costs	1,524	425
Amortization of intangible lease assets/liabilities	(1,095)	—
Amortization of deferred lease acquisition costs	349	151
Changes in assets and liabilities:		
Rents receivable	(7,493)	(4,706)
Deferred rental income	(2,205)	352
Accounts payable and accrued expenses	7,961	3,113
Prepaid expenses and other assets, net	(4,799)	(1,018)
Due to/from affiliates	34	(140)
Net cash provided by operating activities	88,511	33,138
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate assets	(770,657)	(259,536)
Contributions to joint ventures	(79)	—
Investment in intangible lease assets	(12,112)	—
Deferred project costs paid	(40,521)	(22,008)
Distributions received from joint ventures	4,009	3,497
Deferred lease acquisition costs paid	(10,234)	(400)
Net cash used in investing activities	(829,594)	(278,447)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	549,297	7,534
Repayment of borrowings	(601,074)	—
Dividends paid to shareholders	(87,605)	(40,867)
Issuance of common stock	1,044,285	618,276
Treasury stock purchased	(31,010)	(6,673)
Sales commissions and dealer manager fees paid	(96,037)	(58,959)
Other offering costs paid	(18,753)	(6,819)
Deferred financing costs paid	(4,379)	(860)
Net cash provided by financing activities	754,724	511,632
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,641	266,323
CASH AND CASH EQUIVALENTS, beginning of period	45,464	75,586
CASH AND CASH EQUIVALENTS, end of period	$ 59,105	$ 341,909

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003
(unaudited)

1. ORGANIZATION

General

Wells Real Estate Investment Trust, Inc. ("Wells REIT") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). Wells REIT was incorporated in 1997 and commenced operations on June 5, 1998.

Wells REIT engages in the acquisition and ownership of commercial real estate properties throughout the United States, including properties that are under construction, are newly constructed or have operating histories. At June 30, 2003, Wells REIT has invested in commercial office and industrial real estate assets, either directly or through joint ventures with real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

Wells REIT's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership, and its subsidiaries, and Wells REIT-Independence Square, LLC ("Wells REIT-Independence"), a single member Georgia limited liability company. Wells OP was formed to acquire, develop, own, lease and operate properties on behalf of Wells REIT, directly, through wholly-owned subsidiaries or through joint ventures. Wells REIT-Independence was formed to acquire the NASA building located in Washington, D.C. Wells REIT is the sole general partner in Wells OP and the sole member of Wells REIT-Independence and possesses full legal control and authority over the operations of Wells OP and Wells REIT-Independence. Wells OP, and its subsidiaries, and Wells REIT-Independence comprise Wells REIT's subsidiaries.

Four offerings of Wells REIT stock have been initiated as follows:

Offering #	Date Commenced	Termination Date	Gross Proceeds	Shares Issued
1	January 30, 1998	December 19, 1999	$132.2 million	13.2 million
2	December 20, 1999	December 19, 2000	$175.2 million	17.5 million
3	December 20, 2000	July 26, 2002	$ 1,283.0 million	128.3 million
4	July 26, 2002	Offering will terminate on or before July 25, 2004	$ 1,631.8 million (through June 30, 2003)	163.2 million (through June 30, 2003)
Total as of June 30, 2003			$ 3,222.2 million	322.2 million

After incurring costs from all offerings of $111.0 million in acquisition and advisory fees and expenses, $304.8 million in selling commissions, $50.5 million in organization and offering expenses to the Advisor, investment in real estate assets and joint ventures of $2,660.0 million and common stock redemptions pursuant to Wells REIT's share redemption program of $51.9 million, Wells REIT was holding net offering proceeds of approximately $44.0 million available for investment in properties at June 30, 2003.

Wells REIT's stock is not listed on a national exchange. However, the Wells REIT's Articles of Incorporation currently require the Wells REIT to begin the process of liquidating its investments and distributing the resulting proceeds to the shareholders if its shares are not listed on a national exchange by January 30, 2008 Wells REIT Articles of Incorporation can only be amended by a proxy vote of Wells REIT's shareholders.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
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Basis of Presentation

The consolidated financial statements of Wells REIT have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Independent auditors have not examined these quarterly statements, but in the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Wells REIT's Form 10-K for the year ended December 31, 2002.

Income Taxes

Wells REIT has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and has operated as such beginning with its taxable year ended December 31, 1998. To qualify as a REIT, Wells REIT must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to shareholders. As a REIT, Wells REIT generally will not be subject to federal income tax on taxable income that it distributes to its shareholders. If Wells REIT fails to qualify as a REIT in any taxable year, it will then be subject to federal income taxes on its taxable income for four years following the year during which qualification is lost, unless the Internal Revenue Service grants Wells REIT relief under certain statutory provisions. Such an event could materially adversely affect Wells REIT's net income and net cash available for distribution to shareholders. However, Wells REIT believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner that Wells REIT will remain qualified as a REIT for federal income tax purposes. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as Wells REIT made distributions in excess of its taxable income for the periods presented.

Recent Pronouncements

On January 1, 2002, Wells REIT adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* and Statement of Financial Accounting Standards No. 142 "*Goodwill and Intangibles."* These standards govern business combinations, asset acquisitions and the accounting for acquired intangibles. Wells REIT determines whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of real estate assets. The resulting intangible lease assets and liabilities are recorded at their estimated fair market values at the date of acquisition and amortized over the remaining term of the respective lease to rental income. Amortization of the intangible lease assets and liabilities resulted in a net increase in rental revenue of $0.6 million and $1.1 million for the three and six months ended June 30, 2003, respectively.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 ("FIN 46"), *"Consolidation of Variable Interest Entities,"* which clarifies the application of Accounting Research Bulletin ("ARB") No. 51, *"Consolidated Financial Statements,"* relating to consolidation of certain entities. FIN 46 requires the identification of Wells REIT's participation in variable interest entities ("VIEs"), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a stand alone basis, or whose equity holders lack certain characteristics of a controlling financial interest. For entities identified as VIEs, FIN 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN 46 is effective for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. FIN 46 also sets forth certain disclosures regarding interests in VIEs that are deemed significant, even if consolidation is not required. As Wells REIT's joint ventures do not fall under the definition of VIEs provided above, we do not believe that the adoption of FIN 46 will result in the consolidation of any previously unconsolidated entities.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

2. REAL ESTATE ASSETS

Acquisitions

During the six months ended June 30, 2003, Wells REIT acquired ownership interests in seven properties for a total purchase price of $871.9 million, exclusive of related closing costs and acquisition and advisory fees paid to the Advisor as described below.

East Point I & II

On January 9, 2003, Wells REIT purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, for a purchase price of approximately $22.0 million. Progressive Casualty Insurance; Austin, Danaher Power Solutions; and Moreland Management Company occupy approximately 92% of the rentable square feet in the two buildings. The remaining approximately 8% of the rentable square feet is vacant as of June 30, 2003. At closing, Wells REIT entered into an earn-out agreement with the seller with regard to the vacant space that requires Wells REIT to pay the seller certain amounts for each new, fully-executed lease after the date of acquisition but on or before March 31, 2004, relating to the vacant space. Payments are calculated by dividing the anticipated first year’s annual rent less operating expenses 0.105, with the result being reduced by tenant improvement costs related to the space.

150 West Jefferson Detroit

On March 31, 2003, Wells REIT purchased a 25-story office building containing approximately 505,417 rentable square feet located at 150 West Jefferson Avenue, downtown Detroit, Michigan, for a purchase price of approximately $93.8 million. The building is 99% occupied under leases to various tenants with varying lease terms, including Miller, Canfield, Paddock, & Stone; Butzel Long PC; and MCN Energy Group, Inc., which collectively occupy approximately 62% of the building.

Citicorp Englewood Cliffs

On April 30, 2003, Wells REIT purchased the Citicorp Englewood Cliffs, NJ Building, a three-story office building containing approximately 410,000 rentable square feet located in Englewood Cliffs, New Jersey, for a purchase price of $70.5 million. The building is leased entirely to Citicorp North America, Inc., a wholly-owned subsidiary of Citicorp, Inc.

US Bancorp

On May 1, 2003, Wells REIT purchased the US Bancorp Minneapolis Building, a 32-story office building containing approximately 929,694 rentable square feet located in Minneapolis, Minnesota, for a purchase price of $174.0 million. The building is approximately 99% leased under leases to various tenants with varying terms, including US Bancorp Piper Jaffray Companies, Inc., which leases approximately 77% of the building.

AON Center Chicago

On May 9, 2003, Wells REIT purchased the AON Center Chicago Building, an 83-story office building containing approximately 2.6 million rentable square feet located in Chicago, Illinois, for a purchase price of approximately $465.2 million. The building is approximately 92% leased under leases to various tenants with varying lease terms, including BP Corporation North American, Inc., DDB Needham Chicago, Inc., and Kirkland & Ellis which collectively lease approximately 54% of the building.

GMAC Detroit

On May 9, 2003, Wells REIT acquired the GMAC Detroit Building, a three-story office building containing approximately 119,122 square feet located in Auburn Hills, Michigan, for a purchase price of approximately $17.8 million. The building is approximately 86% leased to the GMAC Corporation and Delmia Corporation. For the remaining approximately 14% of the building, Wells REIT is required to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year’s annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space.

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
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IBM Reston I & II

On June 30, 2003, Wells REIT purchased the IBM Reston Buildings, one six-story and one two-story office building containing approximately 140,994 aggregate rentable square feet located in Reston, Virgina for a purchase price of approximately $28.6 million. The buildings are 100% occupied by the IBM Corporation and Tellabs Reston, Inc.

Build-to-Suit Projects

During the six month period ended June 30, 2003, Wells REIT completed three build-to-suit projects with a total investment amount totaling approximately $76.8 million as discussed below.

Nissan

In March 2003, Wells REIT substantially completed the construction of the Nissan Building located in Dallas, Texas, and transferred total construction costs of approximately $41.8 million for the project from construction in progress to building and improvements. Nissan Motor Acceptance Corporation occupied the building under a lease commencing on April 1, 2003. The construction was financed through a loan that was paid off in March 2003, when the building was substantially complete.

AmeriCredit

In April 2003, Wells REIT substantially completed the construction of the AmeriCredit Building located in Phoenix, Arizona, and transferred total construction costs of approximately $23.5 million for the project from construction in progress to building and improvements. AmeriCredit Corporation occupied the building under a lease commencing on April 15, 2003. The entire construction was financed completely with investor proceeds.

Kerr-McGee

In June 2003, Wells REIT substantially completed the construction of the Kerr-McGee located in Houston, Texas, and transferred total construction costs of approximately $11.5 million for the project from construction in progress to building and improvements. Kerr-McGee Corporation will occupy the building under a lease commencing on July 1, 2003. The construction of this property was financed through a loan that was paid off in July 2003.

3. INVESTMENT IN JOINT VENTURES

The information below summarizes the operations of the seven unconsolidated joint ventures that Wells REIT, through Wells OP, had ownership interests as of June 30, 2003.

CONDENSED COMBINED STATEMENTS OF INCOME

	Three months ended June 30,		Six months ended June 30,	
	2003 (000s)	2002 (000s)	2003 (000s)	2002 (000s)
REVENUES:				
Rental income	$ 5,134	$ 4,859	$ 10,280	$ 9,587
Tenant reimbursements	551	373	1,021	1,015
Other income	3	12	11	24
Total revenues	5,688	5,244	11,312	10,626
EXPENSES:				
Depreciation	1,751	1,592	3,519	3,196
Operating expenses	1,107	513	1,934	1,344
Management and leasing fees	322	287	651	549
TOTAL EXPENSES	3,180	2,392	6,104	5,089
NET INCOME	$ 2,508	$ 2,852	$ 5,208	$ 5,537
NET INCOME ALLOCATED TO WELLS REIT	$ 1,131	$ 1,271	$ 2,392	$ 2,478

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
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4. BORROWINGS

Wells REIT has financed certain investments, acquisitions and developments through various borrowings as described below. On June 30, 2003, and December 31, 2002, Wells REIT had the following amounts outstanding:

Facility	June 30, 2003 (000s)	December 31, 2002 (000s)
$110 million line of credit; accruing interest at LIBOR plus 175 basis points; requiring interest payments monthly with principal due at maturity; collateralized by various buildings(1)	$ —	$ 58,000
$98.1 million line of credit; accruing interest at LIBOR plus 175 basis points (2.87 % at June 30, 2003); requiring interest payments monthly and principal due at maturity (September 2003); collateralized by various buildings	65,500	61,399
$500 million unsecured revolving line of credit; accruing interest at various rates of interest based on LIBOR plus up to 1.625% (2.43% at June 30, 2003); requiring interest payments monthly and principal payments due at maturity (May 2005) (2)	20,000	—
$50 million line of credit; accruing interest at LIBOR plus 175 basis points; requiring interest payments monthly with principal due at maturity (May 2005); collateralized by various buildings(3)	—	—
$90 million note payable; accruing interest at LIBOR plus 115 basis points; currently locked at 2.53% through July 2, 2003 (2.53% at June 30, 2003); requiring interest payments monthly, with principal due at maturity (December 2006); subject to certain prepayment penalties; collateralized by the Nestle Building	90,000	90,000
$112.3 million note payable; seller financed interest free loan incurred upon purchase of AON Center in May 2003; Principal balance due upon maturity (January 2004); collateralized by the AON Center Building	112,347	—
$34.2 million construction loan payable; accruing interest at LIBOR plus 200 basis points; requiring interest payments monthly and principal due at maturity (July 2003); collateralized by the Nissan Building(4)	—	23,149
$13.7 million construction loan payable; accruing interest at LIBOR plus 200 basis points (3.12% at June 30, 2003); requiring interest payments monthly, with principal due at maturity (January 2004); collateralized by the Kerr-McGee Building(5)	9,426	4,038
$8.8 million note payable; accruing interest at 8%; requiring interest and principal payments monthly with any unamortized principal due at maturity (December 2003); subject to certain prepayment penalties; collateralized by the BMG Buildings	8,592	8,709
$2.9 million note payable; accruing interest at 8.5%; requiring interest payments monthly with principal due at maturity (December 2003); subject to certain prepayment penalties; collateralized by the BMG Buildings	2,900	2,900
Total borrowings	$308,765	$248,195

(1) Wells REIT terminated this credit facility upon execution of the $500 million line of credit in April 2003.

(2) Wells REIT entered into this revolving credit facility in April 2003. Additionally, Wells REIT is required to pay a quarterly facility fee of 0.25% per annum on the entire amount of the credit facility.

(3) Wells REIT entered into this credit agreement in June 2003.

(4) Wells REIT repaid this loan in March 2003, upon substantial completion of the construction of the property. At that time, Wells REIT terminated the interest rate swap at a cost of $0.3 million, which was reclassified from other comprehensive income to interest expense.

(5) Wells REIT has entered into an interest rate swap for this construction loan. The swap has the effect of fixing the interest rate at 4.27% through July 15, 2003.

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
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5. RELATED-PARTY TRANSACTIONS

Advisory Agreement

Wells REIT has entered into an Advisory Agreement with the Advisor, which entitles the Advisor to specified fees in consideration for certain services with regard to the offering of shares to the public and investment of funds in real estate projects. The current Advisory Agreement expires January 30, 2004.

Under the terms of the agreement, the Advisor receives the following fees and reimbursements:

- Acquisition and advisory fees and acquisitions expenses of 3.5% of gross offering proceeds, subject to certain limitations;
- Reimbursement of organization and offering costs paid on behalf of Wells REIT, not to exceed 3% of gross offering proceeds;
- Disposition fee of 50% of the lesser of a competitive real estate commission or 3% of the sales price of the property, subordinated to the payment of dividends to shareholders equal to the sum of the shareholders' invested capital plus an 8% return on invested capital;
- Incentive fee of 10% of net sales proceeds remaining after shareholders have received distributions equal to the sum of the shareholders' invested capital plus an 8% return of invested capital; and
- Listing fee of 10% of the excess by which the market value of the stock plus dividends paid prior to listing exceeds the sum of 100% of the invested capital plus an 8% return on invested capital.

The Advisor has elected, but is not obligated, to reduce the acquisition and advisory fees and organizational and offering costs by the amounts attributable to shares redeemed under the share redemption program for shares redeemed through June 30, 2003.

Acquisition and advisory fees and expenses incurred for the three months ended June 30, 2003 and 2002, totaled $21.0 million and $12.6 million, respectively. Organizational and offering costs incurred for the three months ended June 30, 2003 and 2002, totaled $5.7 million and $3.6 million, respectively.

Acquisition and advisory fees and acquisition expenses incurred for the six months ended June 30, 2003 and 2002, totaled $35.5 million and $21.4 million, respectively. Organizational and offering costs incurred for the six months ended June 30, 2003 and 2002, totaled $10.5 million and $5.4 million, respectively. Wells REIT incurred no disposition, incentive or listing fees during the six months ended June 30, 2003 or 2002.

Administrative Services Reimbursement

Wells REIT has no direct employees. The employees of the Advisor and Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for Wells REIT. The related expenses are allocated among Wells REIT and the various Wells Real Estate Funds based on time spent on each entity by individual administrative personnel. These expenses are included in general and administrative expenses in the consolidated statements of income. These expenses totaled $1.0 million and $0.4 million for the three months ended June 30, 2003 and 2002, respectively. Administrative services reimbursements totaled $2.0 million and $0.7 million for the six months ended June 30, 2003 and 2002, respectively.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
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Asset and Property Management Agreement

Wells REIT has entered into an asset and property management agreement with Wells Management. In consideration for asset management services and for supervising the management and leasing of Wells REIT's properties, Wells REIT will pay asset and property management fees to Wells Management equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) 0.6% of the net asset value of the properties (excluding vacant properties) owned by Wells REIT. These asset and property management fees are calculated on an annual basis plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent. These expenses totaled $2.9 million and $1.0 million for the three months ended June 30, 2003 and 2002, respectively, and $5.1 million and $1.9 million for the six months ended June 30, 2003 and 2002, respectively.

Dealer Manager Agreement

Wells REIT has entered into a dealer manager agreement with Wells Investment Securities, Inc. ("WIS"), an affiliate of the Advisor, whereby WIS performs the dealer manager function for Wells REIT. For these services, WIS earns fees of 7% of the gross proceeds from the sale of the shares of Wells REIT, most of which are reallowed to participating broker-dealers. Additionally, WIS earns a dealer manager fee of 2.5% of the gross offering proceeds at the time the shares are sold, of which up to 1.5% may be reallowed to participating broker-dealers. WIS has elected, although is not obligated, to reduce the dealer manager fee by 2.5% of the gross redemptions under Wells REIT's share redemption plan for shares redeemed through June 30, 2003. During the three months ended June 30, 2003 and 2002, Wells REIT incurred commissions of $43.2 million and $25.8 million, respectively, of which more than 99% was reallowed to participating broker-dealers. Dealer manager fees of $15.0 million and $9.0 million were incurred for the three months ended June 30, 2003 and 2002, respectively. Of these amounts, $7.1 million and $5.1 million were reallowed to participating broker-dealers for the three months ended June 30, 2003 and 2002, respectively. For the six months ended June 30, 2003 and 2002, Wells REIT incurred commissions of $73.1 million and $43.3 million, respectively, of which more than 99% was reallowed to participating broker-dealers. Dealer manager fees of $25.3 million and $15.3 million were incurred for the six months ended June 30, 2003 and 2002. Of these amounts, $12.1 million and $7.1 million were reallowed to participating broker-dealers.

Due From Affiliates

Due from affiliates included in the consolidated balance sheets primarily represents Wells REIT's share of the cash to be distributed from its joint venture investments and other amounts payable to Wells REIT from other related parties.

Conflicts of Interest

The Advisor also is a general partner in various Wells Real Estate Funds. As such, there are conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with Wells REIT in connection with property acquisitions or for tenants in similar geographic markets.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
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6. CONSOLIDATED STATEMENT OF CASH FLOWS SUPPLEMENTAL INFORMATION

	For the six months ended June 30,	
	2003	2002
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to investments	$ 35,094	$ 10,068
Deferred project costs due to affiliate	$ 2,651	$ 512
Other offering expenses due to affiliate	$ 2,390	$ 1,595
Acquisition of intangible lease liability	$ 15,980	$ —
Dividends payable	$ 9,532	$ 4,539
Joint venture distributions applied to investment	$ 3,872	$ 3,799
Seller financed debt arrangement obtained at acquisition of property	$ 112,347	$ —
Other liabilities assumed at acquisition of property	$ 19,064	$ —
Capital expenditure accrued	$ 5,408	$ —

7. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

The Advisor and its affiliates have developed a program (the "Wells Section 1031 Program") involving the acquisition by a subsidiary of Wells Management Company ("Wells Exchange") of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Service Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to Wells REIT and following approval of the potential property acquisition by Wells REIT's board of directors, it is anticipated that Wells REIT will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells REIT will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

In consideration for the payment of a take out fee in the amount of approximately $0.2 million, on December 31, 2002, Wells OP entered into a take out purchase and escrow agreement providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost ($0.4 million in cash plus $0.4 million of assumed debt for each 2.9994% interest of co-tenancy interest unsold), any unsold co-tenancy interests in two buildings known as Meadow Brook Corporate Park located in Birmingham, Alabama, which remain unsold at the expiration of the offering of Wells Exchange on September 30, 2003.

The obligations of Wells OP under the take out purchase and escrow agreement were secured by reserving against Well OP's existing line of credit with Bank of America, N.A. (the "Interim Lender"). However, in April 2003, Wells Exchange repaid the loan amount in full to the Interim Lender and now Wells OP is obligated to pay Wells Exchange for any unsold units. Wells OP's maximum economic exposure in the transaction was initially $14.0 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. As of June 30, 2003, due to the number of co-tenancy interests sold in Meadow Brook Corporate Park through such date, Wells OP's maximum exposure has been reduced to $2.8 million in cash plus the assumption of the first mortgage financing in the amount of $2.8 million.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

Letters of Credit

At June 30, 2003, Wells REIT had three unused letters of credit totaling approximately $19.7 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million, $4.8 million and $0.4 million with expiration dates of February 28, 2004; August 12, 2003; and February 2, 2004, respectively. These amounts are not recorded in the accompanying consolidated balance sheet as of June 30, 2003 or December 31, 2002. These letters of credit were required by three unrelated parties to ensure completion of Wells REIT's obligations under certain earn-out and construction agreements. Wells REIT does not anticipate a need to draw on these letters of credit.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, Wells REIT may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property or provide other expenditures for the benefit of the tenant, in favor of additional rental revenue. At June 30, 2003, no tenants have exercised such options.

Earn-out Agreements

As part of the acquisition of the IRS Building, Wells REIT entered into an agreement to pay the seller an additional $14.5 million if Wells REIT or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, Wells REIT is released from any obligation to pay this additional purchase consideration. The 26% of the building that was vacant at the time of acquisition remains unleased at June 30, 2003. As of June 30, 2003, no payments have been made under this agreement.

In connection with the acquisition of the East Point I and II Buildings, Wells REIT entered into an earn-out agreement whereby Wells REIT is required to pay the seller certain amounts for each new, fully executed lease after the date of acquisition of the property but on or before June 30, 2004. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space. As of June 30, 2003, no payments have been made under this agreement.

As part of the acquisition of the GMAC Detroit Building, Wells REIT entered into an agreement to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space. As of June 30, 2003, no payments have been made under this agreement.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083 and 2049, respectively.

Pending Litigation

In the normal course of business, Wells REIT may become subject to litigation or claims. In November 2002, Wells REIT contracted to purchase an office building located in Ramsey County, Minnesota, from Shoreview Associates LLC ("Shoreview"), who filed a lawsuit against Wells REIT in Minnesota state court alleging that Shoreview was entitled to approximately $0.8 million in earnest money Wells REIT had deposited under the contract. Wells REIT has filed a counterclaim in the case asserting that Wells REIT is entitled to the earnest money deposit. Procedurally, Wells REIT had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

NASD Enforcement Action

On June 6, 2003, the enforcement division of NASD, Inc. (NASD) informed Wells Investment Securities, the Wells REIT Dealer Manager, and Leo F. Wells, III, President and a director of Wells REIT, that the NASD has made a determination to institute disciplinary proceedings against both Wells Investment Securities and Mr. Wells, as registered principal of Wells Investment Securities, for alleged violations of various NASD Conduct Rules entirely related to providing non-cash compensation of more than $100 to associated persons of NASD member firms in connection with their attendance at the annual educational and due diligence conferences sponsored by Wells Investment Securities in 2001 and 2002.

Management is unable to predict at this time the potential outcome of any such enforcement action against Wells Investment Securities and Mr. Wells or the potential effect such an enforcement action may have on the operations of the Advisor, and, accordingly, on the operations of Wells REIT, if any.

8. SUBSEQUENT EVENTS

Sale of Shares of Common Stock

From July 1, 2003 through July 31, 2003, Wells REIT has raised approximately $233.5 million through the issuance of approximately 23.5 million shares of common stock of Wells REIT. At July 31, 2003 approximately 130.5 million shares remain available under the current offering of Wells REIT's stock.

Redemptions of Common Stock

Wells REIT's current share redemption plan allows for the redemption of approximately 4.0 million shares at an aggregate cost of $40.0 million for the year ending December 31, 2003. From January 1, 2003 through July 31, 2003, Wells REIT had redeemed 3.6 million shares of common stock available for redemption for the year at an aggregate cost of approximately $36.0 million. Wells REIT anticipates that the remaining shares eligible for redemption during the year ending December 31, 2003 will be exhausted in the very near future. All other requests for potential redemption will be eligible on a first come first serve basis beginning in the first quarter 2004, subject to the Board's ability to change or terminate the Wells REIT's share redemption program at any time in its discretion.

Property Acquisitions

Internet Security Systems Atlanta

On July 1, 2003, Wells REIT purchased the third Internet Security Systems (ISS) Building, a five-story building containing approximately 50,400 rentable square feet located in Atlanta, Georgia for a purchase price of approximately $10.0 million. The building is 100% leased to ISS. The first two ISS Buildings were purchased in July 2002. The three-building project now totals approximately 289,000 rentable square feet.

Lockheed Martin Rockville

On July 30, 2003, Wells REIT purchased all the membership interest in Meridian/Northwestern Shady Grove North, LLC, a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located in Rockville, Maryland, for a purchase price of approximately $51.6 million. The buildings are 100% leased by Lockheed Martin.

Cingular Atlanta

On August 1, 2003, Wells REIT purchased the Cingular Atlanta Building, a 19-story building containing approximately 413,279 rentable square feet located in Atlanta, Georgia, for a purchase price of $83.9 million. The building is 97% leased under leases to various tenants with varying terms, including Cingular Wireless, LLC, which leases 76% of the building.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Lockheed Martin Rockville Buildings for the year ended December 31, 2002. This statement is the responsibility of the Lockheed Martin Rockville Buildings' management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Lockheed Martin Rockville Buildings' revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Lockheed Martin Rockville Buildings for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

Atlanta, Georgia
August 14, 2003

/s/ Ernst & Young LLP

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Lockheed Martin Rockville Buildings

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Revenues:		
Base rent	$ 2,739	$ 4,727
Tenant reimbursements	96	159
Total revenues	2,835	4,886
Expenses:		
Other operating expenses	224	519
Real estate taxes	199	398
Cleaning	105	208
Utilities	90	200
Management fees	90	177
Total expenses	708	1,502
Revenues over certain operating expenses	$ 2,127	$ 3,384

See accompanying notes.

Lockheed Martin Rockville Buildings

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On July 30, 2003, Wells Operating Partnership, L.P. ("Wells OP") acquired all of the membership interest in Meridian/Northwestern Shady Grove North, LLC, a Delaware limited liability company, which owns the Lockheed Martin Rockville Buildings, two four-story office buildings containing approximately 230,000 square feet located in Rockville, Maryland, from Meridian/Northwestern Shady Grove Holdings, LLC ("Holdings"). Total consideration for the acquisition was approximately $51.6 million. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Lockheed Martin Rockville Buildings after their acquisition by Wells OP.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rental income over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $0 for the year ended December 31, 2002 and $375,000 for the six months ended June 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Lockheed Martin Rockville Buildings

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

4. Description of Leasing Arrangements

The Lockheed Martin Rockville Buildings are 100% leased to Lockheed Martin Corporation ("Lockheed") under leases ("Lockheed Leases") that commenced in February 1999 and expire in January 2009. The Lockheed Leases were amended in March 2003 to extend the lease expiration dates to January 2009 and increase base rents. Under the Lockheed Leases, Lockheed is required to pay, as additional rent, any increases in operating expenses, excluding electricity, and real estate taxes over a base year amount. Lockheed will be billed directly by Wells OP for annual electrical costs. Holdings' interests in all lease agreements were assigned to Wells OP upon its acquisition of the Lockheed Martin Rockville Buildings.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 4,727
2004	5,573
2005	5,831
2006	6,036
2007	6,246
Thereafter	7,004
	$35,417

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the six months ended June 30, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Cingular Atlanta Building for the year ended December 31, 2002. This statement is the responsibility of the Cingular Atlanta Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Cingular Atlanta Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Cingular Atlanta Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

Atlanta, Georgia
August 8, 2003 /s/ Ernst & Young LLP

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Cingular Atlanta Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Revenues:		
Base rent	$ 5,183	$ 10,364
Tenant reimbursements	87	137
Parking revenue	9	13
Total revenues	5,279	10,514
Expenses:		
Other operating expenses	485	912
Real estate taxes	515	908
Utilities	263	603
Cleaning	191	356
Management fees	125	250
Security	125	221
Total expenses	1,704	3,250
Revenues over certain operating expenses	$ 3,575	$ 7,264

See accompanying notes.

Cingular Atlanta Building

Notes to Statements of Revenues Over Certain Operating Expenses

**For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)**

1. Description of Real Estate Property Acquired

On August 1, 2003, Wells Operating Partnership, L.P. ("Wells OP") acquired the Cingular Atlanta Building, a 19-story office building containing approximately 413,000 square feet located in Atlanta, Georgia, from Teachers Insurance and Annuity Association of America ("Teachers"). Total consideration for the acquisition was approximately $84 million. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Cingular Atlanta Building after its acquisition by Wells OP.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rental income over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $1.9 million for the year ended December 31, 2002, due to recognition of rent abatements in the first two years of the lease which will not recur on an ongoing basis, and decreased revenue by approximately $0.2 million for the six months ended June 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Cingular Atlanta Building

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

4. Description of Leasing Arrangements

The office and retail space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. Teachers' interests in all lease agreements were assigned to Wells OP upon its acquisition of the Cingular Atlanta Building.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 10,743
2004	10,927
2005	11,290
2006	11,491
2007	10,784
Thereafter	36,063
	$91,298

Two tenants, Cingular Wireless, LLC and Habif, Arogeti & Wynne, LLP contributed approximately 81% and 13%, respectively, of rental income for the year ended December 31, 2002. Subsequent to December 31, 2002, these tenants will contribute approximately 81% and 12%, respectively, of the future minimum rental income of those leases in place as of that date.

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the six months ended June 30, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Aventis Northern NJ Building for the year ended December 31, 2002. This statement is the responsibility of the Aventis Northern NJ Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Aventis Northern NJ Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Aventis Northern NJ Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

Atlanta, Georgia
August 20, 2003

/s/ Ernst & Young LLP

Aventis Northern NJ Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Revenues:		
Base rent	$ 3,888	$7,129
Tenant reimbursements	1,167	2,264
Total revenues	5,055	9,393
Expenses:		
Other operating expenses	370	613
Real estate taxes	398	567
Utilities	245	561
Management fees	127	266
Salaries & wages	118	257
Total expenses	1,258	2,264
Revenues over certain operating expenses	$ 3,797	$7,129

See accompanying notes.

Aventis Northern NJ Building

Notes to Statements of Revenues Over Certain Operating Expenses

**For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)**

1. Description of Real Estate Property Acquired

On August 14, 2003, Wells Bridgewater I, LLC ("the Company") acquired the Aventis Northern NJ Building, an eight-story office building containing approximately 297,000 square feet located in Bridgewater, New Jersey, from PGC Bridgewater, LLC ("PGC Bridgewater"). Total consideration for the acquisition was approximately $96.3 million. The Company, a Georgia limited liability company, was created on August 8, 2003. Wells Operating Partnership, L.P. ("Wells OP") is the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Aventis Northern NJ Building after its acquisition by the Company.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rental income over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $450,000 for the year ended December 31, 2002 and by approximately $246,000 for the six months ended June 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Aventis Northern NJ Building

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

4. Description of Leasing Arrangements

The Aventis Northern NJ Building is 100% leased to Aventis, Inc. (“Aventis”) under a net lease (“Aventis Lease”) that commenced in February 2002 and expires in March 2012. Under the Aventis Lease, Aventis is required to pay, as additional rent, the costs of electrical energy consumed, its proportionate share of operating expenses and a management fee equal to 3% of gross revenue. PGC Bridgewater’s interest in the Aventis lease agreement was assigned to the Company upon its acquisition of the Aventis Northern NJ Building.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 7,286
2004	7,286
2005	7,286
2006	7,286
2007	8,171
Thereafter	35,072
	$72,387

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the six months ended June 30, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the “Wells REIT”), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the six months ended June 30, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2003 has been prepared to give effect to the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building by Wells Operating Partnership, L.P. (“Wells OP”) and the Aventis Northern NJ Building (collectively, the “Recent Acquisitions”) by Wells Bridgewater I, LLC, of which Wells OP is the sole member, as if the acquisitions occurred on June 30, 2003.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the six months ended June 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building, the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building and the IBM Reston Buildings (collectively, the “2003 Acquisitions”) and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the “2002 Acquisitions”), the 2003 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002. The Kerr McGee Property, the AmeriCredit Phoenix Property and the ISS Atlanta III Building had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the 2002 Acquisitions, 2003 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA BALANCE SHEET
JUNE 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (a)	Other	ISS Atlanta III	Lockheed Martin Rockville	Cingular Atlanta	Aventis Northern NJ	Pro Forma Total
REAL ESTATE ASSETS, at cost:							
Land	$ 342,885	$ 0	$ 950 (d)	$ 5,800 (d)	$ 6,400 (d)	$ 8,000 (d)	$ 364,755
			39 (e)	237 (e)	262 (e)	182 (e)	
Buildings, less accumulated depreciation of $107,872	2,575,249	0	8,906 (d)	45,427 (d)	77,615 (d)	88,668 (d)	2,803,283
			365 (e)	1,860 (e)	3,178 (e)	2,015 (e)	
Construction in progress	532	0	0	0	0	0	532
Total real estate assets	2,918,666	0	10,260	53,324	87,455	98,865	3,168,570
INVESTMENT IN JOINT VENTURES	82,513	0	0	0	0	0	82,513
CASH AND CASH EQUIVALENTS	59,105	297,883 (b)	(9,856) (d)	(51,227) (d)	(52,015) (d)	(53,668) (d)	178,638
		(11,584) (c)					
RENT RECEIVABLE	26,814	0	0	0	0	0	26,814
DEFERRED PROJECT COSTS	1,864	11,584 (c)	(404) (e)	(2,097) (e)	(3,440) (e)	(2,197) (e)	5,310
DUE FROM AFFILIATES	1,807	0	0	0	0	0	1,807
PREPAID EXPENSES AND OTHER ASSETS, NET	12,656	0	0	0	0	0	12,656
DEFERRED LEASE ACQUISITION COSTS, NET	11,880	0	0	0	0	0	11,880
INTANGIBLE LEASE ASSET	22,839	0	0	0	0	0	22,839
INVESTMENT IN BONDS	54,500	0	0	0	0	0	54,500
Total assets	$ 3,192,644	$ 297,883	$ 0	$ 0	$ 32,000	$ 43,000	$ 3,565,527

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LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments: Other	Recent Acquisitions: ISS Atlanta III	Lockheed Martin Rockville	Cingular Atlanta	Aventis Northern NJ	Pro Forma Total
LIABILITIES:							
Borrowings	$ 308,765	$ 0	$ 0	$ 0	$ 32,000 (d)	$ 43,000 (d)	$ 383,765
Obligations under capital lease	54,500	0	0	0	0	0	54,500
Intangible lease liability	46,249	0	0	0	0	0	46,249
Accounts payable and accrued expenses	57,013	0	0	0	0	0	57,013
Due to affiliate	5,061	0	0	0	0	0	5,061
Dividends payable	9,532	0	0	0	0	0	9,532
Deferred rental income	9,379	0	0	0	0	0	9,379
Total liabilities	490,499	0	0	0	32,000	43,000	565,499
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	0	0	200
SHAREHOLDERS' EQUITY:							
Common shares, $.01 par value; 750,000,000 shares authorized, 322,219,052 shares issued and 317,026,812 outstanding at June 30, 2003	3,222	331 (b)	0	0	0	0	3,553
Additional paid-in capital	2,863,705	297,552 (b)	0	0	0	0	3,161,257
Cumulative distributions in excess of earnings	(113,052)	0	0	0	0	0	(113,052)
Treasury stock, at cost, 5,192,240 shares at June 30, 2003	(51,922)	0	0	0	0	0	(51,922)
Other comprehensive loss	(8)	0	0	0	0	0	(8)
Total shareholders' equity	2,701,945	297,883	0	0	0	0	2,999,828
Total liabilities and shareholders' equity	$ 3,192,644	$ 297,883	$ 0	$ 0	$ 32,000	$ 43,000	$ 3,565,527

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Reflects capital raised through issuance of additional shares subsequent to June 30, 2003 through Aventis Northern NJ acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.

(c) Reflects deferred project costs capitalized as a result of additional capital raised described in note (b) above.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed, net of any purchase price adjustments.

(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments: 2002 Acquisitions	Pro Forma Adjustments: 2003 Acquisitions	Recent Acquisitions: Lockheed Martin Rockville	Recent Acquisitions: Cingular Atlanta	Recent Acquisitions: Aventis Northern NJ	Pro Forma Total
REVENUES:							
Rental income	$ 107,526	$ 98,599 (b)	$ 77,148 (b)	$ 4,727 (b)	$ 11,062 (b)	$ 7,129 (b)	$ 306,191
Tenant reimbursements	18,992	9,584 (c)	52,461 (c)	159 (c)	137 (c)	2,271 (c)	83,604
Equity in income of joint ventures	4,700	648 (d)	0	0	0	0	5,348
Lease termination income	1,409	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	7,001
	139,628	108,831	129,609	4,886	11,199	9,400	403,553
EXPENSES:							
Depreciation	38,780	34,362 (e)	32,088 (e)	1,891 (e)	3,232 (e)	3,627 (e)	113,980
Interest expense	4,638	9,657 (f)	24,407 (f)	0	1,277 (f)	1,716 (f)	41,695
Property operating costs	26,949	25,244 (g)	65,996 (g)	1,326 (g)	3,001 (g)	1,998 (g)	124,514
Management and leasing fees	5,155	3,196 (h)	5,833 (h)	220 (h)	504 (h)	423 (h)	15,331
General and administrative	3,244	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	1,008
	79,774	72,459	128,324	3,437	8,014	7,764	299,772
NET INCOME	$ 59,854	$ 36,372	$ 1,285	$ 1,449	$ 3,185	$ 1,636	$ 103,781
EARNINGS PER SHARE, basic and diluted	$ 0.41						$ 0.30
WEIGHTED AVERAGE SHARES, basic and diluted	145,633						349,381

(a) Historical financial information derived from annual report on Form 10-K.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Depreciation expense is recognized using the straight-line method and a 25-year life.

(f) Represents interest expense on lines of credits used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the two BMG Greenville Buildings and the Nestle Los Angeles Building which bore interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.

(g) Consists of operating expenses.

(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003

(in thousands, except per share amounts)

(Unaudited)

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments: 2003 Acquisitions	Recent Acquisitions: ISS Atlanta III	Recent Acquisitions: Lockheed Martin Rockville	Recent Acquisitions: Cingular Atlanta	Recent Acquisitions: Aventis Northern NJ	Pro Forma Total
REVENUES:							
Rental income	$ 122,312	$ 27,355 (b)	$ 43 (b)	$ 2,739 (b)	$ 5,534 (b)	$ 3,888 (b)	$ 161,871
Tenant reimbursements	26,058	17,050 (c)	0	96 (c)	87 (c)	1,188 (c)	44,479
Equity in income of joint ventures	2,392	0	0	0	0	0	2,392
Interest and other income	2,315	0	0	0	0	0	2,315
	153,077	44,405	43	2,835	5,621	5,076	211,057
EXPENSES:							
Depreciation	44,278	10,898 (d)	32 (d)	945 (d)	1,616 (d)	1,814 (d)	59,583
Property operating costs	41,039	21,206 (e)	24 (e)	619 (e)	1,579 (e)	1,131 (e)	65,598
Management and leasing fees	5,488	1,998 (f)	2 (f)	128 (f)	253 (f)	228 (f)	8,097
General and administrative	2,523	0	0	0	0	0	2,523
Interest expense	7,400	7,655 (g)	0	0	526 (g)	707 (g)	16,288
	100,728	41,757	58	1,692	3,974	3,880	152,089
NET INCOME	$ 52,349	$ 2,648	$ (15)	$ 1,143	$ 1,647	$ 1,196	$ 58,968
EARNINGS PER SHARE, basic and diluted	$ 0.20						$ 0.17
WEIGHTED AVERAGE SHARES, basic and diluted	258,575						349,381

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Depreciation expense is recognized using the straight-line method and a 25-year life.

(e) Consists of operating expenses

(f) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

(g) Represents interest expense on lines of credits used to acquire assets, which bore interest at approximately 3.29% for the six months ended June 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.40% for the six months ended June 30, 2003

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 10 DATED SEPTEMBER 15, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, and Supplement No. 9 dated August 27, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of a five-story office building in Pasadena, California (Applera Pasadena Building);

  (B) Acquisition of a three-story office building in Brea, California (Continental Casualty Orange County Building); and

  (C) Acquisition of a 10-story office building in Lyndhurst, New Jersey (Polo Ralph Lauren Newark Building); and

(3) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of the Applera Pasadena Building, the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132.2 million in gross offering proceeds from the sale of approximately 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of approximately 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of approximately 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of September 10, 2003, we had received additional gross proceeds of approximately $2.2 billion from the sale of approximately 217.0 million shares in our fourth public offering. Therefore, there were approximately $914 million in shares (91.4 million shares) remaining available for sale to the public under the fourth public offering, which excludes shares available under our dividend reinvestment plan.

Accordingly, as of September 10, 2003, we had received aggregate gross offering proceeds of approximately $3.8 billion from the sale of approximately 376.0 million shares in all of our public offerings. After payment of approximately $129.5 million in acquisition and advisory fees and acquisition expenses, payment of approximately $408.6 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $60.4 million pursuant to our share redemption program, as of September 10, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $3.2 billion, out of which approximately $3.1 billion had been invested in real estate properties, and approximately $38.7 million remained available for investment in real estate properties.

Description of Properties

As of September 10, 2003, we had purchased interests in 86 real estate properties located in 24 states. Below is a description of our recent real property acquisitions.

Applera Pasadena Building

On August 21, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, through a wholly-owned subsidiary, purchased a five-story office building containing approximately 176,000 aggregate rentable square feet located on an approximately 1.9-acre tract of land at 1055 East Colorado Boulevard in Pasadena, California (Applera Pasadena Building) for a purchase price of approximately $37.9 million, plus closing costs. Wells OP formed Wells REIT – Pasadena, CA, L.P., a Delaware limited partnership, to purchase the Applera Pasadena Building from KN Colorado, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP, Wells REIT – Pasadena, CA, L.P. or Wells Capital, Inc., our advisor (Advisor). Wells OP previously purchased four buildings from an affiliate of KN Colorado, LLC (the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building and the GMAC Detroit Building).

The Applera Pasadena Building, which was built in 2001, is primarily leased to Paracel, Inc. (Paracel) (approximately 48%). Approximately 28% of the Applera Pasadena Building is leased to six additional tenants, and approximately 24% of the Applera Pasadena Building is currently vacant.

Paracel, a wholly-owed subsidiary of Applera Corporation (Applera), is a provider of high-performance genomic data and text analysis systems for the pharmaceutical, biotechnology, academic and government markets. Applera, the guarantor of the Paracel lease, is a worldwide life sciences and genomics company with headquarters in Norwalk, Connecticut. Applera provides technology and information solutions to scientists through its two business units, Applied Biosystems Group and Celera Genomics Group. Applera reported a net worth, as of March 31, 2003, of approximately $2.25 billion.

The current annual base rent payable under the Paracel lease, which expires in 2011, is approximately $2.6 million. Paracel is actively marketing a majority of its current space for sublease. Paracel and Applera will remain liable for any subleased space in the Applera Pasadena Building.

The current aggregate annual base rent for the remaining six tenants in the Applera Pasadena Building is approximately $1.5 million.

Continental Casualty Orange County Building

On August 29, 2003, Wells OP purchased a three-story office building containing approximately 134,000 aggregate rentable square feet located on a approximately 7.8-acre tract of land at 675 Placentia Avenue in Brea, California (Continental Casualty Orange County Building) for a purchase price of approximately $25.6 million, plus closing costs. The Continental Casualty Orange County Building was purchased from Fairway II-VEF III, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP or our Advisor.

The Continental Casualty Orange County Building, which was built in 2003, is entirely leased to Continental Casualty Company (Continental Casualty) (approximately 84%) and Phoenix American Insurance Group, Inc. (Phoenix) (approximately 16%).

Continental Casualty, which has its corporate headquarters in Chicago, Illinois, is a subsidiary of CNA Financial Corporation (CNA). CNA is a global insurance organization providing businesses and individuals with a wide range of insurance products and insurance-related services. Continental Casualty, along with other CNA affiliates, conducts the property and casualty insurance operations of CNA.

The current annual base rent payable under the Continental Casualty lease, which expires in 2013, is approximately $2.7 million. Continental Casualty has the right to terminate the Continental Casualty lease in 2010 by paying a termination fee equal to various unamortized allowances, commissions, fees and concessions incurred by the landlord in connection with the Continental Casualty lease, which is currently estimated to be approximately $2.7 million. The Continental Casualty lease prohibits Wells OP from leasing any space in the Continental Casualty Orange County Building to 22 competitor insurance companies. In addition, Continental Casualty has various expansion options and a right of first refusal to lease additional space in the Continental Casualty Orange County Building.

Phoenix is an independent service contract and mechanical breakdown insurance administrator with corporate offices in Miami, Florida. Phoenix provides comprehensive insurance coverage for automobiles, motorcycles, recreational vehicles, travel trailers, and marine craft to individual consumers, car dealers, credit unions, and lending institutions.

The current annual base rent payable under the Phoenix lease, which expires in 2008, is approximately $0.5 million.

Polo Ralph Lauren Newark Building

On September 5, 2003, Wells OP purchased a 10-story office building containing approximately 268,000 aggregate rentable square feet located on an approximately 6.15-acre tract of land at 9 Polito Avenue in Lyndhurst, New Jersey (Polo Ralph Lauren Newark Building) for a purchase price of approximately $46.6 million, plus closing costs. The Polo Ralph Lauren Newark Building was purchased from Utah State Retirement Investment Fund, a Utah Common Trust Fund not in any way affiliated with the Wells REIT, Wells OP or our Advisor.

The Polo Ralph Lauren Newark Building, which was built in 1986, is primarily leased to Polo Ralph Lauren Corporation (Polo) (approximately 60%) and Scandinavian Airlines of North America, Inc. (Scandinavian) (approximately 13%). Approximately 19% of the Polo Ralph Lauren Newark Building is leased to nine additional tenants, and approximately 8% of the Polo Ralph Lauren Newark Building is currently vacant.

Polo designs, manufactures, and distributes premium lifestyle products, including apparel, accessories, fragrances, and home products. Polo, a company whose shares are publicly traded on the New York Stock Exchange (NYSE), operates through numerous brand names, including “Polo,” “Polo Sport,” “Ralph Lauren,” and “Chaps.” Polo reported a net worth, as of June 28, 2003, of approximately $1.2 billion. Polo’s senior unsecured debt is currently rated by S&P as BBB and by Moody’s as Baa2. The current annual base rent payable under the Polo lease, which expires in 2008, is approximately $3.0 million. In addition, Polo has a right of first refusal to lease additional space in the Polo Ralph Lauren Newark Building should space become available.

Scandinavian is a wholly-owned subsidiary of Scandinavian Airlines System (SAS), which has its corporate headquarters in Stockholm, Sweden. SAS operates Scandinavian Airlines, as well as several affiliated airlines, and other airline-related businesses. Ownership interests of SAS are traded on stock exchanges in Stockholm, Oslo, and Copenhagen. SAS reported a net worth, as of June 30, 2003, of approximately $1.65 billion. The current annual base rent payable under the Scandinavian lease, which expires in 2007, is approximately $1.0 million.

The current aggregate annual base rent for the remaining nine tenants in the Polo Ralph Lauren Newark Building is approximately $1.3 million.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our Advisor, will manage the Applera Pasadena Building, the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building on behalf of Wells OP. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the Applera Pasadena Building, the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building, subject to certain limitations.

Financial Statements

Unaudited Financial Statements

The pro forma balance sheet of the Wells REIT, as of June 30, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the six months ended June 30, 2003, which are included in this supplement, have not been audited.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the six months ended June 30, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2003 has been prepared to give effect to the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings and the Cingular Atlanta Building by Wells Operating Partnership, L.P. ("Wells OP") and the Aventis Northern NJ Building by Wells Bridgewater I, LLC, of which Wells OP is the sole member, (collectively, the "Other Recent Acquisitions") and the acquisitions of the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building by Wells OP, and the Applera Pasadena Building by Wells REIT – Pasadena, CA, L.P., a Delaware limited partnership wholly-owned by Wells OP, (collectively, the "Recent Acquisitions") as if the acquisitions occurred on June 30, 2003.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the six months ended June 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building, the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building and the IBM Reston Buildings (collectively, the "2003 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the "2002 Acquisitions"), the 2003 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002. The Kerr McGee Property, the AmeriCredit Phoenix Property, the ISS Atlanta III Building and the Continental Casualty Orange County Building had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the 2002 Acquisitions, 2003 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments				Pro Forma Total
			Recent Acquisitions			
		Other	Applera Pasadena	Continental Casualty Orange County	Polo Ralph Lauren Newark	
REAL ESTATE ASSETS, at cost:						
Land	$ 342,885	$ 21,150(b)	$ 6,240(b)	$ 6,830(b)	$ 6,700(b)	$ 385,334
		720(c)	255(c)	280(c)	274(c)	
Buildings, less accumulated depreciation of $107,872	2,575,249	220,616(b)	31,470(b)	18,849(b)	39,956(b)	2,897,253
		7,418(c)	1,288(c)	771(c)	1,636(c)	
Construction in progress	532	0	0	0	0	532
Total real estate assets	2,918,666	249,904	39,253	26,730	48,566	3,283,119
INVESTMENT IN JOINT VENTURES	82,513	0	0	0	0	82,513
CASH AND CASH EQUIVALENTS	59,105	(141,766)(b)	(37,710)(b)	(25,679)(b)	(46,656)(b)	236,858
		447,148(d)				
		(17,584)(e)				
RENT RECEIVABLE	26,814	0	0	0	0	26,814
DEFERRED PROJECT COSTS	1,864	(8,138)(c)	(1,543)(c)	1,051(c)	(1,910)(c)	6,806
		17,584(e)				
DUE FROM AFFILIATES	1,807	0	0	0	0	1,807
PREPAID EXPENSES AND OTHER ASSETS, NET	12,656	0	0	0	0	12,656
DEFERRED LEASE ACQUISITION COSTS, NET	11,880	0	0	0	0	11,880
INTANGIBLE LEASE ASSET	22,839	0	0	0	0	22,839
INVESTMENT IN BONDS	54,500	0	0	0	0	54,500
Total assets	$ 3,192,644	$ 547,148	$ 0	$ 0	$ 0	$ 3,739,792

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LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments: Other	Recent Acquisitions: Applera Pasadena	Recent Acquisitions: Continental Casualty Orange County	Recent Acquisitions: Polo Ralph Lauren Newark	Pro Forma Total
LIABILITIES:						
Borrowings	$ 308,765	$ 100,000(b)	$ 0	$ 0	$ 0	$ 408,765
Obligations under capital lease	54,500	0	0	0	0	54,500
Intangible lease liability	46,249	0	0	0	0	46,249
Accounts payable and accrued expenses	57,013	0	0	0	0	57,013
Due to affiliate	5,061	0	0	0	0	5,061
Dividends payable	9,532	0	0	0	0	9,532
Deferred rental income	9,379	0	0	0	0	9,379
Total liabilities	490,499	100,000	0	0	0	590,499
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	0	200
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 322,219,052 shares issued and 317,026,812 outstanding at June 30, 2003	3,222	502(d)	0	0	0	3,724
Additional paid-in capital	2,863,705	446,646(d)	0	0	0	3,310,351
Cumulative distributions in excess of earnings	(113,052)	0	0	0	0	(113,052)
Treasury stock, at cost, 5,192,240 shares at June 30, 2003	(51,922)	0	0	0	0	(51,922)
Other comprehensive loss	(8)	0	0	0	0	(8)
Total shareholders' equity	2,701,945	447,148	0	0	0	3,149,093
Total liabilities and shareholders' equity	$ 3,192,644	$ 547,148	$ 0	$ 0	$ 0	$ 3,739,792

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed, net of any purchase price adjustments.
(c) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.
(d) Reflects capital raised through issuance of additional shares subsequent to June 30, 2003 through Polo Ralph Lauren Newark acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.
(e) Reflects deferred project costs capitalized as a result of additional capital raised described in note (d) above.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments: 2002 Acquisitions	2003 Acquisitions	Other	Recent Acquisitions: Applera Pasadena	Polo Ralph Lauren Newark	Pro Forma Total
REVENUES:							
Rental income	$ 107,526	$98,599(b)	$ 77,148(b)	$22,918(b)	$ 3,457(b)	$ 5,253(b)	$ 314,901
Tenant reimbursements	18,992	9,584(c)	52,461(c)	2,567(c)	50(c)	1,608(c)	85,262
Equity in income of joint ventures	4,700	648(d)	0(d)	0(d)	0	0	5,348
Lease termination income	1,409	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	7,001
	139,628	108,831	129,609	25,485	3,507	6,861	413,921
EXPENSES:							
Depreciation	38,780	34,362(e)	32,088(e)	8,750(e)	1,310(e)	1,664(e)	116,954
Interest expense	4,638	9,657(f)	24,407(f)	3,990(f)	0	0	42,692
Property operating costs	26,949	25,244(g)	65,996(g)	6,325(g)	1,029(g)	2,235(g)	127,778
Management and leasing fees	5,155	3,196(h)	5,833(h)	1,147(h)	158(h)	309(h)	15,798
General and administrative	3,244	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	1,008
	79,774	72,459	128,324	20,212	2,497	4,208	307,474
NET INCOME	$ 59,854	$ 36,372	$ 1,285	$ 5,273	$ 1,010	$ 2,653	$ 106,447
EARNINGS PER SHARE, basic and diluted	$ 0.41						$ 0.29
WEIGHTED AVERAGE SHARES, basic and diluted	145,633						366,418

(a) Historical financial information derived from annual report on Form 10-K.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.
(e) Depreciation expense is recognized using the straight-line method and a 25-year life.
(f) Represents interest expense on lines of credits used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the BMG Greenville Buildings and Nestle Los Angeles Building, which bore interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.
(g) Consists of operating expenses.
(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments					
				Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (a)	2003 Acquisitions	Other	Applera Pasadena	Continental Casualty Orange County	Polo Ralph Lauren Newark	Pro Forma Total
REVENUES:							
Rental income	$ 122,312	$27,355(b)	$ 12,204(b)	$1,952(b)	$ 1,044(b)	$ 2,662(b)	$167,529
Tenant reimbursements	26,058	17,050(c)	1,371(c)	23(c)	0	987(c)	45,489
Equity in income of joint ventures	2,392	0	0	0	0	0	2,392
Interest and other income	2,315	0	0	0	0	0	2,315
	153,077	44,405	13,575	1,975	1,044	3,649	217,725
EXPENSES:							
Depreciation	44,278	10,898(d)	4,407(d)	655(d)	392(d)	832(d)	61,462
Property operating costs	41,039	21,206(e)	3,353(e)	669(e)	416(e)	1,202(e)	67,885
Management and leasing fees	5,488	1,998(f)	611(f)	89(f)	47(f)	164(f)	8,397
General and administrative	2,523	0	0	0	0	0	2,523
Interest expense	7,400	7,655(g)	1,645(g)	0	0	0	16,700
	100,728	41,757	10,016	1,413	855	2,198	156,967
NET INCOME	$ 52,349	$ 2,648	$ 3,559	$ 562	$ 189	$ 1,451	$ 60,758
EARNINGS PER SHARE, basic and diluted	$ 0.20						$ 0.17
WEIGHTED AVERAGE SHARES, basic and diluted	258,575						366,418

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Depreciation expense is recognized using the straight-line method and a 25-year life.
(e) Consists of operating expenses.
(f) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
(g) Represents interest expense on lines of credits used to acquire assets, which bore interest at approximately 3.29% for the six months ended June 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.40% for the six months ended June 30, 2003.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 11 DATED SEPTEMBER 25, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, Supplement No. 9 dated August 27, 2003, and Supplement No. 10 dated September 15, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Status of our Share Redemption Program;

(3) Formation of Wells Real Estate Investment Trust II, Inc. (Wells REIT II), a recently formed REIT which is also sponsored and advised by Wells Capital, Inc. (Wells Capital), our advisor;

(4) Revisions to the "Conflicts of Interest" section of the prospectus describing potential conflicts of interest related to the common directors of the Wells REIT and Wells REIT II;

(5) Revisions to the "Management – The Advisor" section of the prospectus describing the addition of Donald A. Miller as a newly appointed Senior Vice President of Wells Capital; and

(6) Revisions to the "Management – Affiliated Companies – Dealer Manager" section of the prospectus describing the election of Philip M. Taylor, Douglas P. Williams and Randall D. Fretz as officers and directors of Wells Investment Securities, Inc., our dealer manager.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132.2 million in gross offering proceeds from the sale of approximately 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of approximately 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of approximately 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of September 19, 2003, we had received additional gross proceeds of approximately $2.2 billion from the sale of approximately 223.8 million shares in our fourth public offering. Therefore, as of September 19, 2003, there were approximately $847.1 million in shares (84.7 million shares) remaining available for sale to the public under our fourth public offering, exclusive of shares available under our dividend reinvestment plan.

Accordingly, as of September 19, 2003, we had received aggregate gross offering proceeds of approximately $3.8 billion from the sale of approximately 382.8 million shares in all of our public offerings. After payment of approximately $131.9 million in acquisition and advisory fees and acquisition expenses, payment of approximately $415.4 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $60.5 million pursuant to our share redemption program, as of September 19, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $3.2 billion, substantially all of which has been invested in real estate properties.

Status of our Share Redemption Program

Our current share redemption program allows for the redemption of approximately 4.37 million shares at an aggregate cost of approximately $43.7 million for the year ending December 31, 2003. From January 1, 2003 through September 19, 2003, we had redeemed approximately 4.06 million shares of common stock available for redemption for the year at an aggregate cost of approximately $40.6 million and, accordingly, there are approximately 310,000 shares remaining for redemption for the year ending December 31, 2003.

On September 19, 2003, our board of directors voted to reserve the approximately 310,000 shares of our common stock remaining under the share redemption program which may be repurchased during the calendar year ending December 31, 2003 exclusively for the following types of share repurchases:

(1) repurchase of shares following the death of a stockholder; and

(2) repurchase of shares necessary to fund minimum distribution requirements for stockholders who own their shares through IRAs or other qualified retirement plans and are over the age of 70 ½.

All other requests for potential redemption will not be eligible for redemption until after January 1, 2004, unless our board of directors decides to terminate our share redemption program prior to that time and subject, in all cases, to our board’s ability to change or terminate our share redemption program at any time in its discretion.

Formation of Wells REIT II

Wells REIT II is a recently formed REIT also sponsored and advised by Wells Capital, our advisor, which has investment objectives substantially identical to ours. Several of our directors (namely Leo F. Wells, III, Douglas P. Williams, Richard W. Carpenter, Bud Carter, Donald S. Moss, Walter W. Sessoms and Neil H. Strickland) are also directors of Wells REIT II. Wells REIT II has filed a registration statement with the Securities and Exchange Commission (SEC) for the sale of up to $6 billion in common stock, which has not yet been declared effective by the SEC. Since Wells REIT II is in a different stage of its life cycle from our REIT, the potential for conflicts of interest resulting from these members of our board of directors also serving on the board of directors of Wells REIT II may be lessened; however, please consider and analyze the additional risk factors described below relating to the potential conflicts of interest which may arise as a result of several of our directors also serving as directors of Wells REIT II.

Conflicts of Interest – Common Directors of Wells REIT II

The following information should be read in conjunction with the "Conflicts of Interest" section beginning on page 54 of the prospectus to include conflicts of interest related to the common directors between the Wells REIT and Wells REIT II.

Our board of directors may face additional conflicts of interest in making decisions and taking actions resulting from certain members of our board of directors also serving on the board of directors of Wells REIT II.

The individuals serving on our board of directors who also serve on the board of directors of Wells REIT II will have statutory and fiduciary obligations to our stockholders and the stockholders of Wells REIT II. Therefore, the loyalties of these members of our board of directors to Wells REIT II may influence the judgment of our board when considering issues for us that may affect Wells REIT II, such as the following:

- Our board of directors must evaluate the performance of Wells Capital with respect to whether Wells Capital is presenting to us our fair share of investment opportunities or otherwise performing its duties under our advisory agreement. If Wells Capital is not performing its duties for us as our advisor or is giving preferential treatment to Wells REIT II, the divided loyalties of the members of our board who also serve on the board of directors of Wells REIT II could adversely affect our board's willingness to enforce our rights under the terms of the advisory agreement or to seek a new advisor.
- Our board of directors may have to make a similar evaluation with respect to the performance of Wells Management Company, Inc. (Wells Management), as our property manager. If Wells Management is not performing well as a property manager because of the similar services it provides for Wells REIT II, the divided loyalties of the members of our board who also serve on the board of directors of Wells REIT II could adversely affect our board's willingness to enforce our rights under the terms of the asset/property management agreement or to seek a new property manager.
- Our board of directors approves every property acquisition we make. Decisions of our board regarding whether we should purchase a property may be influenced by the divided loyalties of the members of our board who also serve on the board of directors of Wells REIT II based on the potential that Wells Capital would present the opportunity to Wells REIT II if we did not pursue it.
- We may enter into transactions with Wells REIT II, such as property sales and acquisitions, joint ventures or financing arrangements. Decisions of our board regarding the terms of those transactions may be influenced by the divided loyalties of the members of our board who also serve on the board of directors of Wells REIT II.

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Management

The Advisor

The following information should be read in conjunction with the "Management—The Advisor" section beginning on page 43 of the prospectus to include background information on Donald A. Miller as a newly appointed Senior Vice President of Wells Capital.

Donald A. Miller is a Senior Vice President of Wells Capital. Mr. Miller is responsible for directing the efforts of our advisor's acquisitions, dispositions, property management, construction and leasing groups. Mr. Miller joined Wells in August 2003 and has more than 16 years of experience in the real estate industry. He is the former Head of Real Estate Operations for Lend Lease Corporation Limited, which he joined in 1994. Prior to his role as the Head of Real Estate Operations, Mr. Miller ran Lend Lease's Midwest Region and Hotel Investment Group. Prior to joining Lend Lease, Mr. Miller worked at Prentiss Properties Realty Advisors, Inc. and in pension investment management at Delta Air Lines, Inc.

Affiliated Companies

Dealer Manager

The information contained in the third paragraph in the "Management—Affiliated Companies—Dealer Manager" section of the prospectus is revised as of the date of this supplement by the deletion of that paragraph in its entirety and the insertion of the following paragraphs in lieu thereof:

The directors and executive officers of Wells Investment Securities are as follows:

Name	*Age*	*Positions*
Philip M. Taylor	60	President and Director
Douglas P. Williams	52	Vice President, CFO, Treasurer and Director
Randall D. Fretz	50	Vice President and Director

The background of Mr. Williams is described in the "Management—Executive Officers and Directors" section on page 35 of the prospectus, and the background of Mr. Fretz is described in Supplement No. 4 to the prospectus dated December 10, 2002.

Philip M. Taylor is President and a director of Wells Investment Securities, Inc. Mr. Taylor joined Wells in March 2001 and supervises and directs the national sales effort. Prior to joining Wells, Mr. Taylor was Vice President, Sales and Project Operations for Atlantech International, Inc. from 1991 to 2000. During a twenty-one year tenure with Ingersoll-Rand Company Limited, Mr. Taylor held progressively more responsible positions in sales, marketing and management. He also served for five years as an Army Officer. Mr. Taylor holds NASD series 7, 24 and 63 licenses. Mr. Taylor earned a Bachelor's degree in Industrial Management from East Tennessee State University and a Masters of Business Administration in Finance/Management from the University of Oregon.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 12 DATED OCTOBER 25, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, Supplement No. 9 dated August 27, 2003, Supplement No. 10 dated September 15, 2003, and Supplement No. 11 dated September 25, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Description of a legal proceeding involving the Wells REIT;

(3) Status of our share redemption program;

(4) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of an eight-story office building in Irvine, California (1901 Main Irvine Building);

  (B) Acquisition of an interest in a four-story office building in Hoffman Estates, Illinois (AIU Chicago Building); and

  (C) Acquisition of five multi-story office buildings in Beaverton, Oregon (IBM Portland Buildings);

(5) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the sale of the Cort Furniture Building;

(6) Revisions to the "Management – Executive Officers and Directors" section of the prospectus describing the resignation of John L. Bell as one of our independent directors;

(7) Revisions to the "Management – The Advisor" section of the prospectus describing the addition of Ron D. Ford as a newly appointed Senior Vice President of Wells Capital, Inc., our advisor, and the resignation of Claire C. Janssen as Vice President of Wells Capital;

(8) Statements of Revenues Over Certain Operating Expenses for the recently acquired AIU Chicago Building; and

(9) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of the 1901 Main Irvine Building, the AIU Chicago Building, and the IBM Portland Buildings, and the sale of the Cort Furniture Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998, which terminated on December 19, 1999, our second public offering of common stock on December 20, 1999, which terminated on December 19, 2000, and our third public offering of common stock on December 20, 2000, which terminated on July 26, 2002. We received approximately $1.59 billion in aggregate gross offering proceeds from the sale of approximately 159.0 million shares in these three prior public offerings.

Pursuant to the prospectus, we commenced our fourth public offering of $3 billion in shares (300 million shares) of common stock on July 26, 2002. As of October 25, 2003, we had received additional gross proceeds of approximately $2.4 billion from the sale of approximately 241.6 million shares in our fourth public offering. Accordingly, as of October 25, 2003, there were approximately $583.6 million in shares (58.4 million shares) remaining available for sale to the public under our fourth public offering, exclusive of shares available under our dividend reinvestment plan.

As of October 25, 2003, we had received aggregate gross offering proceeds of approximately $4.1 billion from the sale of approximately 412.5 million shares in all of our public offerings. After payment of approximately $142.1 million in acquisition and advisory fees and acquisition expenses, payment of approximately $444.9 million in selling commissions and organization and offering expenses, and aggregate common stock redemptions of approximately $64.4 million pursuant to our share redemption program, as of October 25, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $3.48 billion out of which approximately $3.23 billion had been invested in real estate properties, and approximately $244.7 million remained available for investment in real estate properties.

Legal Proceedings

On October 9, 2003, Stephen L. Flood, the Luzerne County Controller, and the Luzerne County Retirement Board (Luzerne Board) on behalf of the Luzerne County Employee Retirement System (Plan) filed a lawsuit in the U.S. District Court, Middle District of Pennsylvania against 26 separate defendants including the Wells REIT, Wells Investment Securities, Inc., our dealer manager, and Wells Real Estate Funds, Inc., the parent company of Wells Investment Securities, Inc. (Wells Defendants) (Wells Real Estate Funds, Inc. is also the parent company of Wells Capital, Inc., our advisor). The complaint alleges (1) that certain former members of the Luzerne Board named as defendants breached their fiduciary duties to the Plan by, among other things, permitting the investment of the Plan's funds in investments not suitable for the Plan because they were long-term illiquid investments, permitting the Plan to pay excessive fees and commissions to co-defendants, and accepting political contributions in exchange for awarding advisory and management agreements, (2) that the other defendants (including the Wells Defendants) aided and abetted such breaches of fiduciary duty, (3) that all defendants violated the Racketeer Influenced and Corrupt Organizations Act (RICO) by engaging in and conspiring to engage in an improper scheme to intentionally defraud the Plan for their own monetary benefit, and (4) that certain defendants (including the Wells Defendants) were unjustly enriched by the fees and commissions paid in connection with the Plan's investments.

The complaint specifically alleges, among other things, (1) that certain former board member defendants invested $10 million in the Wells REIT on behalf of the Plan, (2) that the investment was not approved by a majority of the Luzerne Board at a public meeting and, consequently, the investment was an inappropriate and void action, (3) that the Wells Defendants and others knew or should have known that the investment, and the fees and commissions associated with the investment, was not a proper investment for the Plan because it was a long-term illiquid investment, and (4) that the Wells Defendants and others knew or should have known that certain Luzerne Board members and certain investment advisors and managers were breaching their fiduciary duties to the Plan.

The Plan is seeking damages of not less than $25 million, treble damages and punitive damages from all defendants on a joint and several liability basis. The Wells REIT believes that this lawsuit is without merit with respect to the Wells Defendants and intends to vigorously defend this lawsuit.

Status of our Share Redemption Program

Our current share redemption program allowed for the redemption of approximately 4.37 million shares at an aggregate cost of approximately $43.7 million for the year ending December 31, 2003. From January 1, 2003 through October 25, 2003, we had redeemed the entire 4.37 million shares of common stock available for redemption for the year at an aggregate cost of approximately $43.7 million and, accordingly, there are no remaining shares available for redemption for the year ending December 31, 2003.

Requests for potential redemption will not be eligible for redemption until after January 1, 2004, subject, in all cases, to our board’s ability to change or terminate our share redemption program at any time in its discretion.

Description of Real Estate Investments

As of October 20, 2003, we had purchased and own interests in 88 real estate properties located in 25 states, exclusive of properties sold. Below is a description of our recent real property acquisitions.

1901 Main Irvine Building

On September 17, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased an eight-story office building containing approximately 172,000 aggregate rentable square feet located on an approximately 4.8-acre tract of land at 1901 Main Street in Irvine, California (1901 Main Irvine Building) for a purchase price of $45.5 million, plus closing costs. The 1901 Main Irvine Building was purchased from Main & Mac II, L.P., which is not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc., our advisor (Advisor). Wells OP previously purchased five buildings from affiliates of Main & Mac II, L.P. (the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the GMAC Detroit Building and the Applera Pasadena Building).

The 1901 Main Irvine Building, which was built in 2001, is leased to BNC Mortgage, Inc. (BNC) (approximately 43%), Aon Service Corporation (Aon) (approximately 26%), General Electric Capital Corporation (GE Capital) (approximately 13%), Citigroup Global Markets Inc. (Citigroup) (approximately 13%) and Alliance Bank (Alliance) (approximately 5%).

BNC is a privately-held corporation engaged in the business of originating, purchasing and selling non-conforming residential mortgage loans. BNC originates loans through a nationwide network of independent mortgage brokers through its full service branch offices and is currently ranked as one of the nation's top 100 mortgage lenders according to National Mortgage News. The current annual base rent payable under the BNC lease, which expires in 2008, is approximately $2.0 million. In addition, BNC has a right of first refusal to lease additional space in the 1901 Main Irvine Building should space become available, subject to certain expansion rights and rights of first offer of Aon, GE Capital, Citigroup and Alliance.

Aon is a wholly owned subsidiary of Aon Corporation which has its headquarters located in the Aon Center Chicago Building and is a holding company whose subsidiaries provide insurance brokerage, consulting, and insurance underwriting services. Aon Corporation, the guarantor on the Aon lease, has approximately 550 offices in 120 countries worldwide. The current annual base rent payable under the Aon lease, which expires in 2012, is approximately $1.4 million. Aon has the right to terminate the Aon lease in 2009 by paying a termination fee equal to all unamortized tenant improvement allowances and leasing commissions incurred by the landlord in connection with the Aon lease, which is currently estimated to be approximately $0.65 million. In addition, Aon has expansion options and a right of first offer to lease additional space in the 1901 Main Irvine Building should space become available.

The current aggregate annual base rent for GE Capital, Citigroup and Alliance, the remaining three tenants in the 1901 Main Irvine Building, is approximately $1.6 million.

AIU Chicago Building

On September 19, 2003, Wells Fund XIII – REIT Joint Venture Partnership (Wells Fund XIII-REIT Joint Venture), a joint venture partnership between Wells Real Estate Fund XIII, L.P. (Wells Fund XIII) and Wells OP, purchased a four-story office building on a 2.7 acre tract of land located at 5550 Prairie Stone Parkway in Hoffman Estates, Illinois (AIU Chicago Building) from Two Park Center, L.L.C. (Two Park) for a purchase price of $26.3 million, plus closing costs. Two Park is not in any way affiliated with the Wells Fund XIII-REIT Joint Venture, Wells OP, the Wells REIT or our Advisor.

Wells OP contributed approximately $24.0 million and Wells Fund XIII contributed $3 million to the Wells Fund XIII – REIT Joint Venture for their respective shares of the acquisition costs for the AIU Chicago Building. Subsequent to the acquisition of the AIU Chicago Building, Wells OP held an equity percentage interest in the Wells Fund XIII – REIT Joint Venture of approximately 71.89%, and Wells Fund XIII held an equity percentage interest in the Wells Fund XIII – REIT Joint Venture of approximately 28.11%.

The AIU Chicago Building, which was completed in 1999, contains approximately 193,700 rentable square feet and is primarily leased under a net lease (i.e., operating costs and maintenance costs are paid by the tenants) to American Intercontinental University, Inc. (AIU) (approximately 66%). Approximately 31% of the AIU Chicago Building is leased to four additional tenants, and approximately 3% of the AIU Chicago Building is currently vacant.

AIU is a wholly owned subsidiary of EduTrek International, Inc., which is a wholly owned subsidiary of Career Education Corporation (Career Education), a company whose shares are publicly traded on NASDAQ. AIU provides post-secondary education at campuses in Los Angeles, Houston, Fort Lauderdale, London and Atlanta. AIU also provides an online Internet degree program. Career Education, the guarantor of the AIU lease, provides private for-profit post-secondary education at over 75 schools, colleges and universities worldwide. Career Education reported a net worth, as of June 30, 2003, of approximately $473.6 million.

The AIU lease commenced in May 2002 and expires in June 2008, except for approximately 48,933 rentable square feet of the AIU lease (Expansion Space) which expires in December 2010. The current annual base rent payable under the AIU lease is approximately $1.7 million. AIU has the right, at its option, to extend the initial term of its lease, excluding the Expansion Space, for one additional five-year period at the then-current market rental rate. The AIU lease prohibits the Wells Fund XIII – REIT Joint Venture from leasing any space in the AIU Chicago Building to any business which offers post-high school or corporate training as its primary function.

The current aggregate annual base rent for the remaining four tenants in the AIU Chicago Building is approximately $0.8 million.

IBM Portland Buildings

On October 9, 2003, Wells OP purchased four multi-story office buildings and one industrial building containing approximately 364,000 aggregate rentable square feet on an approximately 20.9-acre tract of land (IBM Portland Buildings) and an additional adjacent 31.8-acre tract of land (IBM Land) in Beaverton, Oregon for an aggregate purchase price of approximately $38.2 million, plus closing costs. The IBM Portland Buildings and IBM Land were purchased from International Business Machines Corporation (IBM), which is not in any way affiliated with the Wells REIT, Wells OP or our Advisor.

Three of the five IBM Portland Buildings, located at 15300 SW Koll Parkway, 15350 SW Koll Parkway and 15400 SW Koll Parkway, which were built between 1988 and 1990 and contain an aggregate of approximately 220,000 rentable square feet, are entirely leased under three separate net leases to IBM. The remaining two buildings located at 1345 SW Burlington Drive and 15757 SW Jay Street are currently vacant.

IBM, a company whose shares are publicly traded on the New York Stock Exchange (NYSE), manufactures and sells computer services, hardware and software and is the most diversified provider of computer products and services in the United States. IBM reported a net worth, as of June 30, 2003, of approximately $26.6 billion. The current aggregate annual base rent payable under the IBM leases, which expire in 2008, 2010 and 2012 respectively, is approximately $2.9 million.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells Fund XIII – REIT Joint Venture, the Wells REIT and our Advisor, will manage the 1901 Main Irvine Building and the IBM Portland Buildings on behalf of Wells OP and the AIU Chicago Building on behalf of the Wells Fund XIII – REIT Joint Venture. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the 1901 Main Irvine Building, the AIU Chicago Building and the IBM Portland Buildings, subject to certain limitations.

Sale of the Cort Furniture Building

On September 11, 2003, Wells/Orange County Associates (Cort Joint Venture), a joint venture partnership between Wells OP and Fund X and Fund XI Associates, sold a warehouse and office building containing approximately 52,000 rentable square feet located in Fountain Valley, California (Cort Furniture Building) for a $5.77 million sales price.

Wells OP holds an approximately 43.6% equity percentage interest in the Cort Joint Venture. The net sale proceeds allocable to Wells OP as a result of the sale of the Cort Furniture Building were approximately $2.4 million. Wells OP recognized a loss of approximately $165,000 from the sale of the Cort Furniture Building.

Management

The following information should be read in conjunction with the “Management” section beginning on page 31 of the prospectus, as updated in Supplement No. 11, to reflect the following changes.

Executive Officers and Directors

On September 23, 2003, John L. Bell resigned as one of our independent directors. As a result, our current board of directors is comprised of Leo F. Wells, III, Douglas P. Williams and eight independent directors.

The Advisor

On October 20, 2003, Claire C. Janssen resigned as Vice President of Wells Capital. Ron D. Ford is a newly appointed Senior Vice President of Wells Capital. Mr. Ford’s background information is below.

Ron D. Ford, Ph.D. is a Senior Vice President of Wells Capital. Mr. Ford is responsible for all of the finance, risk management, accounting and reporting activities of Wells Capital. Prior to joining Wells in 2003, Mr. Ford was Chief Executive Officer at Media Arts Group, Inc. during 2002. From 1998 to 2001, he was Chief Financial Officer and then President of OneCoast Network, Inc., a sales and marketing company in the wholesale gift segment of consumer goods. From 1995 to 1998, Mr. Ford was with Curtis 1000, a supplier of office business products, as Chief Financial Officer/Chief Information Officer. Mr. Ford has more than 20 years of experience in senior management. He has extensive experience in sales, operations, financial management, information technology and organizational development. Mr. Ford received his undergraduate degree in Business Administration with a magna cum laude from the University of Tennessee. He completed his MBA at Vanderbilt University and earned a doctorate in executive management from the Weatherhead School of Management at Case Western Reserve University. Mr. Ford is a certified public accountant.

Financial Statements

Audited Financial Statements

The statement of revenues over certain operating expenses of the AIU Chicago Building for the year ended December 31, 2002, which is included in this supplement, has been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The statement of revenues over certain operating expenses of the AIU Chicago Building for the six months ended June 30, 2003, which is included in this supplement, has not been audited.

The pro forma balance sheet of the Wells REIT, as of June 30, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the six months ended June 30, 2003, which are included in this supplement, have not been audited.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

Report of Independent Auditors

Joint Ventures Partners
Wells Fund XIII – REIT Joint Venture Partnership:

We have audited the accompanying statement of revenues over certain operating expenses of the AIU Chicago Building for the year ended December 31, 2002. This statement is the responsibility of the AIU Chicago Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the AIU Chicago Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the AIU Chicago Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

Atlanta, Georgia
September 19, 2003

/s/Ernst & Young LLP

AIU Chicago Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Revenues:		
Base rent	$ 836	$ 1,506
Tenant reimbursements	855	1,143
Other revenue	719	27
Total revenues	2,410	2,676
Expenses:		
Real estate taxes	401	780
Other operating expenses	167	284
General and administrative	126	258
Utilities	100	189
Cleaning	105	152
Management fees	74	80
Total expenses	973	1,743
Revenues over certain operating expenses	$ 1,437	$ 933

See accompanying notes.

AIU Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses

**For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)**

1. Description of Real Estate Property Acquired

On September 19, 2003, the Wells Fund XIII – REIT Joint Venture Partnership ("Wells Fund XIII – REIT") acquired the AIU Chicago Building, a four-story office building containing approximately 194,000 square feet located in Hoffman Estates, Illinois, from Two Park Center, L.L.C. ("Two Park Center"), an unrelated third-party. Total consideration for the acquisition was approximately $26.3 million. Wells Fund XIII – REIT is a joint venture partnership between Wells Real Estate Fund XIII, L.P. and Wells Operating Partnership, L.P. ("Wells OP"). Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the AIU Chicago Building after its acquisition by Wells Fund XIII – REIT.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of rental income recognized over the amounts due pursuant to lease terms is recorded as straight-line rent receivable. The adjustment to straight-line rent receivable increased revenue by approximately $36,000 for the year ended December 31, 2002 and approximately $40,000 for the six months ended June 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AIU Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

4. Description of Leasing Arrangements

Two Park Center's interests in all lease agreements were assigned to Wells Fund XIII – REIT upon its acquisition of the AIU Chicago Building. The office space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. One tenant, Hartford Computer Group, Inc. ("Hartford"), terminated its lease for approximately 49,000 square feet in March 2003. Hartford paid Two Park Center a termination fee of $700,000, which is included in Other Revenue for the six months ended June 30, 2003.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 1,976
2004	2,557
2005	2,632
2006	2,621
2007	2,445
Thereafter	3,106
	$15,337

Four tenants, Hartford, American Intercontinental University, Inc. ("AIU"), Future Electronics Corporation ("Future") and Philips Electronics North America Corporation ("Philips") contributed approximately 45%, 15%, 14% and 13%, respectively, of rental income for the year ended December 31, 2002. AIU, Philips, Hartford and Future contributed approximately 35%, 25%, 14% and 13%, respectively, of rental income for the six months ended June 30, 2003. Subsequent to December 31, 2002, AIU and Philips will contribute approximately 74% and 13%, respectively, of the future minimum rental income of those leases in place as of that date.

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the “Wells REIT”), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the six months ended June 30, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2003 has been prepared to give effect to the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building, the Applera Pasadena Building, the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building by Wells Operating Partnership, L.P. (“Wells OP”) and the Aventis Northern NJ Building by Wells Bridgewater I, LLC, of which Wells OP is the sole member, (the “Other Recent Acquisitions”) and the 1901 Main Building and the IBM Portland Buildings by Wells OP and the AIU Chicago Building by Wells Fund XIII-REIT Joint Venture Partnership (“Wells Fund XIII-REIT), a joint venture partnership between Wells Real Estate Fund XIII, L.P and Wells OP, (collectively, the “Recent Acquisitions”) and the disposition of the Cort Furniture Building by Wells/Orange County Associates, a joint venture partnership between Fund X and Fund XI Associates and Wells OP, as if the acquisitions and disposition occurred on June 30, 2003. Wells OP’s ownership percentage in Wells Fund XIII-REIT increased from 61.28% to 71.89% as a result of its disproportionate contribution, which was used to partially fund the acquisition of the AIU Chicago Building. Wells OP held an interest of approximately 43.67% in the Cort Furniture Building through its indirect equity interest in Wells/Orange County Associates.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with those of Wells REIT.

The following unaudited pro forma statement of income for the six months ended June 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building, the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building and the IBM Reston Buildings (collectively, the “2003 Acquisitions”), the Recent Acquisitions and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the “2002 Acquisitions”), the 2003 Acquisitions, the Recent Acquisitions and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002. The Kerr McGee Property, the AmeriCredit Phoenix Property, the ISS Atlanta III Building and the Continental Casualty Orange County Building had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the 2002 Acquisitions, 2003 Acquisitions, the Recent Acquisitions and the disposition of the Cort Furniture Building been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments: Recent Acquisitions: Other	1901 Main Irvine	AIU Chicago	IBM Portland	Disposition: Cort Furniture	Pro Forma Total
REAL ESTATE ASSETS, at cost:							
Land	$ 342,885	$ 40,920(b)	$ 6,000(b)	$ 0	$ 9,437(b)	$ 0	$ 401,403
		1,529(c)	246(c)	0	386(c)	0	
Buildings, less accumulated depreciation of $107,872	2,575,249	310,891(b)	39,587(b)	0	28,998(b)	0	2,968,645
		11,113(c)	1,620(c)	0	1,187(c)	0	
Construction in progress	532	0	0	0	0	0	532
Total real estate assets	2,918,666	364,453	47,453	0	40,008	0	3,370,580
INVESTMENT IN JOINT VENTURES	82,513	0	0	24,360(f)	0	(2,599)(i)	104,274
CASH AND CASH EQUIVALENTS	59,105	(251,811)(b)	(45,587)(b)	(23,402)(g)	(38,435)(b)	2,430(j)	374,032
		699,230(d)					
		(27,498)(e)					
RENT RECEIVABLE	26,814	0	0	0	0	0	26,814
DEFERRED PROJECT COSTS	1,864	(12,642)(c)	(1,866)(c)	(958)(h)	(1,573)(c)	0	12,323
		27,498(e)					
DUE FROM AFFILIATES	1,807	0	0	0	0	0	1,807
PREPAID EXPENSES AND OTHER ASSETS, NET	12,656	0	0	0	0	0	12,656
DEFERRED LEASE ACQUISITION COSTS, NET	11,880	0	0	0	0	0	11,880
INTANGIBLE LEASE ASSETS	22,839	0	0	0	0	0	22,839
INVESTMENT IN BONDS	54,500	0	0	0	0	0	54,500
Total assets	$ 3,192,644	$ 799,230	$ 0	$ 0	$ 0	$ (169)	$ 3,991,705

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LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

		Pro Forma Adjustments					
		Recent Acquisitions				Disposition	
	Wells Real Estate Investment Trust, Inc. (a)	Other	1901 Main Irvine	AIU Chicago	IBM Portland	Cort Furniture	Pro Forma Total
LIABILITIES:							
Borrowings	$ 308,765	$ 100,000(b)	$ 0	$ 0	$ 0	$ 0	$ 408,765
Obligations under capital lease	54,500	0	0	0	0	0	54,500
Intangible lease liability	46,249	0	0	0	0	0	46,249
Accounts payable and accrued expenses	57,013	0	0	0	0	0	57,013
Due to affiliate	5,061	0	0	0	0	0	5,061
Dividends payable	9,532	0	0	0	0	0	9,532
Deferred rental income	9,379	0	0	0	0	0	9,379
Total liabilities	490,499	100,000	0	0	0	0	590,499
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	0	0	200
SHAREHOLDERS' EQUITY:							
Common shares, $.01 par value; 750,000,000 shares authorized, 322,219,052 shares issued and 317,026,812 outstanding at June 30, 2003	3,222	786(d)	0	0	0	0	4,008
Additional paid-in capital	2,863,705	698,444(d)	0	0	0	(169)(k)	3,561,980
Cumulative distributions in excess of earnings	(113,052)	0	0	0	0	0	(113,052)
Treasury stock, at cost, 5,192,240 shares at June 30, 2003	(51,922)	0	0	0	0	0	(51,922)
Other comprehensive loss	(8)	0	0	0	0	0	(8)
Total shareholders' equity	2,701,945	699,230	0	0	0	(169)	3,401,006
Total liabilities and shareholders' equity	$ 3,192,644	$ 799,230	$ 0	$ 0	$ 0	$ (169)	$3,991,705

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed, net of any purchase price adjustments.
(c) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.
(d) Reflects capital raised through issuance of additional shares subsequent to June 30, 2003 through the IBM Portland acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.
(e) Reflects deferred project costs capitalized as a result of additional capital raised described in note (d) above.
(f) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the cost to acquire the AIU Chicago Building.
(g) Reflects Wells Real Estate Investment Trust, Inc.'s contribution to Wells Fund XIII-REIT, which increased its interest in the joint venture from 61.28% to 71.89%.
(h) Reflects deferred project costs applied to Wells Fund XIII-REIT at approximately 4.094% of purchase price.
(i) Reflects the portion of Wells Real Estate Investment Trust, Inc.'s investment in Wells/Orange County Associates, which is attributable to the Cort Furniture Building.
(j) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the Cort Furniture Building net sales proceeds.
(k) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the loss recognized on the sale of the Cort Furniture Building.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002
(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments								
				Recent Acquisitions				Disposition	
	Wells Real Estate Investment Trust, Inc. (a)	2002 Acquisitions	2003 Acquisitions	Other	1901 Main Irvine	AIU Chicago	IBM Portland	Cort Furniture	Pro Forma Total
REVENUES:									
Rental income	$107,526	$98,599(b)	$ 77,148(b)	$ 31,628(b)	$2,555(b)	$ 0	$ 3,154(b)	$ 0	$ 320,610
Tenant reimbursements	18,992	9,584(c)	52,461(c)	4,225(c)	0(c)	0	2,138(c)	0	87,400
Equity in income of joint ventures	4,700	648(d)	0	0	0	(145)(d)	0	(237)(i)	4,966
Lease termination income	1,409	0	0	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	0	0	7,001
	139,628	108,831	129,609	35,853	2,555	(145)	5,292	(237)	421,386
EXPENSES:									
Depreciation	38,780	34,362(e)	32,088(e)	11,724(e)	1,648(e)	0	1,207(e)	0	119,809
Interest expense	4,638	9,657(f)	24,407(f)	3,990(f)	0(f)	0	0	0	42,692
Property operating costs	26,949	25,244(g)	65,996(g)	9,589(g)	1,361(g)	0	2,371(g)	0	131,510
Management and leasing fees	5,155	3,196(h)	5,833(h)	1,614(h)	115(h)	0	231(h)	0	16,144
General and administrative	3,244	0	0	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	0	0	1,008
	79,774	72,459	128,324	26,917	3,124	0	3,809	0	314,407
NET INCOME	$ 59,854	$ 36,372	$ 1,285	$ 8,936	$ (569)	$(145)	$ 1,483	$ (237)	$106,979
EARNINGS PER SHARE, basic and diluted	$ 0.41								$ 0.27
WEIGHTED AVERAGE SHARES, basic and diluted	145,633								394,462

(a) Historical financial information derived from annual report on Form 10-K.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building and the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.
(e) Depreciation expense is recognized using the straight-line method and a 25-year life.
(f) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the BMG Greenville Buildings and Nestle Los Angeles Building, which bore interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.
(g) Consists of operating expenses.
(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
(i) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments						
			Recent Acquisitions				Disposition	
	Wells Real Estate Investment Trust, Inc. (a)	2003 Acquisitions	Other	1901 Main Irvine	AIU Chicago	IBM Portland	Cort Furniture	Pro Forma Total
REVENUES:								
Rental income	$ 122,312	$27,355(b)	$17,862(b)	$ 2,029(b)	$ 0	$1,577(b)	$ 0	$171,135
Tenant reimbursements	26,058	17,050(c)	2,381(c)	43(c)	0	1,069(c)	0	46,601
Equity in income of joint ventures	2,392	0	0	0	615(h)	0	(114)(i)	2,893
Interest and other income	2,315	0	0	0	0	0	0	2,315
	153,077	44,405	20,243	2,072	615	2,646	(114)	222,944
EXPENSES:								
Depreciation	44,278	10,898(d)	6,286(d)	824(d)	0	604(d)	0	62,890
Property operating costs	41,039	21,206(e)	5,640(e)	1,045(e)	0	1,185(e)	0	70,115
Management and leasing fees	5,488	1,998(f)	911(f)	93(f)	0	116(f)	0	8,606
General and administrative	2,523	0	0	0	0	0	0	2,523
Interest expense	7,400	7,655(g)	1,645	0	0	0	0	16,700
	100,728	41,757	14,482	1,962	0	1,905	0	160,834
NET INCOME	$ 52,349	$ 2,648	$ 5,761	$ 110	$615	$ 741	$ (114)	$ 62,110
EARNINGS PER SHARE, basic and diluted	$ 0.20							$ 0.16
WEIGHTED AVERAGE SHARES, basic and diluted	258,575							394,462

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Depreciation expense is recognized using the straight-line method and a 25-year life.
(e) Consists of operating expenses.
(f) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
(g) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.29% for the six months ended June 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.40% for the six months ended June 30, 2003.
(h) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.
(i) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 13 DATED DECEMBER 11, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, Supplement No. 9 dated August 27, 2003, Supplement No. 10 dated September 15, 2003, Supplement No. 11 dated September 25, 2003, and Supplement No. 12 dated October 25, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Plan of Distribution" section of the prospectus;

(3) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following acquisitions;

- (A) Acquisition of a partnership interest in an entity which owns a 50-story office building in Chicago, Illinois (Leo Burnett Chicago Building);
- (B) Acquisition of all of the outstanding common stock of a real estate investment trust (Washington Properties REIT), which owns interests in three office buildings in the Washington, DC area (Washington, DC REIT Buildings); and
- (C) Acquisition of all of the membership interest in a limited liability company which owns a 14-story office building in Arlington, Virginia (4250 North Fairfax Arlington Building);

(4) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(5) Unaudited financial statements of the Wells REIT for the period ended September 30, 2003; and

(6) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of interests in the Leo Burnett Chicago Building, and the 4250 North Fairfax Arlington Building, and the common stock of the Washington Properties REIT.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998, which terminated on December 19, 1999, our second public offering of common stock on December 20, 1999, which terminated on December 19, 2000, and our third public offering of common stock on December 20, 2000, which terminated on July 26, 2002. We received approximately $1.59 billion in aggregate gross offering proceeds from the sale of approximately 159.0 million shares in these three prior public offerings.

Pursuant to the prospectus, we commenced our fourth public offering of $3 billion in shares (300 million shares) of common stock on July 26, 2002. As of December 8, 2003, we had received aggregate gross offering proceeds of approximately $4.5 billion from the sale of approximately 453.5 million shares in all of our public offerings. After payment of approximately $156.5 million in acquisition and advisory fees and acquisition expenses, payment of approximately $486.0 million in selling commissions and organization and offering expenses, and aggregate common stock redemptions of approximately $64.4 million pursuant to our share redemption program, as of December 8, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $3.8 billion out of which approximately $3.6 billion had been invested in real estate properties, and approximately $223.2 million remained available for investment in real estate properties.

As of December 11 2003, there were no shares remaining available for sale to the public under our fourth public offering, exclusive of (1) shares available for sale to current stockholders of the Wells REIT pursuant to our dividend reinvestment plan, and (2) shares reserved to complete requests for transfer of asset transactions which were received on or before November 21, 2003.

Plan of Distribution

The following information should be read in conjunction with the "Plan of Distribution - General" section beginning on page 146 of the prospectus.

Of the maximum 300 million shares offered for sale to the public pursuant to our fourth public offering, there are no remaining shares available for sale to the public, exclusive of the approximately 3.6 million shares reserved to complete requests for transfer of asset transactions received by us on or before November 21, 2003. Of the maximum 30 million shares offered for sale pursuant to our dividend reinvestment plan, as of December 11, 2003, approximately 11.8 million shares had been sold and approximately 18.2 million shares remained available to be sold to our current stockholders through our dividend reinvestment plan. We intend to continue to offer the remaining shares available pursuant to our dividend reinvestment plan until the earlier of (1) the date of sale of all 30 million shares, or (2) the termination of this offering on July 25, 2004.

Description of Real Estate Investments

As of December 10, 2003, we had purchased and own interests in 102 real estate properties located in 26 states, exclusive of properties sold. Below is a description of our recent real property acquisitions.

Acquisition of Leo Burnett Chicago Building

On November 6, 2003, Wells 35 W. Wacker, LLC, a single member Delaware limited liability company wholly owned by Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a 97.9396% general partnership interest in VV City-Buck Venture, L.P. (VV City), a Delaware limited partnership, which is the owner of a 96.5007% general partnership interest in 35 W. Wacker Venture, L.P. (Wacker Venture), which owns a 50-story office building containing approximately 1.1 million aggregate rentable square feet at 35 W. Wacker Drive in Chicago, Illinois (Leo Burnett Chicago Building), for a purchase price of approximately $267.5 million, plus closing costs. As a result of this two-tier partnership structure, Wells OP indirectly acquired a 94.5124% interest in the Leo Burnett Chicago Building. Wells OP received a credit against the purchase price paid at closing in the amount of approximately $139.3 million representing Wells OP's pro rata portion of the existing first mortgage loan against the Leo Burnett Chicago Building in the amount of approximately $147.4 million. Buck 35 Wacker, L.L.C. (Buck) retained a 2.0604% limited partnership interest in VV City, and Leo Burnett USA, Inc. (Leo Burnett) retained a 3.4993% limited partnership interest in Wacker Venture. The partnership interest in VV City was purchased from VV USA City, L.P. (VV USA), a Delaware limited partnership. VV USA, Buck, and Leo Burnett are not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc., our advisor (Advisor).

The existing indebtedness secured by a first mortgage loan against the Leo Burnett Chicago Building is in favor of New York Life Insurance Company and Teachers Insurance and Annuity Association of America, bears interest at the rate of 7.25% per annum, requires monthly payments of principal and interest in the amount of approximately $1.2 million, and matures on March 1, 2006.

In exchange for certain concessions given as part of this transaction, Wells OP entered into an amendment to the current partnership agreement of Wacker Venture to extend and modify certain restrictions contained in the partnership agreement relating to a future sale or refinance of the Leo Burnett Chicago Building prior to December 31, 2012. In addition, Wells OP agreed to guarantee certain tax indemnification payments required to be made to compensate Leo Burnett from adverse tax consequences resulting from a future sale or refinancing of the Leo Burnett Chicago Building. As a result, unless Wells OP obtains the prior consent of Leo Burnett to the transaction, Wells OP will be required to make a tax indemnity payment to Leo Burnett upon any sale or refinancing of the Leo Burnett Chicago Building prior to December 2012 which will result in an adverse tax impact on Leo Burnett. The maximum potential liability to Wells OP of such tax indemnification obligation is $6.5 million, which decreases over time to $1.0 million in 2012. In addition, at closing, Wells OP amended the partnership agreement of VV City to change the name of VV City to Wells-Buck Venture, L.P.

The Leo Burnett Chicago Building, which was built in 1989, is primarily leased under net leases (i.e., operating costs and maintenance costs are paid by the tenants) to Leo Burnett and Winston & Strawn LLP, which together lease approximately 89% of the Leo Burnett Chicago Building. Various other tenants lease an additional approximately 9% of the Leo Burnett Chicago Building, and approximately 2% of the Leo Burnett Chicago Building is currently vacant.

Leo Burnett is a worldwide advertising company with U.S. corporate headquarters in Chicago, Illinois. Leo Burnett operates 98 different full service advertising agencies in 85 countries worldwide. It also operates several specialized agencies and marketing services. Leo Burnett is a subsidiary of Publicis Group S.A. (Publicis), a French company with corporate headquarters in Paris. The current annual base rent payable under the Leo Burnett lease, which expires in 2012, is approximately $10.6 million. Leo Burnett has the right, at its option, to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate. In addition, Leo Burnett has expansion options and a right of first refusal to lease additional space in the Leo Burnett Chicago Building. Further, Leo Burnett has certain limited rental space contraction options in 2005 and 2010, subject to certain restrictions.

Winston and Strawn LLP is a full-service law firm with offices in Chicago, New York, Los Angeles, San Francisco, Washington, Geneva, London and Paris. Winston & Strawn LLP's practice areas include litigation, corporate, employment, real estate, tax, intellectual property and environmental law. Winston & Strawn LLP has approximately 900 attorneys. The current annual base rent payable under the Winston & Strawn LLP lease, which expires in 2009, is approximately $10.0 million. Winston & Strawn LLP has the right, at its option, to extend the initial term of its lease for one additional 10-year period at the then-current market rental rate. In addition, Winston & Strawn LLP has expansion options should space become available in the Leo Burnett Chicago Building.

The current aggregate annual base rent for the remaining tenants in the Leo Burnett Chicago Building is approximately $2.3 million.

Acquisition of Washington, DC Portfolio

On November 19, 2003, Wells OP acquired: (1) all of the outstanding common stock in BCSP II Washington Properties, Inc. (Washington Properties REIT), a Maryland corporation qualifying as a real estate investment trust, which owns interests in three office buildings in the Washington, DC area (Washington, DC REIT Buildings), through its ownership in various operating entities; and (2) all of the membership interest in 4250 North Fairfax Property LLC (Fairfax Property LLC), a Delaware limited liability company which owns a 14-story office building located in Arlington, Virginia (4250 North Fairfax Arlington Building) (collectively, the Washington, DC Portfolio). The Washington, DC Portfolio was acquired from Beacon Capital Strategic Partners II, L.P. (Beacon Capital Partners), a Delaware limited partnership, for an aggregate purchase price of approximately $347.0 million. Beacon Capital Partners is not in any way affiliated with the Wells REIT, Wells OP or our Advisor. At closing, the name of the Washington Properties REIT was changed to Wells Washington Properties, Inc.

Washington, DC REIT Buildings

The Washington, DC REIT Buildings consist of an eight-story office building located at 400 Virginia Avenue (400 Virginia Building); a 12-story office building located at 1201 Eye Street (US Park Service Building); and a 12-story office building located at 1225 Eye Street (1225 Eye Street Building). Wells OP received a credit against the purchase price paid at closing in the amount of approximately $115.6 million consisting of (1) approximately $115.2 million representing the amount of the existing indebtedness secured by the US Park Service Building and the 1225 Eye Street Building held by Metropolitan Life Insurance Company (MetLife); and (2) the liquidation price of the Series A Preferred Stock (Washington Properties REIT Preferred Stock) of Washington Properties REIT, plus dividends payable to the holders of such stock from November 20, 2003 until December 31, 2003, in the amount of approximately $0.4 million. 369 shares of Washington Properties REIT Preferred Stock remained outstanding to various stockholders at closing. The Washington Properties REIT has the right to redeem any or all of the outstanding Washington Properties REIT Preferred Stock on or after December 31, 2003 for an aggregate redemption price of approximately $0.4 million.

400 Virginia Building

The Washington Properties REIT owns all of the membership interest in 400 Virginia Avenue LLC (Virginia Avenue LLC), a Delaware limited liability company which owns the 400 Virginia Building containing approximately 213,000 aggregate rentable square feet. The 400 Virginia Building, which was completed in 1985, is leased to various agencies of the United States government (approximately 37%), Lockheed Martin Corporation (approximately 22%), and 12 additional tenants (approximately 41%), with the weighted average lease term remaining of approximately four years. The current aggregate annual base rent for the 14 tenants in the 400 Virginia Building is approximately $7.4 million.

US Park Service Building

The Washington Properties REIT owns all of the membership interest in 1201 Equity LLC, a Delaware limited liability company which owns a 49.5% membership interest in 1201 Eye Street, N.W. Associates LLC (1201 Associates), a Delaware limited liability company which owns the US Park Service Building containing approximately 269,000 aggregate rentable square feet. Approximately 50.0% of 1201 Associates is owned by One Franklin Plaza, LLC (One Franklin), a Delaware limited liability company, and the remaining approximately 0.5% of 1201 Associates is owned by six additional owners. Neither One Franklin nor any of the other owners of membership interests in 1201 Associates are affiliated in any way with the Wells REIT, Wells OP, or our Advisor.

The US Park Service Building, which was completed in 2001, is primarily leased to the United States of America on behalf of the United States National Park Service (approximately 82%). Approximately 18% of the US Park Service Building is leased to four additional tenants.

The United States National Park Service (US Park Service) is a bureau of the Department of the Interior of the United States government. The Park Service administers natural, historical, and recreational areas that are set aside as such by the United States government. The US Park Service manages approximately 83 million acres in 49 states, the District of Columbia, American Samoa, Guam, Puerto Rico, Saipan, and the Virgin Islands. The current annual base rent payable under the US Park Service lease, which expires in 2012, is approximately $8.2 million. The current aggregate annual base rent for the remaining four tenants in the US Park Service Building is approximately $2.1 million.

1201 Associates has three outstanding mortgage loans having an aggregate outstanding principal balance, as of November 19, 2003, of approximately $96.9 million. The first mortgage loan is held by MetLife and had an outstanding principal balance, as of November 19, 2003, of approximately $67.6 million. The outstanding principal balance of the second mortgage loan, as of November 19, 2003, was approximately $7.5 million and is held by TZO Lending LLC (TZO), a Delaware limited liability company which is wholly owned by Washington Properties REIT. The outstanding principal balance of the third mortgage loan, as of November 19, 2003, was approximately $21.9 million and is held by 1215 ESDI LLC (ESDI), a Delaware limited liability company which is wholly owned by TZO.

The first mortgage loan held by MetLife secured by the US Park Service Building bears interest at the rate of 4.4% per annum, requires monthly payments of interest only in the amount of approximately $0.3 million, and matures on November 1, 2007. The MetLife loan documents impose certain restrictions on the transfer of the US Park Service Building and upon the transfer of the ownership of entities owning interests in the US Park Service Building. The second and third mortgage loans secured by the US Park Service Building provide for base interest in the amount of 15% per annum plus additional interest currently equal to 95% of the excess cash flow, if any, generated by the US Park Service Building. The second and third mortgage loans secured by the US Park Service Building mature on November 20, 2017, and contain substantial prepayment penalties except in conjunction with prepayments made pursuant to the provisions described in the following paragraph.

1201 Associates is prohibited from selling the US Park Service Building without the consent of One Franklin prior to November 1, 2007, and from prepaying the outstanding balance of the first mortgage loan held by MetLife, except that the MetLife loan may be replaced by substantially similar non-recourse debt in an amount not less than the then current outstanding principal balance of the MetLife loan and so long as the maturity date of such debt is not prior to November 1, 2007. Thereafter, 1201 Associates is required to use commercially reasonable efforts to maintain similar non-recourse debt through December 31, 2011. 1201 Associates has a right to prepay up to 50% of the outstanding principal balance of the second mortgage loan, which is required to be exercised during specific time periods in 2004 through 2006. If 1201 Associates exercises such prepayment right, TZO has the option to acquire up to 50% of the membership interest in 1201 Associates. In addition, 1201 Associates has a right to prepay up to 50% of the outstanding principal balance of the third mortgage loan, which is also required to be exercised during specific time periods in 2004 through 2006. If 1201 Associates exercises such prepayment right, ESDI has the option to acquire up to 50% of the membership interest in 1201 Associates.

1225 Eye Street Building

The Washington Properties REIT owns all of the membership interest in 1225 Equity LLC, a Delaware limited liability company which owns a 49.5% membership interest in 1225 Eye Street, N.W. Associates LLC (1225 Associates), a Delaware limited liability company which owns the 1225 Eye Street Building containing approximately 218,000 aggregate rentable square feet. Approximately 50.0% of 1225 Associates is owned by One Franklin, and the remaining approximately 0.5% of 1225 Associates is owned by seven additional owners. None of the other owners of membership interests in 1225 Associates are affiliated in any way with the Wells REIT, Wells OP, or our Advisor.

The 1225 Eye Street Building, which was completed in 1985, is approximately 93% leased to 24 tenants, and approximately 7% of the 1225 Eye Street Building is currently vacant. The current aggregate annual base rent for the 24 tenants in the 1225 Eye Street Building is approximately $6.6 million. The current weighted average remaining lease term of the 24 tenants is five years.

1225 Associates has two outstanding mortgage loans for an aggregate outstanding principal balance, as of November 19, 2003, of approximately $67.8 million. The first mortgage loan is held by MetLife and had an outstanding principal balance, as of November 19, 2003, of approximately $47.6

million. The outstanding principal balance of the second mortgage loan, as of November 19, 2003, was approximately $20.2 million and is held by TTF Lending LLC (TTF), a Delaware limited liability company which is wholly owned by Washington Properties REIT.

The first mortgage loan held by MetLife secured by the 1225 Eye Street Building bears interest at the rate of 4.4% per annum, requires monthly payments of interest only in the amount of approximately $0.2 million, and matures on November 1, 2007. The MetLife loan documents impose certain restrictions on the transfer of the 1225 Eye Street Building and upon the transfer of the ownership of entities owning interests in the 1225 Eye Street Building. The second mortgage loan secured by the 1225 Eye Street Building held by TTF provides for base interest in the amount of 15% per annum plus additional interest currently equal to 96% of the excess cash flow generated by the 1225 Eye Street Building. The second mortgage loan held by TTF matures on October 31, 2017, and contains substantial prepayment penalties except in conjunction with prepayments made pursuant to the provisions described in the following paragraph.

1225 Associates is prohibited from selling the 1225 Eye Street Building without the consent of One Franklin prior to November 1, 2007, and from prepaying the outstanding balance of the first mortgage loan held by MetLife, except that the MetLife loan may be replaced by substantially similar non-recourse debt in an amount not less than the then current outstanding principal balance of the MetLife loan and so long as the maturity date of such debt is not prior to November 1, 2007. Thereafter, 1225 Associates is required to use commercially reasonably efforts to maintain similar non-recourse debt through December 31, 2011. 1225 Associates has a right to prepay up to 50% of the outstanding principal balance of the second mortgage loan, which is required to be exercised during specific time periods in 2004 through 2006. If 1201 Associates exercises such prepayment right, TTF has the option to acquire up to 50% of the membership interest in 1201 Associates.

4250 North Fairfax Arlington Building

As a part of the same transaction involving the acquisition of all of the common stock of the Washington Properties REIT, on November 19, 2003, Wells OP acquired all of the membership interest in Fairfax Property LLC, which owns the 4250 North Fairfax Arlington Building, a 14-story office building containing approximately 304,000 aggregate rentable square feet located at 4250 North Fairfax Street in Arlington, Virginia.

The 4250 North Fairfax Arlington Building, which was completed in 1998, is approximately 53% leased to Qwest Communications Corporation. Approximately 46% of the 4250 North Fairfax Arlington Building is leased to four additional tenants, and approximately 1% of the 4250 North Fairfax Arlington Building is currently vacant.

Quest Communications Corporation (Qwest) is a wholly-owned subsidiary of Qwest Communications International, Inc. (Qwest Intl.), which provides long distance, wireless, data and video services in the western and mid-western United States to residential and business customers. The current annual base rent payable under the Qwest lease, which expires in 2014, is approximately $3.0 million. Qwest has obtained a $4.2 million letter of credit from U.S. Bank, N.A., which expires in June 2004, to serve as security for payments under the lease. The Qwest lease contains a right of first offer provision with respect to a future sale of the 4250 North Fairfax Arlington Building. In addition, Qwest, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. The current aggregate annual base rent for the remaining six tenants in the 4250 North Fairfax Arlington Building is approximately $1.5 million.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and the Advisor, will manage the Leo Burnett Chicago Building, the 1225 Eye Street Building and the 4250 North Fairfax Arlington Building. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the Leo Burnett Chicago Building, the 1225 Eye Street Building, and the 4250 North Fairfax Arlington Building, subject to certain limitations. The Buck Management Group, Inc. (Buck Management), an affiliate of Buck 35 Wacker, L.L.C., The John Akridge Management Company (John Akridge), an affiliate of One Franklin, and Trammell Crowe Company (Trammell Crowe) are the current on-site property managers for the Leo Burnett Chicago Building, the 1225 Eye Street Building, and the 4250 North Fairfax Arlington Building, respectively. The property management fees payable to Buck Management, John Akridge, and Trammell Crowe will be paid out of or credited against the fees payable to Wells Management.

John Akridge was retained to serve as the property manager for the US Park Service Building. Trammell Crowe was retained to serve as the property manager for the 400 Virginia Building. Neither Buck Management, John Akridge nor Trammell Crowe are in any way affiliated with the Wells REIT, Wells OP or our Advisor.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, and Supplement No. 9 dated August 27, 2003, and should also be read in conjunction with our accompanying financial statements and notes thereto.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

REIT Qualification

We have made an election under Section 856 of the Internal Revenue Code to be taxed as a REIT beginning with our taxable year ended December 31, 1998. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially, adversely affect our financial position and results of operations. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during the year ending December 31, 2003. In addition, we intend to continue to operate to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2003, we received aggregate gross offering proceeds of $1,782.5 million from the sale of 178.2 million shares of our common stock. After incurring costs of $61.0 million in acquisition and advisory fees and acquisition expenses, $183.1 million in selling commissions and organization and offering expenses and common stock redemptions of $41.2 million pursuant to our share redemption program, we raised net offering proceeds of $1,497.2 million during the nine months ended September 30, 2003.

The significant increase in capital resources available to us is due to significantly increased sales of our common stock during the first nine months of 2003. After payment of the costs described above associated with the sale of shares of common stock and acquisitions of properties, we had approximately $146.0 million available for investment in real estate assets as of September 30, 2003.

As of September 30, 2003, we owned interests in 87 real estate properties either directly or through our interests in joint ventures located throughout the United States. Our real estate investment policies are to identify and invest in high-grade commercial office and industrial buildings located in densely populated metropolitan markets which are newly constructed, under construction or which have been previously constructed and have operating histories. However, we are not limited to such investments. We expect to continue to acquire commercial properties that meet our standards of quality in terms of the real estate and the creditworthiness of the tenants.

We have developed specific standards for determining creditworthiness of potential tenants of our properties in order to reduce the risk of tenant default. Although authorized to enter into leases with any type of tenant, we anticipate that a majority of our tenants will be large corporations or other entities which have a net worth in excess of $100 million or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of $100 million.

Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before entering into any commitment to buy a property. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders.

Dividends paid during the nine months ended September 30, 2003, were $147.0 million compared to $71.4 million during the nine months ended September 30, 2002. For each $10 share of our common stock, our board of directors declared dividends for the period December 16, 2002 through September 15, 2003, at an annualized percentage rate of return of 7.0%, compared to an annualized percentage rate of return of 7.75% for the period December 16, 2001 through September 15, 2002. The reduction of the annualized percentage rate of return for the dividends resulted from the higher value placed on our type of properties and the additional time it now takes in the acquisition process for us to assess tenant creditworthiness and, therefore, invest proceeds in properties.

Our board of directors has declared dividends for the period September 16, 2003, through December 15, 2003, at an annualized percentage rate of return of 7.0%. Fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of our common stock payable to shareholders of record as shown on our books at the close of business on each day during the period commencing on September 16, 2003, and continuing on each day thereafter through and including December 15, 2003.

The payment of dividends in the future will generally be dependent upon the cash flows from operating the properties currently owned and acquired in future periods, our financial condition, amounts paid for properties acquired, the timing of property acquisitions, capital expenditure requirements and distribution requirements in order to maintain our REIT status under the Internal Revenue Code.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $150.3 million and $68.2 million for the nine months ended September 30, 2003 and 2002, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by $1.4 billion of additional properties acquired during 2002 and an additional $1.3 billion of real estate assets acquired and $80.9 million in build-to-suit projects completed during the nine months ended September 30, 2003. We do not recognize in income the full effect from the properties during the year of acquisition, as the operations of the properties are only included in income from the date of acquisition. Operating cash flows are expected to increase as we acquire additional properties in future periods and as we obtain the benefit of a full quarter of operations for properties acquired during the quarter ended September 30, 2003.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $1,275.9 million and $826.9 million for the nine months ended September 30, 2003 and 2002, respectively. The increase in net cash used in investing activities was due primarily to greater investments in properties and the payment of the related deferred project costs resulting from raising a greater amount of offering proceeds. Our investments in real estate and related assets and payment of acquisition and advisory costs totaled $1,283.6 million and $832.2 million for the nine months ended September 30, 2003 and 2002, respectively. The cash outflow from the investments in properties and the payment of deferred project costs were partially offset by distributions from joint ventures of $7.7 million and $5.3 million during the nine months ended September 30, 2003, and 2002, respectively. The increase in distributions from joint ventures is primarily due to the distribution of proceeds from the disposition of the Cort property.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $1,260.9 million and $827.1 million for the nine months ended September 30, 2003 and 2002, respectively. Capital fund raising increased to $1,782.5 million during the nine months ended September 30, 2003, as compared to $988.5 million during the nine months ended September 30, 2002. The amounts raised were partially offset by the payment of commissions and offering costs totaling $182.0 million and $105.0 million and redemptions of $41.2 million and $11.6 million during the nine months ended September 30, 2003 and 2002, respectively.

Additionally, we obtained funds from financing arrangements totaling $649.3 million and $27.7 million and made repayments of borrowings of $796.1 million and $0.04 million during the nine months ended September 30, 2003 and 2002, respectively, based on the availability and need of cash for investment in real estate assets during those periods. We incurred deferred financing costs related to new financing facilities of $4.6 million and $1.1 million during the nine months ended September 30, 2003 and 2002. Primarily as a result of the increased cash flow from operations, during the nine months ended September 30, 2003 and 2002, we paid dividends of $147.0 million and $71.4 million, respectively.

Results of Operations

As of September 30, 2003, our 87 real estate properties were approximately 97% leased. Our results of operations have changed significantly for the three and nine months ended September 30, 2003, as compared to the three and nine months ended September 30, 2002, generally as result of the acquisition of approximately $1.4 billion of real estate assets during the year ended December 31, 2002, and an additional $1.3 billion of real estate assets acquired and $80.9 million in build-to-suit projects completed during the nine months ended September 30, 2003. We expect that rental income, tenant reimbursements, depreciation expense, operating expenses, asset and property management and leasing fees and net income will each increase in future periods as a result of owning the assets acquired during the nine months ended September 30, 2003, for an entire period and as a result of anticipated future acquisitions of real estate assets. Due to the average remaining terms of the long-term leases currently in place at our properties, management does not anticipate significant changes in near-term rental revenues from properties currently owned.

Three months ended September 30, 2003 vs. three months ended September 30, 2002

Rental income increased by $52.4 million, during the third quarter of 2003, from $27.5 million for the three months ended September 30, 2002, to $79.9 million for the three months ended September 30, 2003. Tenant reimbursements were $25.5 million and $3.7 million for the three months ended September 30, 2003 and 2002, respectively, for an increase of $21.8 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to June 30, 2002, which totaled $56.2 million and $20.3 million, respectively, for the three months ended September 30, 2003 and $4.8 million and $0.9 million for the three months ended September 30, 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $1.1 million and $1.3 million for the three months ended September 30, 2003 and 2002, respectively. The decrease is primarily due to the loss related to the sale of the Cort property in September 2003. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the three months ended September 30, 2003 and 2002, was $29.0 million and $10.3 million, respectively comprising approximately 36% and 37% of rental income for the respective three month periods. The increase in depreciation expense is primarily due to the acquisitions of properties since June 30, 2002. Depreciation expense relating to assets acquired after June 30, 2002, was $20.7 million and $2.7 million for the three months ended September 30, 2003 and September 30, 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain relatively consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $34.6 million and $5.9 million for the three months ended September 30, 2003 and 2002, respectively, representing 33% and 19% of the sum of the rental income and tenant reimbursements for each respective three month period. The increase of property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to the recent acquisition of certain full service properties that have a higher ratio of property operating costs to revenues. Property operating costs for the properties acquired subsequent to June 30, 2002 were $27.5 million and $0.8 million for the three months ended September 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Asset and property management and leasing fees expenses were $3.9 million and $1.4 million for the three months ended September 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each three month period. Asset and property management fees for properties acquired after June 30, 2002, were $2.7 million and $0.2 million for the three months ended September 30, 2003 and 2002, respectively. Asset and property management fees are expected to increase as additional properties are acquired but as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

General and administrative expenses increased from $0.7 million for the three months ended September 30, 2002, to $1.6 million for the three months ended September 30, 2003, representing approximately 2% of the total revenues for each respective three month period. General and administrative expenses are expected to increase in future periods as additional properties are acquired, but are expected to remain relatively constant as a percentage of total revenues.

Interest expense was $3.8 million and $1.3 million for the three months ended September 30, 2003 and 2002, respectively. Interest expense of $1.0 million for both the three months ended September 30, 2003 and 2002, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $2.8 million and $0.3 million is due to the interest on our outstanding borrowings and amortization of deferred financing costs for each period. We had significantly more borrowings outstanding during the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, resulting in a significant increase in the interest expense between the two periods. Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the three months ended September 30, 2003, increased to $0.10 per share compared to $0.09 per share for the three months ended September 30, 2002. In 2003, a higher percentage of investor proceeds raised were invested in income producing real estate assets than during the same period in 2002, which resulted in increased earnings in 2003 relative to 2002. This increase in earnings is partially offset by higher costs of investment.

Nine months ended September 30, 2003 vs. nine months ended September 30, 2002

Rental income increased by $136.1 million, during the first nine months of 2003, from $66.1 million for the nine months ended September 30, 2002, to $202.2 million for the nine months ended September 30, 2003. Tenant reimbursements were $51.5 million and $12.9 million for the nine months ended September 30, 2003 and 2002, respectively, for an increase of $38.6 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to December 31, 2001, which totaled $152.0 million and $38.9 million, respectively, for the nine months ended September 30, 2003, and $17.5 million and $1.8 million for the first nine months of 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $3.5 million and $3.7 million for the nine months ended September 30, 2003 and 2002, respectively. The decrease is primarily due to the loss related to the sale of the Cort property in September 2003. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the nine months ended September 30, 2003 and 2002, was $73.2 million and $23.2 million, respectively comprising approximately 36% and 35% of rental income for the respective nine month periods. Depreciation expense relating to assets acquired after December 31, 2001, was $56.4 million and $7.3 million for the nine months ended September 30, 2003 and 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain relatively consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $75.6 million and $17.1 million for the nine months ended September 30, 2003 and 2002, respectively, representing approximately 30% and 22% of the sum of the rental income and tenant reimbursements for each respective nine month period. The increase in the property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to operating costs of the recently acquired full service properties as a percentage of revenues. Property operating costs for the properties acquired subsequent to December 31, 2001, were $58.9 million and $2.7 million for the nine months ended September 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Asset and property management and leasing fees expenses were $9.1 million and $3.1 million for the nine months ended September 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each nine month period. Management and leasing fees for properties acquired after December 31, 2002, were $6.4 million and $0.7 million for the nine months ended September 30, 2003 and 2002, respectively. Management and leasing fees are expected to increase as additional properties are acquired; however, as a percentage of the sum of rental income and tenant reimbursements should remain relatively consistent with historical results.

General and administrative expenses increased from $1.9 million for the nine months ended September 30, 2002, to $4.2 million for the nine months ended September 30, 2003, representing approximately 2% of the total revenues for each respective nine month period. General and administrative expenses are expected to increase in future periods as our assets continue to increase as additional properties are acquired, but are expected to remain relatively constant as a percentage of total revenues.

Interest expense was $11.2 million and $2.6 million for the nine months ended September 30, 2003 and 2002, respectively. Interest expense of $2.9 million and $1.8 million for the nine months ended September 30, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $8.3 million and $0.8 million, respectively, is due to the interest on our outstanding borrowings for each period and amortization of deferred financing costs. We had significantly more borrowings outstanding during the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, resulting in a significant increase in the interest expense between the two periods. Additionally, in the period ending September 30, 2003, we wrote-off approximately $0.5 million of deferred costs associated with the Bank of America $110.0 million line of credit termination (See Note 4 of our consolidated financial statements for further information). Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the nine months ended September 30, 2003, decreased to $0.30 per share compared to $0.31 per share for the nine months ended September 30, 2002. This decrease is primarily a result of the higher cost of investments in the real estate assets we acquired in 2003 relative to returns on those investments resulting in lower per share earnings in 2003.

Funds From Operations

Funds from Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with accounting principles generally accepted in the United States (GAAP) excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. Management believes that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

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The following table reflects the calculation of FFO for the three and nine month periods ended September 30, 2003 and 2002:

	For the three months ended September 30,		For the nine months ended September 30,	
	2003	2002	2003	2002
FUNDS FROM OPERATIONS:				
Net income	$ 33,820	$ 15,285	$ 86,169	$ 39,821
Add:				
Depreciation of real estate assets	28,963	10,282	73,241	23,185
Amortization of deferred leasing costs	895	78	1,244	229
Depreciation & amortization—unconsolidated investments in joint venture assets	805	708	2,370	2,115
Funds from Operations (FFO)	$ 64,483	$ 26,353	$ 163,024	$ 65,350
WEIGHTED AVERAGE SHARES BASIC AND DILUTED	350,741	163,395	289,521	128,541

In order to recognize revenues on a straight line basis over the terms of the respective leases, we recognized straight line rental revenue of $5.7 million and $2.1 million during the three months ended September 30, 2003 and 2002, respectively. For the nine months ended September 30, 2003 and 2002, we recognized straight line rental revenue of $10.8 million and $5.3 million, respectively.

Amortization of the intangible lease assets included in deferred leasing costs in the accompanying consolidated balance sheets resulted in an increase in amortization of deferred leasing costs of approximately $0.6 million for the nine months ended September 30, 2003. Amortization of the other intangible lease assets and liabilities resulted in a net decrease in rental revenue of $1.3 million and $0.2 million for the three and nine months ended September 30, 2003, respectively.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases, which would protect us from the impact of inflation. These provisions include reimbursement billings for operating expense pass-through charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management’s judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant improvements	Lease term
Intangible lease assets	Lease term

In the event that inappropriate useful lives or methods are used for depreciation, our net income would be misstated.

Allocation of Purchase Price of Acquired Assets

On January 1, 2002, we adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* ("FAS 141") and Statement of Financial Accounting Standards No. 142 "*Goodwill and Intangibles"* ("FAS 142"). These standards govern business combinations, asset acquisitions and the accounting for acquired intangibles.

Upon the acquisition of real properties, it is our policy to allocate the purchase price of properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, and the value of in-place leases, based in each case on their fair values.

The fair values of the tangible assets of an acquired property (which includes land and building) are determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and building based on management's determination of the relative fair value of these assets. We determine the as-if vacant fair value of a property using methods similar to those used by independent appraisers. Factors we considered in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance, and other operating expenses during the expected lease-up periods based on current market demand. We estimate costs to execute similar leases including leasing commissions, and other related costs.

The fair values of above-market and below-market in-place leases are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) our estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the leases. The capitalized above-market and below-market lease values are amortized as an adjustment to rental income over the remaining terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals which are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements and other direct costs and are estimated based on our consideration of current market costs to execute a similar lease. These direct costs are included in deferred leasing costs in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These lease intangibles are included in intangible lease assets in the accompanying consolidated balance sheets and are amortized to rental income over the remaining term of the respective leases.

Estimates of the fair values of the tangible and intangible assets requires us to estimate market lease rates, property operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods and the number of years the property is held for investment. The use of inappropriate estimates would result in an incorrect assessment of our purchase price allocations, which could impact the amount of our reported net income.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate assets may not be recoverable, we assess the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate assets to the fair value and recognize an impairment loss. We have determined that there has been no impairment in the carrying value of real estate assets held by us and any unconsolidated joint ventures at September 30, 2003.

Commitments and Contingencies

We are subject to certain contingent liabilities and commitments with regard to certain transactions. Refer to Notes 7 and 8 to our consolidated financial statements for further explanation. Examples of such commitments and contingencies include:

- Take Out Purchase and Escrow Agreements
- Letters of Credit
- Commitments Under Existing Lease Agreements
- Earn-out Agreements
- Leasehold Property Obligations
- Pending Litigation
- NASD Enforcement Action

Related Party Transactions and Agreements

We have entered into agreements with the Advisor and its affiliates, whereby we pay certain fees or reimbursements to the Advisor or its affiliates for acquisition and advisory fees and expenses, organization and offering costs, sales commissions dealer manager fees, asset and property management fees and reimbursement of operating costs. See Note 5 to our consolidated financial statements included in this report for a discussion of the various related party transactions, agreements and fees.

Conflicts of Interest

The Advisor is also a general partner in and advisor to various Wells Real Estate Funds. As such, there are conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets.

Additionally, certain members of the board also serve on the board of another REIT sponsored by the Advisor and will encounter certain conflicts of interest regarding investment and operations decisions.

Subsequent Events

Sale of Shares of Common Stock

From October 1, 2003 through December 8, 2003, we had raised approximately $574.7 million through the issuance of approximately 57.5 million shares of our common stock. As of December 11, 2003, there were no shares remaining available for sale to the public under our fourth public offering, exclusive of (1) shares available for sale to current stockholders of the Wells REIT pursuant to our dividend reinvestment plan and (2) shares reserved to complete requests for transfer of asset transactions which were received on or before November 21, 2003.

Status of our Share Redemption Program

Our share redemption program allowed for the redemption of approximately 4.37 million shares at an aggregate cost of approximately $43.7 million for the year ending December 31, 2003. From January 1, 2003 through October 31, 2003, we had redeemed the entire 4.37 million shares of common stock available for redemption for the year at an aggregate cost of approximately $43.7 million and, accordingly, there are no remaining shares available for redemption for the year ending December 31, 2003. Requests for potential redemption will not be eligible for redemption until after January 1, 2004, subject, in all cases, to the board’s ability to change or terminate our share redemption program at any time in its discretion.

Legal Proceedings

On October 9, 2003, Stephen L. Flood, the Luzerne County Controller, and the Luzerne County Retirement Board (Luzerne Board) on behalf of the Luzerne County Employee Retirement System (Plan) filed a lawsuit in the U.S. District Court, Middle District of Pennsylvania against 26 separate defendants including the Wells REIT, Wells Investment Securities, Inc., the dealer manager, and Wells Real Estate Funds, Inc., the parent company of both the Advisor and Wells Investment Securities, Inc. (Wells Defendants). The complaint alleges, among other things, (1) that certain former members of the Luzerne Board named as defendants invested $10 million in the Wells REIT on behalf of the Plan, (2) that certain former board member defendants breached their fiduciary duties to the Plan by, among other things, permitting the investment of the Plan’s funds in investments not suitable for the Plan because they were long-term illiquid investments, permitting the Plan to pay excessive fees and commissions to co-defendants, and accepting political contributions in exchange for awarding advisory and management agreements, (3) that the Wells Defendants and others knew or should have known that the investment, and the fees and commissions associated with the investment, was not a proper investment for the Plan because it was a long-term illiquid investment, (4) that the Wells Defendants and others knew or should have known that certain Luzerne Board members and certain investment advisors and managers were breaching their fiduciary duties to the Plan, (5) that the defendants engaged in and conspired to engage in an improper scheme to intentionally defraud the Plan, and (6) that the investment was not approved by a majority of the Luzerne Board at a public meeting and, consequently, the investment was an inappropriate and void action. The Plan is seeking damages of not less than $25 million, treble damages and punitive damages from all defendants on a joint and several liability basis. The Wells REIT believes that this lawsuit is without merit with respect to the Wells Defendants. While it is too early to determine the likely outcome of this lawsuit, after consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

Property Acquisitions

IBM Portland

On October 9, 2003, Wells REIT purchased four multi-story office buildings and one industrial building containing approximately 364,000 aggregate rentable square feet on an approximately 20.9-acre tract of land (IBM Portland Buildings) and an additional adjacent 31.8-acre tract of land in Beaverton, Oregon, for an aggregate purchase price of approximately $38.2 million, plus closing costs. Three of the five IBM Portland Buildings contain approximately 220,000 aggregate rentable square feet, are entirely leased under three separate net leases to IBM. The remaining two buildings contain approximately 144,000 aggregate rentable square footage are currently vacant.

Leo Burnett Chicago

On November 6, 2003, Wells 35 W. Wacker, LLC, a single member Delaware limited liability company wholly owned by Wells OP, purchased a 97.9396% general partnership interest in VV City-Buck Venture, L.P. (VV City), a Delaware limited partnership, which is the owner of a 96.5007% general partnership interest in 35 W. Wacker Venture, L.P. (Wacker Venture), which owns a 50-story office building containing approximately 1.1 million aggregate rentable square feet at 35 W. Wacker Drive in Chicago, Illinois (Leo Burnett Chicago Building) for a purchase price of approximately $267.5 million, plus closing costs. As a result of this two-tier partnership structure, Wells OP indirectly acquired a 94.5124% interest in the Leo Burnett Chicago Building. Wells OP received a credit against the purchase price at closing in the amount of approximately $139.3 million representing its pro rata portion of the existing indebtedness against the Leo Burnett Chicago Building in the amount of approximately $147.4 million. Buck 35 Wacker, L.L.C. retained a 2.0604% limited partnership interest in VV City, and Leo Burnett USA, Inc. (Leo Burnett) retained a 3.4993% limited partnership interest in Wacker Venture. The Leo Burnett Chicago Building is primarily leased to Leo Burnett and Winston & Strawn LLP, which together lease approximately 89% of the Leo Burnett Chicago Building. Various other tenants lease an additional approximately 9% of the Leo Burnett Chicago Building, and approximately 2% of the Leo Burnett Chicago Building is currently vacant.

Acquisition of Washington, DC Portfolio

On November 19, 2003, Wells OP acquired: (1) all of the common stock in BCSP II Washington Properties, Inc., a Maryland corporation qualifying as a real estate investment trust, which owns interests in three office buildings in the Washington, DC area (Washington, DC REIT Buildings), through its ownership in various operating entities; and (2) all of the membership interest in 4250 North Fairfax Property LLC (Fairfax Property LLC), a Delaware limited liability company which owns a 14-story office building located in Arlington, Virginia (4250 North Fairfax Arlington Building) (collectively, Washington, DC Portfolio). The Washington, DC Portfolio was acquired from Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership, for an aggregate purchase price of approximately $347.0 million.

Financial Statements

Unaudited Financial Statements

The financial statements of the Wells REIT, as of September 30, 2003, and for the three month and nine month periods ended September 30, 2003, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the nine months ended September 30, 2003, which are included in this supplement, have not been audited.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
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CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	September 30, 2003	December 31, 2002
	(unaudited)	
ASSETS:		
Real estate assets, at cost:		
Land	$ 393,014	$ 279,185
Building and improvements, less accumulated depreciation of $136,835 at September 30, 2003, and $63,594 at December 31, 2002	2,777,415	1,683,036
Intangible lease assets, net	120,873	12,060
Construction in progress	943	42,746
Total real estate assets	3,292,245	2,017,027
Investments in joint ventures	104,098	83,915
Cash and cash equivalents	180,641	45,464
Rents receivable	35,889	19,321
Deferred project costs	5,724	1,494
Due from affiliates	2,083	1,961
Prepaid expenses and other assets, net	17,657	4,407
Deferred leasing costs, net	49,198	1,638
Investment in bonds	54,500	54,500
Total assets	$ 3,742,035	$2,229,727
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Borrowings	$ 213,779	$ 248,195
Obligations under capital leases	54,500	54,500
Intangible lease liabilities, net	44,713	32,697
Accounts payable and accrued expenses	54,531	24,780
Due to affiliates	10,188	15,975
Dividends payable	11,179	6,046
Deferred rental income	24,559	11,584
Total liabilities	413,449	393,777
COMMITMENTS AND CONTINGENCIES	—	—
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000,000 shares authorized, 396,036,430 shares issued and 389,829,812 outstanding at September 30, 2003, and 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 shares outstanding at December 31, 2002	3,960	2,178
Additional paid-in capital	3,527,007	1,929,381
Cumulative distributions in excess of earnings	(140,315)	(74,310)
Treasury stock, at cost, 6,206,618 shares at September 30, 2003 and 2,091,157 shares at December 31, 2002	(62,066)	(20,912)
Other comprehensive loss	—	(387)
Total shareholders' equity	3,328,586	1,835,950
Total liabilities and shareholders' equity	$ 3,742,035	$2,229,727

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
REVENUES:				
Rental income	$ 79,884	$ 27,549	$ 202,196	$ 66,121
Tenant reimbursements	25,473	3,677	51,531	12,854
Equity in income of joint ventures	1,101	1,259	3,493	3,738
Interest income and other income	1,130	2,428	3,445	5,210
	107,588	34,913	260,665	87,923
EXPENSES:				
Depreciation	28,963	10,282	73,241	23,185
Property operating costs	34,563	5,868	75,602	17,109
Asset and property management and leasing fees	3,921	1,367	9,060	3,119
Amortization of deferred leasing costs	895	78	1,244	229
General and administrative	1,648	745	4,171	1,867
Interest expense	3,778	1,288	11,178	2,593
	73,768	19,628	174,496	48,102
NET INCOME	$ 33,820	$ 15,285	$ 86,169	$ 39,821
EARNINGS PER SHARE				
Basic and diluted	$ 0.10	$ 0.09	$ 0.30	$ 0.31
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic and diluted	350,741	163,395	289,521	128,541
DIVIDENDS DECLARED PER SHARE	$ 0.18	$ 0.18	$ 0.53	$ 0.57

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 (UNAUDITED)
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock		Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
BALANCE, December 31, 2001	83,761	$ 838	$ 738,236	$ (24,181)	$ —	555	$ (5,550)	—	$ 709,343
Issuance of common stock	134,030	1,340	1,338,953	—	—	—	—	—	1,340,293
Treasury stock purchased	—	—	—	—	—	1,536	(15,362)	—	(15,362)
Dividends ($0.76 per share)	—	—	—	(50,129)	(59,854)	—	—	—	(109,983)
Sales commissions and dealer manager fees	—	—	(127,332)	—	—	—	—	—	(127,332)
Other offering costs	—	—	(20,476)	—	—	—	—	—	(20,476)
Components of comprehensive income:									
Net income	—	—	—	—	59,854	—	—	—	59,854
Change in value of interest rate swap	—	—	—	—	—	—	—	(387)	(387)
Comprehensive income									59,467
BALANCE, December 31, 2002	217,791	2,178	1,929,381	(74,310)	—	2,091	(20,912)	(387)	1,835,950
Issuance of common stock	178,245	1,782	1,780,682	—	—	—	—	—	1,782,464
Treasury stock purchased	—	—	—	—	—	4,115	(41,154)	—	(41,154)
Dividends ($0.53 per share)	—	—	—	(66,005)	(86,169)	—	—	—	(152,174)
Sales commissions and dealer manager fees	—	—	(168,312)	—	—	—	—	—	(168,312)
Other offering costs	—	—	(14,744)	—	—	—	—	—	(14,744)
Components of comprehensive income:									
Net income	—	—	—	—	86,169	—	—	—	86,169
Change in value of interest rate swap	—	—	—	—	—	—	—	387	387
Comprehensive income									86,556
BALANCE, September 30, 2003	396,036	$ 3,960	$ 3,527,007	$ (140,315)	$ —	6,206	$ (62,066)	$ —	$ 3,328,586

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 86,169	$ 39,821
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,493)	(3,738)
Depreciation	73,241	23,185
Amortization of deferred financing costs	2,276	587
Amortization of intangible lease assets/liabilities	(175)	—
Amortization of deferred leasing costs	1,244	229
Bad debt expense	—	113
Changes in assets and liabilities:		
Rents receivable	(16,568)	(6,128)
Deferred rental income	12,975	7,232
Accounts payable and accrued expenses	4,049	8,811
Prepaid expenses and other assets, net	(10,006)	(1,813)
Due to/from affiliates	548	(140)
Net cash provided by operating activities	150,260	68,159
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate assets	(1,032,853)	(797,011)
Contributions to joint ventures	(24,056)	—
Investment in intangible lease assets	(112,927)	—
Deferred project costs paid	(65,013)	(34,784)
Distributions received from joint ventures	7,655	5,301
Deferred lease acquisition costs paid	(48,741)	(400)
Net cash used in investing activities	(1,275,935)	(826,894)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	649,298	27,742
Repayment of borrowings	(796,061)	(37)
Dividends paid to shareholders	(147,042)	(71,397)
Issuance of common stock	1,782,464	988,470
Treasury stock purchased	(41,154)	(11,617)
Sales commissions and dealer manager fees paid	(165,558)	(94,097)
Other offering costs paid	(16,471)	(10,937)
Deferred financing costs paid	(4,624)	(1,066)
Net cash provided by financing activities	1,260,852	827,061
NET INCREASE IN CASH AND CASH EQUIVALENTS	135,177	68,326
CASH AND CASH EQUIVALENTS, beginning of period	45,464	75,586
CASH AND CASH EQUIVALENTS, end of period	$ 180,641	$ 143,912

See accompanying notes.

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**WELLS REAL ESTATE INVESTMENT TRUST, INC.
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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**SEPTEMBER 30, 2003
(unaudited)**

1. ORGANIZATION

General

Wells Real Estate Investment Trust, Inc. (“Wells REIT” or “Registrant”) is a Maryland corporation that qualifies as a real estate investment trust (“REIT”). Wells REIT was incorporated in 1997 and commenced operations on June 5, 1998.

Wells REIT engages in the acquisition and ownership of commercial real estate properties throughout the United States, including properties that are under construction, are newly constructed or have operating histories. At September 30, 2003, Wells REIT had invested in commercial office and industrial real estate assets, either directly or through joint ventures with real estate limited partnership programs sponsored by Wells Capital, Inc. (the “Advisor”) or its affiliates.

Wells REIT’s business is conducted through Wells Operating Partnership, L.P. (“Wells OP”), a Delaware limited partnership, and its subsidiaries, and Wells REIT-Independence Square, LLC (“Wells REIT-Independence”), a single member Georgia limited liability company. Wells OP was formed to acquire, develop, own, lease and operate properties on behalf of Wells REIT, directly, through wholly-owned subsidiaries or through joint ventures. Wells REIT-Independence was formed to acquire the NASA Buildings located in Washington, D.C. Wells REIT is the sole general partner in Wells OP and the sole member of Wells REIT-Independence and possesses full legal control and authority over the operations of Wells OP and Wells REIT-Independence. Wells OP, and its subsidiaries, and Wells REIT-Independence comprise Wells REIT’s subsidiaries.

Four offerings of Wells REIT stock have been initiated as follows:

Offering #	Date Commenced	Termination Date	Gross Proceeds	Shares Issued
1	January 30, 1998	December 19, 1999	$132.2 million	13.2 million
2	December 20, 1999	December 19, 2000	$175.2 million	17.5 million
3	December 20, 2000	July 26, 2002	$ 1,283.0 million	128.3 million
4	July 26, 2002	Offering open	$ 2,370.0 million (through September 30, 2003)	237.0 million (through September 30, 2003)
Total as of September 30, 2003:			$ 3,960.4 million	396.0 million

After incurring costs from all offerings of $136.4 million in acquisition and advisory fees and expenses, $374.7 million in selling commissions, $54.7 million in organization and offering expenses to the Advisor, investment in related real estate assets of $3,186.5 million and common stock redemptions pursuant to Wells REIT’s share redemption program of $62.1 million, Wells REIT was holding net offering proceeds of approximately $146.0 million available for investment in properties at September 30, 2003.

Wells REIT’s stock is not listed on a national exchange. However, the Wells REIT’s Articles of Incorporation currently require the Wells REIT to begin the process of liquidating its investments and distributing the resulting proceeds to the shareholders if its shares are not listed on a national exchange by January 30, 2008. Wells REIT’s Articles of Incorporation can only be amended by a proxy vote of Wells REIT’s shareholders.

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Basis of Presentation

The consolidated financial statements of Wells REIT have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Wells REIT's Form 10-K for the year ended December 31, 2002.

Income Taxes

Wells REIT has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and has operated as such beginning with its taxable year ended December 31, 1998. To qualify as a REIT, Wells REIT must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to shareholders. As a REIT, Wells REIT generally will not be subject to federal income tax on taxable income that it distributes to its shareholders. If Wells REIT fails to qualify as a REIT in any taxable year, it will then be subject to federal income taxes on its taxable income for four years following the year during which qualification is lost, unless the Internal Revenue Service grants Wells REIT relief under certain statutory provisions. Such an event could materially adversely affect Wells REIT's net income and net cash available for distribution to shareholders. However, Wells REIT believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner that Wells REIT will remain qualified as a REIT for federal income tax purposes. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as Wells REIT made distributions in excess of its taxable income for the periods presented.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current period financial statement presentation.

Recent Pronouncements

Business Combinations / Goodwill and Intangibles

On January 1, 2002, Wells REIT adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* ("FAS 141") and Statement of Financial Accounting Standards No. 142 "*Goodwill and Intangibles"* ("FAS 142"). These standards govern business combinations, asset acquisitions and the accounting for acquired intangibles.

Upon the acquisition of real properties, it is Wells REIT's policy to allocate the purchase price of properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, and the value of in-place leases, based in each case on their fair values.

The fair values of the tangible assets of an acquired property (which includes land and building) are determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and building based on management's determination of the relative fair value of these assets. Management determines the as-if vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance, and other operating expenses during the expected lease-up periods based on current market demand. Management estimates costs to execute similar leases including leasing commissions, and other related costs.

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The fair values of above-market and below-market in-place leases are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the leases. The capitalized above-market and below-market lease values are amortized as an adjustment to rental income over the remaining terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals which are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements and other direct costs and are estimated based on management's consideration of current market costs to execute a similar lease. These direct costs are included in deferred leasing costs in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These lease intangibles are included in intangible lease assets in the accompanying consolidated balance sheets and are amortized to rental income over the remaining term of the respective leases.

Variable Interest Entities

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 ("FIN 46"), *"Consolidation of Variable Interest Entities,"* which clarifies the application of Accounting Research Bulletin ("ARB") No. 51, *"Consolidated Financial Statements,"* relating to consolidation of certain entities. FIN 46 requires the identification of Wells REIT's participation in variable interest entities ("VIEs"), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a stand alone basis, or whose equity holders lack certain characteristics of a controlling financial interest. For entities identified as VIEs, FIN 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN 46 is effective for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period ending after December 15, 2003. FIN 46 also sets forth certain disclosures regarding interests in VIEs that are deemed significant, even if consolidation is not required. As Wells REIT's joint ventures do not fall under the definition of VIEs provided above, we do not believe that the adoption of FIN 46 will result in the consolidation of any previously unconsolidated entities.

Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement No. 150 " *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* " ("FAS 150"), certain components of which were deferred by the FASB in October 2003 for an indefinite period. This statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. FAS 150 requires, among other things, that a minority interest in a consolidated entity be classified as a liability and reported at settlement value if an unconditional obligation to exercise or redeem the minority interest exists. As Wells OP is a finite life partnership, Wells REIT's interest therein represents an unconditional obligation. Prior to its deferral, FAS 150 required this minority interest to be accounted for as a liability and reported at settlement value. Until further guidance is provided during the deferral period for FAS 150, this interest will continue to be recorded as minority interest in Wells REIT's consolidated financial statements. The settlement value of this minority interest is believed to be an immaterial amount at September 30, 2003.

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2. REAL ESTATE ASSETS

Acquisitions

During the nine months ended September 30, 2003, Wells REIT acquired ownership interests in fifteen properties for a total purchase price of approximately $1.3 billion, exclusive of related closing costs and acquisition and advisory fees paid to the Advisor, as described below.

East Point I & II

On January 9, 2003, Wells REIT purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, for a purchase price of approximately $22.0 million. Progressive Casualty Insurance Company, The Austin Company, Danaher Power Solutions LLC and Moreland Management Company occupy approximately 93% of the rentable square feet in the two buildings. At closing, Wells REIT entered into an earn-out agreement that requires Wells REIT to pay the seller certain amounts for each new, fully-executed lease after the date of acquisition but on or before March 31, 2004, relating to the vacant space. Payments are calculated by dividing the anticipated first year's annual rent less operating expenses by 0.105, with the result being reduced by tenant improvement costs related to the space. In July 2003, a payment of approximately $1.4 million resulted from an executed lease with a tenant for approximately 9,814 square feet. At September 30, 2003, approximately 3% of the building remains vacant and subject to the terms of the earn-out agreement.

150 West Jefferson Detroit

On March 31, 2003, Wells REIT purchased a 25-story office building containing approximately 505,417 rentable square feet located at 150 West Jefferson Avenue, downtown Detroit, Michigan, for a purchase price of approximately $93.8 million. The building is approximately 99% occupied under leases to various tenants with varying lease terms, including Miller, Canfield, Paddock, & Stone; Butzel Long PC; and MCN Energy Group, Inc., which collectively occupy approximately 62% of the building.

Citicorp Englewood Cliffs, NJ

On April 30, 2003, Wells REIT purchased the Citicorp Englewood Cliffs, NJ Building, a three-story office building containing approximately 410,000 rentable square feet located in Englewood Cliffs, New Jersey, for a purchase price of $70.5 million. The building is leased entirely to Citicorp North America, Inc., a wholly-owned subsidiary of Citicorp, Inc.

US Bancorp Minneapolis

On May 1, 2003, Wells REIT purchased the US Bancorp Minneapolis Building, a 32-story office building containing approximately 929,694 rentable square feet located in Minneapolis, Minnesota, for a purchase price of $174.0 million. The building is approximately 99% leased under leases to various tenants with varying terms, including US Bancorp Piper Jaffray Companies, Inc., which leases approximately 77% of the building.

AON Center Chicago

On May 9, 2003, Wells REIT purchased the AON Center Chicago Building, an 83-story office building containing approximately 2.6 million rentable square feet located in Chicago, Illinois, for a purchase price of approximately $465.2 million. The building is approximately 92% leased under leases to various tenants with varying lease terms, including BP Corporation North America, Inc., DDB & Needham Chicago, Inc., and Kirkland & Ellis which collectively lease approximately 54% of the building.

GMAC Detroit

On May 9, 2003, Wells REIT acquired the GMAC Detroit Building, a three-story office building containing approximately 119,122 square feet located in Auburn Hills, Michigan, for a purchase price of approximately $17.8 million. The building is approximately 86% leased to the General Motors Acceptance Corp. and Delmia Corp. For the remaining approximately 14% of the building, Wells REIT is required to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space.

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IBM Reston I & II

On June 27, 2003, Wells REIT purchased the IBM Reston Buildings, one six-story and one two-story office building containing approximately 141,000 aggregate rentable square feet located in Reston, Virginia for a purchase price of approximately $28.6 million. The buildings are 100% occupied by the IBM Corporation and Tellabs Reston, Inc.

ISS Atlanta III

On July 1, 2003, Wells REIT purchased the third ISS Atlanta Building, a three-story office building containing approximately 50,400 rentable square feet located in Atlanta, Georgia for a purchase price of approximately $10.0 million. The building is 100% leased to ISS. The first two ISS Buildings were purchased in July 2002. The three-building project now totals approximately 289,000 rentable square feet.

Lockheed Martin Rockville

On July 30, 2003, Wells REIT purchased all of the membership interests in Meridian/Northwestern Shady Grove North, LLC, a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located in Rockville, Maryland, for a purchase price of approximately $51.6 million. The buildings are 100% leased to Lockheed Martin.

Cingular Atlanta

On August 1, 2003, Wells REIT purchased the Cingular Atlanta Building, a 19-story office building containing approximately 413,300 rentable square feet located in Atlanta, Georgia, for a purchase price of approximately $83.9 million. The building is approximately 97% leased under leases to various tenants with varying terms, including Cingular Wireless, LLC, which leases approximately 76% of the building.

Aventis Northern NJ

On August 14, 2003, Wells REIT purchased the Aventis Northern NJ Building, an eight-story office building containing approximately 297,000 rentable square feet located in Bridgewater, New Jersey, for a purchase price of $96.3 million. The building is 100% leased to Aventis, Inc.

Applera Pasadena

On August 21, 2003, Wells REIT purchased the Applera Pasadena Building, a five-story office building containing approximately 176,000 rentable square feet located in Pasadena, California, for a purchase price of approximately $37.9 million. The building is approximately 76% leased under leases to various tenants with varying terms, including Paracel, Inc., which leases approximately 48% of the building.

Continental Casualty Orange County

On August 29, 2003, Wells REIT purchased the Continental Casualty Orange County Building, a three-story office building containing approximately 133,000 rentable square feet located in Brea, California, for a purchase price of approximately $25.6 million. The building is 100% leased under leases to various tenants with varying terms, including Continental Casualty Company, which leases approximately 84% of the building.

Polo Ralph Lauren Newark

On September 5, 2003, Wells REIT purchased the Polo Ralph Lauren Newark Building, a 10-story office building containing approximately 268,000 rentable square feet located in Lyndhurst, New Jersey, for a purchase price of approximately $46.6 million. The building is approximately 92% leased under leases to various tenants with varying terms, including Polo Ralph Lauren Corporation, which leases approximately 60% of the building.

1901 Main Irvine

On September 17, 2003, Wells REIT purchased the 1901 Main Irvine Building, an eight-story office building containing approximately 172,000 rentable square feet located in Irvine, California, for a purchase price of approximately $45.5 million. The building is 100% leased under leases to various tenants with varying terms, including BNC Mortgage, Inc., which leases approximately 43% of the building.

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Build-to-Suit Projects

During the nine month period ended September 30, 2003, Wells REIT completed three build-to-suit projects with a total investment amount of approximately $80.9 million, as discussed below.

Nissan

In March 2003, Wells REIT substantially completed the construction of the Nissan Building located in Dallas, Texas. Nissan Motor Acceptance Corporation occupied the building under a lease commencing on April 1, 2003. The construction was financed through a loan that was paid off in March 2003, when the building was substantially complete. As of September 30, 2003, investment in real estate related to this project totaled approximately $41.6 million.

AmeriCredit

In April 2003, Wells REIT substantially completed the construction of the AmeriCredit Building located in Phoenix, Arizona. AmeriCredit Corporation occupied the building under a lease commencing on April 15, 2003. The entire construction was financed completely with investor proceeds. As of September 30, 2003, investment in real estate related to this project totaled approximately $24.9 million.

Kerr-McGee

In June 2003, Wells REIT substantially completed the construction of the Kerr-McGee Building located in Houston, Texas. Kerr-McGee Corporation occupied the building under a lease commencing on July 1, 2003. The construction of this property was financed through a loan that was paid off in July 2003. As of September 30, 2003, investment in real estate related to this project totaled approximately $14.4 million.

3. INVESTMENT IN JOINT VENTURES

Acquisitions

AIU Chicago

On September 19, 2003, Wells Fund XIII – REIT Joint Venture Partnership ("Wells Fund XIII-REIT Joint Venture"), a joint venture partnership between Wells Real Estate Fund XIII, L.P. ("Wells Fund XIII") and Wells OP, purchased a four-story office building on a 2.7 acre tract of land located at 5550 Prairie Stone Parkway in Hoffman Estates, Illinois (AIU Chicago Building) from Two Park Center, L.L.C. for a purchase price of approximately $26.3 million, plus closing costs.

Wells OP contributed approximately $24.0 million and Wells Fund XIII contributed $3 million to the Wells Fund XIII – REIT Joint Venture for their respective shares of the acquisition costs for the AIU Chicago Building. Subsequent to the acquisition of the AIU Chicago Building, Wells OP held an equity percentage interest in the Wells Fund XIII – REIT Joint Venture of approximately 71.9%.

Dispositions

On September 11, 2003, Wells/Orange County Associates ("Cort Joint Venture"), a joint venture partnership between Wells OP and Fund X and Fund XI Associates, sold a warehouse and office building containing approximately 52,000 rentable square feet located in Fountain Valley, California ("Cort Furniture Building") for approximately a $5.8 million gross sales price.

Wells OP holds an approximately 43.6% equity percentage interest in the Cort Joint Venture. The net sale proceeds allocable to Wells OP as a result of the sale of the Cort Furniture Building were approximately $2.4 million. Wells OP's share of the loss from the sale of the Cort Furniture Building was approximately $0.2 million.

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The information below summarizes the operations of the seven unconsolidated joint ventures that Wells REIT, through Wells OP, had ownership interests in as of September 30, 2003.

CONDENSED COMBINED STATEMENTS OF INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2003 (000s)	2002 (000s)	2003 (000s)	2002 (000s)
REVENUES:				
Rental income	$ 5,005	$ 4,480	$ 14,888	$ 13,669
Tenant reimbursements	494	434	1,511	1,426
Other income	2	11	12	34
Total revenues	5,501	4,925	16,411	15,129
EXPENSES:				
Depreciation	1,785	1,562	5,228	4,664
Operating expenses	802	597	2,693	1,899
Management and leasing fees	303	279	933	812
Total expenses	2,890	2,438	8,854	7,375
NET INCOME FROM CONTINUING OPERATIONS	2,611	2,487	7,557	7,754
DISCONTINUED OPERATIONS:				
Operating income	142	135	403	405
Loss on disposition	(379)	—	(379)	—
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	(237)	135	24	405
NET INCOME	$ 2,374	$ 2,622	$ 7,581	$ 8,159
NET INCOME ALLOCATED TO WELLS REIT	$ 1,101	$ 1,259	$ 3,493	$ 3,738

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4. BORROWINGS

Wells REIT has financed certain investments, acquisitions and developments through various borrowings as described below. On September 30, 2003, and December 31, 2002, Wells REIT had the following amounts outstanding:

Facility	September 30, 2003 (000s)	December 31, 2002 (000s)
$110 million line of credit; accruing interest at LIBOR plus 175 basis points; requiring interest payments monthly with principal due at maturity; collateralized by various buildings (1)	$ —	$ 58,000
$98.1 million line of credit; accruing interest at LIBOR plus 175 basis points (2.87% at September 30, 2003); requiring interest payments monthly and principal due at maturity (March 2004); collateralized by various buildings	—	61,399
$500 million unsecured revolving line of credit; accruing interest at various rates of interest based on LIBOR plus up to 1.625% (2.75% at September 30, 2003); requiring interest payments monthly and principal payments due at maturity (April 2005) (2)	—	—
$50 million line of credit; accruing interest at LIBOR plus 175 basis points (2.87% at September 30, 2003); requiring interest payments monthly with principal due at maturity (June 2005); collateralized by various buildings (3)	—	—
$90 million note payable; accruing interest at LIBOR plus 115 basis points; currently locked at 2.27% through October 2, 2003 (2.27% at September 30, 2003); requiring interest payments monthly, with principal due at maturity (December 2006); subject to certain prepayment penalties; collateralized by the Nestle Building	90,000	90,000
$112.3 million note payable; seller financed interest free loan obtained upon purchase of AON Center in May 2003; Principal balance due upon maturity (January 2004); collateralized by the AON Center Building (4)	112,347	—
$34.2 million construction loan payable; accruing interest at LIBOR plus 200 basis points; requiring interest payments monthly and principal due at maturity collateralized by the Nissan Building (5)	—	23,149
$13.7 million construction loan payable; accruing interest at LIBOR plus 200 basis points; requiring interest payments monthly, with principal due at maturity; collateralized by the Kerr-McGee Building (6)	—	4,038
$8.8 million note payable; accruing interest at 8.0%; requiring interest and principal payments monthly with any unamortized principal due at maturity (December 2003); subject to certain prepayment penalties; collateralized by the BMG Buildings	8,532	8,709
$2.9 million note payable; accruing interest at 8.5%; requiring interest payments monthly with principal due at maturity (December 2003); subject to certain prepayment penalties; collateralized by the BMG Buildings	2,900	2,900
Total borrowings	$213,779	$248,195

(1) Wells REIT terminated this credit facility upon execution of the $500 million line of credit in April 2003.

(2) Wells REIT entered into this revolving credit facility in April 2003. Additionally, Wells REIT is required to pay a quarterly facility fee of 0.25% per annum on the entire amount of the credit facility.

(3) Wells REIT entered into this credit agreement in June 2003.

(4) Interest is imputed at Wells REIT's weighted average borrowing rate on the date of the acquisition.

(5) Wells REIT repaid this loan in March 2003, upon substantial completion of the construction of the property. At that time, Wells REIT terminated the interest rate swap at a cost of $0.3 million, which was reclassified from other comprehensive income to interest expense.

(6) Wells REIT repaid this loan in July 2003, upon substantial completion of the construction of the property and expiration of the related interest rate swap agreement.

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5. RELATED-PARTY TRANSACTIONS

Advisory Agreement

Wells REIT has entered into an Advisory Agreement with the Advisor, which entitles the Advisor to specified fees in consideration for certain services with regard to the offering of shares to the public and investment of funds in real estate projects. The current Advisory Agreement expires January 30, 2004.

Under the terms of the agreement, the Advisor receives the following fees and reimbursements:

- Acquisition and advisory fees and acquisition expenses of 3.5% of gross offering proceeds, subject to certain limitations;
- Reimbursement of organization and offering costs paid on behalf of Wells REIT, not to exceed 3% of gross offering proceeds;
- Disposition fee of 50% of the lesser of a competitive real estate commission or 3% of the sales price of the property, subordinated to the payment of dividends to shareholders equal to the sum of the shareholders' invested capital plus an 8% return on invested capital;
- Incentive fee of 10% of net sales proceeds remaining after shareholders have received distributions equal to the sum of the shareholders' invested capital plus an 8% return of invested capital; and
- Listing fee of 10% of the excess by which the market value of the stock plus dividends paid prior to listing exceeds the sum of 100% of the invested capital plus an 8% return on invested capital.

The Advisor has elected, but is not obligated, to reduce the acquisition and advisory fees by the amounts attributable to shares redeemed under the share redemption program for shares redeemed through September 30, 2003.

Acquisition and advisory fees and acquisition expenses incurred for the three months ended September 30, 2003 and 2002, totaled $25.5 million and $12.8 million, respectively. Organizational and offering costs incurred for the three months ended September 30, 2003 and 2002, totaled $4.2 million and $4.8 million, respectively.

Acquisition and advisory fees and acquisition expenses incurred for the nine months ended September 30, 2003 and 2002, totaled $61.0 million and $34.2 million, respectively. Organizational and offering costs incurred for the nine months ended September 30, 2003 and 2002, totaled $14.7 million and $10.2 million, respectively. Wells REIT incurred no disposition, incentive or listing fees during the nine months ended September 30, 2003 or 2002.

Administrative Services Reimbursement

Wells REIT has no direct employees. The employees of the Advisor and Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for Wells REIT. The related expenses are allocated among Wells REIT and the various Wells Real Estate Funds based on time spent on each entity by individual administrative personnel. These expenses are included in general and administrative expenses in the consolidated statements of income. These expenses totaled $1.2 million and $0.5 million for the three months ended September 30, 2003 and 2002, respectively. Administrative services reimbursements totaled $3.2 million and $1.2 million for the nine months ended September 30, 2003 and 2002, respectively.

Asset and Property Management Agreement

Wells REIT has entered into an asset and property management agreement with Wells Management. In consideration for asset management services and for supervising the management and leasing of Wells REIT's properties, Wells REIT will pay asset and property management fees to Wells Management equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) 0.6% of the net asset value of the properties (excluding vacant properties) owned by Wells REIT. These asset and property management fees are calculated on an annual basis. These

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expenses totaled $3.9 million and $1.3 million for the three months ended September 30, 2003 and 2002, respectively, and $9.0 million and $3.2 million for the nine months ended September 30, 2003 and 2002, respectively. Additionally, a separate competitive fee for the one-time initial lease-up of newly constructed properties is generally paid in conjunction with the receipt of the first month's rent. These costs totaled approximately $0.7 million for the nine months ended September 30, 2003.

Dealer Manager Agreement

Wells REIT has entered into a dealer manager agreement with Wells Investment Securities, Inc. ("WIS"), an affiliate of the Advisor, whereby WIS performs the dealer manager function for Wells REIT. For these services, WIS earns fees of 7% of the gross proceeds from the sale of the shares of Wells REIT, most of which are reallowed to participating broker-dealers. Additionally, WIS earns a dealer manager fee of 2.5% of the gross offering proceeds at the time the shares are sold, of which up to 1.5% may be reallowed to participating broker-dealers. WIS has elected, although is not obligated, to reduce the dealer manager fee by 2.5% of the gross redemptions under Wells REIT's share redemption plan for shares redeemed through September 30, 2003. During the three months ended September 30, 2003 and 2002, Wells REIT incurred commissions of $51.7 million and $26.4 million, respectively, of which more than 99% were reallowed to participating broker-dealers. Dealer manager fees of $18.2 million and $9.1 million were incurred for the three months ended September 30, 2003 and 2002, respectively. Of these amounts, $8.7 million and $4.0 million were reallowed to participating broker-dealers for the three months ended September 30, 2003 and 2002, respectively. For the nine months ended September 30, 2003 and 2002, Wells REIT incurred commissions of $124.8 million and $69.7 million, respectively, of which more than 99% was reallowed to participating broker-dealers. Dealer manager fees of $43.5 million and $24.4 million were incurred for the nine months ended September 30, 2003 and 2002. Of these amounts, $20.8 million and $11.1 million were reallowed to participating broker-dealers.

Due From Affiliates

Due from affiliates included in the consolidated balance sheets represents Wells REIT's share of the cash to be distributed from its joint venture investments and other amounts payable to Wells REIT from other related parties.

Conflicts of Interest

The Advisor also is a general partner in various Wells Real Estate Funds. As such, there are conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with Wells REIT in connection with property acquisitions or for tenants in similar geographic markets.

Additionally, certain members of the board of Wells REIT also serve on the board of another REIT sponsored by the Advisor and will encounter certain conflicts of interest regarding investment and operating decisions.

6. CONSOLIDATED STATEMENTS OF CASH FLOWS - SUPPLEMENTAL INFORMATION

	For the nine months ended September 30,	
	2003	2002
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Deferred project costs applied to investments	$ 56,722	$31,271
Deferred project costs due to affiliate	$ 3,647	$ 587
Other offering costs due to affiliate	$ 6,545	$ 3,537
Sales commissions payable	$ 7,509	$ 1,773
Acquisition of intangible lease liability	$ 15,980	$ —
Dividends payable	$ 11,179	$ 5,761
Joint venture distributions applied to investment	$ 8,325	$ 6,185
Seller financed debt arrangement obtained at acquisition of property	$112,347	$ —
Other liabilities assumed at acquisition of property	$ 19,064	$ 32,500
Accrued capital expenditures	$ 3,886	$ 2,871

7. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

The Advisor and its affiliates have developed a program (the "Wells Section 1031 Program") involving the acquisition by a subsidiary of Wells Management Company ("Wells Exchange") of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Service Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to Wells REIT and following approval of the potential property acquisition by Wells REIT's board of directors, it is anticipated that Wells REIT will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells REIT will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

In consideration for the payment of a take out fee in the amount of approximately $0.2 million, on December 31, 2002, Wells OP entered into a take out purchase and escrow agreement providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost ($0.4 million in cash plus $0.4 million of assumed debt for each 2.9994% interest of co-tenancy interest unsold), any unsold co-tenancy interests in two buildings known as Meadow Brook Corporate Park located in Birmingham, Alabama, which remain unsold at the expiration of the offering of Wells Exchange on September 30, 2003.

Wells OP's maximum economic exposure in the transaction was initially $14.0 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. As of September 30, 2003, all co-tenancy interests had been sold, and Wells OP has no remaining economic exposure as a result of this transaction.

Letters of Credit

At September 30, 2003, Wells REIT had two unused letters of credit totaling approximately $14.9 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million and $0.4 million with expiration dates of February 28, 2004 and February 2, 2004, respectively. These amounts are not recorded in the accompanying consolidated balance sheets as of September 30, 2003 or December 31, 2002. These letters of credit were required by two unrelated parties to ensure completion of Wells REIT's obligations under certain earn-out and construction agreements. Wells REIT does not anticipate a need to draw on these letters of credit.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, Wells REIT may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property or provide other expenditures for the benefit of the tenant, in favor of additional rental revenue. At September 30, 2003, no tenants have exercised such options.

Earn-out Agreements

As part of the acquisition of the IRS Building, Wells REIT entered into an agreement to pay the seller an additional $14.5 million if Wells REIT or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, Wells REIT is released from any obligation to pay this additional purchase consideration. The 26% of the building that was vacant at the time of acquisition remains unleased at September 30, 2003. As of September 30, 2003, no payments have been made under this agreement.

**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES**

In connection with the acquisition of the East Point I and II Buildings, Wells REIT entered into an earn-out agreement relating to approximately 15,000 square feet whereby Wells REIT is required to pay the seller certain amounts for each new, fully executed lease after the date of acquisition of the property but on or before June 30, 2004. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space. As of September 30, 2003, payments totaling $1.4 million have been made under this agreement and approximately 6,000 square feet remain subject to the agreement.

As part of the acquisition of the GMAC Detroit Building, Wells REIT entered into an agreement to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space. As of September 30, 2003, no payments have been made under this agreement.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083 and 2049, respectively.

Pending Litigation

In the normal course of business, Wells REIT may become subject to litigation or claims.

In November 2002, Wells REIT contracted to purchase an office building located in Ramsey County, Minnesota, from Shoreview Associates LLC ("Shoreview"), who filed a lawsuit against Wells REIT in Minnesota state court alleging that Shoreview was entitled to approximately $0.8 million in earnest money Wells REIT had deposited under the contract. Wells REIT has filed a counterclaim in the case asserting that Wells REIT is entitled to the earnest money deposit. Procedurally, Wells REIT had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

NASD Enforcement Action

On August 26, 2003, Wells Investment Securities, the Wells REIT Dealer Manager, and Leo F. Wells, III, President and a director of Wells REIT, settled an NASD enforcement action against them by entering into a Letter of Acceptance, Waiver and Consent ("AWC") with the NASD which contained findings by the NASD including that WIS and Mr. Wells had violated certain of its Conduct Rules related to providing non-cash compensation of more than $100 to associated persons of NASD member firms in connection with their attendance at the annual educational conferences sponsored by WIS in 2001 and 2002, and that WIS and Mr. Wells failed to adhere to all the terms of a written undertaking made in March 2001. WIS consented to a censure and Mr. Wells consented to suspension from acting in a principal capacity with a member firm for one year. WIS and Mr. Wells also agreed to the imposition of a joint and several fine in the amount of $150,000. Wells REIT does not expect any material impact on the financial position or results of operations of Wells REIT as a result of this settlement.

8. SUBSEQUENT EVENTS

Sale of Shares of Common Stock

From October 1, 2003 through October 31, 2003, Wells REIT had raised approximately $243.2 million through the issuance of approximately 24.3 million shares of common stock of Wells REIT. As of October 31, 2003, approximately $505.2 million in shares (50.5 million shares) remained available for sale to the public under the fourth offering, exclusive of shares available under Wells REIT's dividend reinvestment plan.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

Status of our Share Redemption Program

Wells REIT's share redemption program allowed for the redemption of approximately 4.37 million shares at an aggregate cost of approximately $43.7 million for the year ending December 31, 2003. From January 1, 2003 through October 31, 2003, Wells REIT had redeemed the entire 4.37 million shares of common stock available for redemption for the year at an aggregate cost of approximately $43.7 million and, accordingly, there are no remaining shares available for redemption for the year ending December 31, 2003. Requests for potential redemption will not be eligible for redemption until after January 1, 2004, subject, in all cases, to the board's ability to change or terminate our share redemption program at any time in its discretion.

Legal Proceedings

On October 9, 2003, Stephen L. Flood, the Luzerne County Controller, and the Luzerne County Retirement Board ("Luzerne Board") on behalf of the Luzerne County Employee Retirement System ("Plan") filed a lawsuit in the U.S. District Court, Middle District of Pennsylvania against 26 separate defendants including the Wells REIT, Wells Investment Securities, Inc., the dealer manager, and Wells Real Estate Funds, Inc., the parent company of both the Advisor and Wells Investment Securities, Inc. ("Wells Defendants"). The complaint alleges, among other things, (1) that certain former members of the Luzerne Board named as defendants invested $10 million in the Wells REIT on behalf of the Plan, (2) that certain former board member defendants breached their fiduciary duties to the Plan by, among other things, permitting the investment of the Plan's funds in investments not suitable for the Plan because they were long-term illiquid investments, permitting the Plan to pay excessive fees and commissions to co-defendants, and accepting political contributions in exchange for awarding advisory and management agreements, (3) that the Wells Defendants and others knew or should have known that the investment, and the fees and commissions associated with the investment, was not a proper investment for the Plan because it was a long-term illiquid investment, (4) that the Wells Defendants and others knew or should have known that certain Luzerne Board members and certain investment advisors and managers were breaching their fiduciary duties to the Plan, (5) that the defendants engaged in and conspired to engage in an improver scheme to intentionally defraud the Plan, and (6) that the investment was not approved by a majority of the Luzerne Board at a public meeting and, consequently, the investment was an inappropriate and void action. The Plan is seeking damages of not less than $25 million, treble damages and punitive damages from all defendants on a joint and several liability basis. The Wells REIT believes that this lawsuit is without merit with respect to the Wells Defendants. While it is too early to determine the likely outcome of this lawsuit, after consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

Property Acquisitions

IBM Portland

On October 9, 2003, Wells REIT purchased four multi-story office buildings and one industrial building containing approximately 364,000 aggregate rentable square feet on an approximately 20.9-acre tract of land (the "IBM Portland Buildings") and an additional adjacent 31.8-acre tract of land in Beaverton, Oregon, for an aggregate purchase price of approximately $38.2 million, plus closing costs. Three of the five IBM Portland Buildings contain approximately 220,000 aggregate rentable square feet, are entirely leased under three separate net leases to IBM. The remaining two buildings contain approximately 144,000 aggregate rentable square footage are currently vacant.

Leo Burnett Chicago

On November 6, 2003, Wells 35 W. Wacker, LLC, a single member Delaware limited liability company wholly owned by Wells OP, purchased a 97.9396% general partnership interest in VV City-Buck Venture, L.P. ("VV City"), a Delaware limited partnership, which is the owner of a 96.5007% general partnership interest in 35 W. Wacker Venture, L.P. ("Wacker Venture"), which owns a 50-story office building containing approximately 1.1 million aggregate rentable square feet at 35 W. Wacker Drive in Chicago, Illinois ("Leo Burnett Chicago Building") for a purchase price of approximately $267.5 million, plus closing costs. As a result of this two-tier partnership structure, Wells OP indirectly acquired a 94.5124% interest in the Leo Burnett Chicago Building. Wells OP received a credit against the purchase price at closing in the amount of approximately $139.3 million representing its pro rata portion of the existing indebtedness against the Leo Burnett Chicago Building in the amount of approximately $147.4 million. The purchaser received a credit against the purchase price at closing for Wells OP’s pro rata portion of existing indebtedness against the Leo Burnett Chicago Building in the amount of approximately $139.3 million. Buck 35 Wacker, L.L.C. retained a 2.0604% limited partnership interest in VV City, and Leo Burnett USA, Inc. retained a 3.4993% limited partnership interest in Wacker Venture. The Leo Burnett Chicago Building is primarily leased to The Leo Burnett Company and Winston & Strawn, which lease approximately 96% of the Leo Burnett Chicago Building, and various other tenants which lease an additional 2% of the Leo Burnett Chicago Building. Approximately 2% of the Leo Burnett Building is currently vacant.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the “Wells REIT”), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the nine months ended September 30, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2003 has been prepared to give effect to the fourth quarter 2003 acquisitions of the IBM Portland Buildings (the “Other Recent Acquisition”), the 4250 N. Fairfax Arlington Building and the Wells Washington Properties, Inc., a Maryland corporation qualifying as a real estate investment trust that commenced operations on September 17, 2002, by Wells Operating Partnership, L.P. (“Wells OP”) and the Leo Burnett Chicago Building (collectively, the “Recent Acquisitions”) by Wells 35 W. Wacker, LLC, of which Wells OP is the sole member, as if the acquisitions occurred on September 30, 2003.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with those of Wells REIT.

The following unaudited pro forma statement of income for the nine months ended September 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building, the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building and the IBM Reston Buildings, the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building, the Applera Pasadena Building, the Continental Casualty Orange County Building, the Polo Ralph Lauren Newark Building, the Aventis Northern NJ Building, the 1901 Main Irvine Building and the AIU Chicago Building (collectively, the “2003 Acquisitions”), the Other Recent Acquisition, the Leo Burnett Chicago Building, the 4250 North Fairfax Arlington Building, and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002. The unaudited pro forma statement of income for the nine months ended September 30, 2003 has been prepared to give effect to the acquisition of Wells Washington Properties, Inc. as if the acquisition occurred on September 17, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the “2002 Acquisitions”), the 2003 Acquisitions, Other Recent Acquisition, the Leo Burnett Chicago Building, the 4250 North Fairfax Arlington Building, and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002. The unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the acquisition of Wells Washington Properties, Inc. as if the acquisition occurred on September 17, 2002. The Kerr McGee Property, the AmeriCredit Phoenix Property, the ISS Atlanta III Building and the Continental Casualty Orange County Building had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the 2002 Acquisitions, the 2003 Acquisitions, the Recent Acquisitions and the disposition of the Cort Furniture Building been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

SEPTEMBER 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments				Pro Forma Total
			Recent Acquisitions			
		Other	Leo Burnett Chicago	4250 N. Fairfax Arlington	Wells Washington Properties	
REAL ESTATE ASSETS, at cost:						
Land	$ 393,014	$ 9,437(b)	$ 53,921(b)	$ 13,100(b)	$ 76,350(b)	$ 549,508
		386(c)	1,047(c)	536(c)	1,717(c)	
Buildings, less accumulated depreciation of $136,835 at September 30, 2003	2,777,415	23,141(b)	176,540(b)	58,382(b)	134,570(b)	3,179,666
		947(c)	3,261(c)	2,390(c)	3,020(c)	
Intangible Lease Assets, Net	120,873	3,065(b)	44,626(b)	15,569(b)	35,886(b)	222,457
		126(c)	870(c)	637(c)	805(c)	
Construction in progress	943	0	0	0	0	943
Total real estate assets	3,292,245	37,102	280,265	90,614	252,348	3,952,574
INVESTMENT IN JOINT VENTURES	104,098	0	0	0	0	104,098
CASH AND CASH EQUIVALENTS	180,641	(38,435)(b)	6,250(b)	(90,943)(b)	1,402(b)	113,425
		340,318(d)	(132,133)(b)		(140,292)(b)	
		(13,383)(e)				
RENT RECEIVABLE	35,889	0	17,994(b)	0	1,774(b)	55,657
DEFERRED PROJECT COSTS	5,724	(1,573)(c)	(5,410)(c)	(3,722)(c)	(5,744)(c)	2,658
		13,383(e)				
DUE FROM AFFILIATES	2,083	0	0	0	0	2,083
PREPAID EXPENSES AND OTHER ASSETS, NET	17,657	0	3,001(b)	0	82(b)	20,755
			15(c)			
DEFERRED LEASE ACQUISITION COSTS, NET	49,198	2,792(b)	11,211(b)	3,892(b)	8,971(b)	76,755
		114(c)	217(c)	159(c)	201(c)	
INVESTMENT IN BONDS	54,500	0	0	0	0	54,500
Total assets	$ 3,742,035	$340,318	$ 181,410	$ 0	$ 118,742	$ 4,382,505

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LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments: Other	Recent Acquisitions: Leo Burnett Chicago	Recent Acquisitions: 4250 N. Fairfax Arlington	Recent Acquisitions: Wells Washington Properties	Pro Forma Total
LIABILITIES:						
Borrowings	$ 213,779	$ 0	$162,495(b)	$ 0	$ 115,167(b)	$ 491,441
Obligations under capital lease	54,500	0	0	0	0	54,500
Intangible lease liability	44,713	0	0	0	0	44,713
Accounts payable and accrued expenses	54,531	0	18,907(b)	0	3,492(b)	76,930
Due to affiliate	10,188	0	0	0	0	10,188
Dividends payable	11,179	0	0	0	0	11,179
Deferred rental income	24,559	0	8(b)	0	83(b)	24,650
Total liabilities	413,449	0	181,410	0	118,742	713,601
COMMITMENTS AND CONTINGENCIES						
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 396,036,430 shares issued and 389,829,812 outstanding at September 30, 2003	3,960	382(d)	0	0	0	4,342
Additional paid in capital	3,527,007	339,936(d)	0	0	0	3,866,943
Cumulative distributions in excess of earnings	(140,315)	0	0	0	0	(140,315)
Treasury stock, at cost, 6,206,618 shares at September 30, 2003	(62,066)	0	0	0	0	(62,066)
Other comprehensive loss	0	0	0	0	0	0
Total shareholders' equity	3,328,586	340,318	0	0	0	3,668,904
Total liabilities and shareholders' equity	$ 3,742,035	$ 340,318	$ 181,410	$ 0	$ 118,742	$ 4,382,505

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the assets, land, building and liabilities assumed, net of any purchase price adjustments.

(c) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(d) Reflects capital raised through issuance of additional shares subsequent to September 30, 2003 through Wells Washington, Properties acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.

(e) Reflects deferred project costs capitalized as a result of additional capital raised described in note (d) above.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments							
				Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc. (a)	2002 Acquisitions	2003 Acquisitions	Other	Leo Burnett Chicago	4250 N. Fairfax Arlington	Wells Washington Properties	Dispositions	Pro Forma Total
REVENUES:									
Rental income	$ 107,526	$ 101,006(b)	$ 97,310 (b)	$ 2,671 (b)	$ 21,519 (b)	$ 1,915 (b)	$ 4,644 (b)	$ 0	$ 336,591
Tenant reimbursements	18,992	9,584(c)	56,686 (c)	2,138 (c)	19,017 (c)	2,281 (c)	37(c)	0	108,735
Equity in income of joint ventures	4,700	588(d)	(1,130) (d)	0	0	0	0	(237) (i)	3,921
Lease termination income	1,409	0	0	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	0	0	7,001
	139,628	111,178	152,866	4,809	40,536	4,196	4,681	(237)	457,657
EXPENSES:									
Depreciation	38,780	35,737(e)	41,472 (e)	964 (e)	7,170 (e)	2,431 (e)	1,823 (e)	0	128,377
Interest expense	4,638	9,657(f)	28,394 (f)	0	5,179 (f)	0	845 (f)	0	48,713
Property operating costs	26,949	25,244 (g)	76,946 (g)	2,371 (g)	20,695 (g)	3,159 (g)	1,782 (g)	0	157,146
Management and leasing fees	5,155	3,196(h)	7,561(h)	238 (h)	1,928 (h)	255(h)	257 (h)	0	18,590
Amortization of deferred leasing costs	0	0	5,188(j)	443(j)	1,197 (j)	369(j)	258(j)	0	7,455
General and administrative	3,244	0	0	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	0	0	1,008
	79,774	73,834	159,561	4,016	36,169	6,214	4,965	0	364,533
NET INCOME	$ 59,854	$ 37,344	$ (6,695)	$ 793	$ 4,367	$ (2,018)	$ (284)	$ (237)	$ 93,124
EARNINGS PER SHARE, basic and diluted	$ 0.41								$ 0.22
WEIGHTED AVERAGE SHARES, basic and diluted	145,633								428,068

(a) Historical financial information derived from annual report on Form 10-K.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building and the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.
(e) Depreciation expense is recognized using the straight-line method and a 25-year life.
(f) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the BMG Greenville Buildings, Nestle Los Angeles Building, Leo Burnett Chicago Building and Wells Washington Properties, which bore interest at approximately 8.5%, 8%, 3.39%, 7.25% and 4.4% for the year ended December 31, 2002, respectively.
(g) Consists of operating expenses.
(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
(i) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.
(j) Amortization of deferred leasing costs is recognized using the straight-line method over the lives of the respective leases.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

(in thousands, except per share amounts)

(Unaudited)

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments: 2003 Acquisitions	Recent Acquisitions: Other	Recent Acquisitions: Leo Burnett Chicago	Recent Acquisitions: 4250 N. Fairfax Arlington	Recent Acquisitions: Wells Washington Properties	Dispositions	Pro Forma Total
REVENUES:								
Rental income	$ 202,196	$ 42,882(b)	$ 2,210(b)	$ 15,717(b)	$ 3,288(b)	$ 16,611(b)	$ 0	$ 282,904
Tenant reimbursements	51,531	20,153(c)	1,769(c)	14,660(c)	1,170(c)	514(c)	0	89,797
Equity in income of joint ventures	3,493	(81) (d)	0	0	0	0	(176)(e)	3,236
Interest and other income	3,445	0	0	0	0	0	0	3,445
	260,665	62,954	3,979	30,377	4,458	17,125	(176)	379,382
EXPENSES:								
Depreciation	73,241	15,666(f)	723(f)	5,378(f)	1,823(f)	4,101(f)	0	100,932
Property operating costs	75,602	29,686(g)	1,962(g)	15,644(g)	2,369(g)	6,654(g)	0	131,917
Asset and property management and leasing fees	9,060	3,253(h)	179(h)	1,445(h)	250(h)	929(h)	0	15,116
Amortization of deferred leasing costs	1,244	3,171(i)	333(i)	898(i)	276(i)	879(i)	0	6,801
General and Administrative	4,171	0	0	0	0	0	0	4,171
Interest expense	11,178	9,106(j)	0	3,721(j)	0	3,801(j)	0	27,806
	174,496	60,882	3,197	27,086	4,718	16,364	0	286,743
NET INCOME	$ 86,169	$ 2,072	$ 782	$ 3,291	$ (260)	$ 761	$ (176)	$ 92,639
EARNINGS PER SHARE, basic and diluted	$ 0.30							$ 0.22
WEIGHTED AVERAGE SHARES, basic and diluted	289,521							428,068

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

(f) Depreciation expense is recognized using the straight-line method and a 25-year life.

(g) Consists of operating expenses.

(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

(i) Amortization of deferred leasing costs is recognized using the straight-line method over the lives of the respective leases.

(j) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.08% for the nine months ended September 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.17% for the nine months ended September 30, 2003 and assumed mortgages on the Leo Burnett Chicago Building and Wells Washington Properties, which bore interest at approximately 7.25% and 4.4% for nine months ended September 30, 2003.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 14 DATED JANUARY 10, 2004 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, Supplement No. 9 dated August 27, 2003, Supplement No. 10 dated September 15, 2003, Supplement No. 11 dated September 25, 2003, Supplement No. 12 dated October 25, 2003, and Supplement No. 13 dated December 11, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Plan of Distribution" section of the prospectus;

(3) Revisions to the "Description of Shares-Share Redemption Program" section of the prospectus;

(4) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following acquisitions;

- (A) A five-story office building in Issaquah, Washington (Boeing Seattle Building);
- (B) A three-story office building in Brea, California (Bank of America Orange County Building);
- (C) All of the membership interest in a limited liability company which owns a 45-story office building in Philadelphia, Pennsylvania (1901 Market Street Philadelphia Building);
- (D) A 39-story office building in New York, New York (60 Broad Street New York Building);
- (E) A five-story office building in Cambridge, Massachusetts (1414 Massachusetts Avenue Cambridge Building); and
- (F) A 12-story office building in Tacoma, Washington (Russell Tacoma Building);

(5) Revisions to the "Management – Affiliated Companies" section of the prospectus;

(6) Statements of Revenues Over Certain Operating Expenses for the recently acquired Bank of America Orange County Building, the 1901 Market Street Philadelphia Building, and the 60 Broad Street New York Building; and

(7) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of the Boeing Seattle Building, the Bank of America Orange County Building, the 1901 Market Street Philadelphia Building, the 60 Broad Street New York Building, the 1414 Massachusetts Avenue Cambridge Building, and the Russell Tacoma Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998, which terminated on December 19, 1999, our second public offering of common stock on December 20, 1999, which terminated on December 19, 2000, and our third public offering of common stock on December 20, 2000, which terminated on July 26, 2002. We received approximately $1.59 billion in aggregate gross offering proceeds from the sale of approximately 159.0 million shares in these three prior public offerings.

Pursuant to the prospectus, we commenced our fourth public offering of $3 billion in shares (300 million shares) of common stock on July 26, 2002. As of January 10, 2004, we had received aggregate gross offering proceeds of approximately $4.7 billion from the sale of approximately 471.7 million shares in all of our public offerings. After payment of approximately $162.9 million in acquisition and advisory fees and acquisition expenses, payment of approximately $508.2 million in selling commissions and organization and offering expenses, and aggregate common stock redemptions of approximately $65.2 million pursuant to our share redemption program, as of January 10, 2004, we had raised aggregate net offering proceeds available for investment in properties of approximately $4.0 billion, substantially all of which has been invested in real estate properties.

We have now exhausted our public shares available for sale to the public, and there are no shares remaining available for sale to the public pursuant to our fourth public offering, exclusive of (1) shares available for sale to current stockholders of the Wells REIT under our dividend reinvestment plan, and (2) shares reserved to complete requests for transfer of asset transactions which were received on or before November 21, 2003.

Plan of Distribution

The following information should be read in conjunction with the "Plan of Distribution—General" section beginning on page 146 of the prospectus.

Of the maximum 30 million shares offered for sale pursuant to our dividend reinvestment plan, as of January 10, 2004, approximately 15.8 million shares had been sold and approximately 14.2 million shares remained available to be sold to our current stockholders through our dividend reinvestment plan. We intend to continue to offer the remaining shares available pursuant to our dividend reinvestment plan until the earlier of (1) the date of sale of all 30 million shares, or (2) the termination of this offering on July 25, 2004.

Description of Shares – Share Redemption Program

The information contained on pages 141-142 in the "Description of Shares – Share Redemption Program" section of the prospectus is revised as of the date of this supplement by the deletion of that section in its entirety and the insertion of the following paragraphs in lieu thereof:

Share Redemption Program

Prior to the time that our shares are listed on a national securities exchange, stockholders of the Wells REIT who have held their shares for at least one year may receive the benefit of limited interim liquidity by presenting for redemption all or any portion of their shares to us at any time in accordance with the procedures outlined herein. At that time, we may, subject to the conditions and limitations described below, redeem the shares presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption.

If you have held your shares for the required one-year period, you may redeem your shares for a purchase price equal to the lesser of (1) $10 per share, or (2) the purchase price per share that you actually paid for your shares of the Wells REIT. In the event that you are redeeming all of your shares, shares purchased pursuant to our dividend reinvestment plan may be excluded from the foregoing one-year holding period requirement, in the discretion of our board of directors. In addition, for purposes of the one-year holding period, limited partners of Wells OP who exchange their limited partnership units for shares in the Wells REIT shall be deemed to have owned their shares as of the date they were issued their limited partnership units in Wells OP. In addition, our board of directors has delegated to our officers the right to waive the one-year holding period in the event of the death or bankruptcy of a stockholder or other exigent circumstances.

Subject to funds being available, we will limit the number of shares redeemed pursuant to our share redemption program as follows: (1) during any calendar year, we will not redeem in excess of 3.0% of the weighted average number of shares outstanding during the prior calendar year; and (2) funding for the redemption of shares will come exclusively from the proceeds we receive from the sale of shares under our dividend reinvestment plan such that in no event shall the aggregate amount of redemptions under our share redemption program exceed aggregate proceeds received from the sale of shares pursuant to our dividend reinvestment plan. In addition, beginning with the calendar year 2004, our board of directors decided to set aside up to 20% of the funds available for redemption during each calendar year for redemptions upon the death of a stockholder, thereby reducing the amount of funds available for other redemption requests.

Beginning with redemption requests received in January 2004, we will redeem shares on the last business day of each month. Requests for redemption must be received at least five business days before that date in order for us to repurchase the shares that month. If we cannot purchase all shares presented for redemption in any month, we will attempt to honor redemption requests on a pro rata basis. We will deviate from pro rata purchases in two minor ways: (1) if a pro rata redemption would result in you owning less than half of the minimum amounts described in the “Suitability Standards” section of this prospectus, then we would redeem all of your shares; and (2) if a pro rata redemption would result in you owning more than half but less than all of the minimum amounts described in the “Suitability Standards” section of this prospectus, then we would not redeem such portion of your shares to the extent it would result in your remaining holdings of our shares to be below the minimum required amounts. Our board of directors reserves the right in its sole discretion upon 30 days notice to (1) change the purchase price for redemptions, (2) reduce the number of shares purchased under the share redemption program, or (3) otherwise amend the terms of or terminate our share redemption program for any reason. (See “Risk Factors – Investment Risks.”).

We cannot guarantee that the funds set aside for our share redemption program will be sufficient to accommodate all requests made in any year or in any given month. If we do not have sufficient funds available, at the time when redemption is requested, you can (1) withdraw your request for redemption, or (2) ask that we honor your request at such time in the future, if any, when sufficient funds become available.

If we do not completely satisfy a stockholder’s redemption request at month-end because the request was not received in time or because of the restrictions on the number of shares we could redeem under the program, we intend to treat the unsatisfied portion of the redemption request as a request for redemption in the following month unless the stockholder withdraws his or her request before the next date for redemptions. A stockholder can withdraw a redemption request upon written notice to the Wells REIT received at least five business days prior to the date for redemption.

Our board of directors can amend, suspend or terminate our share redemption program at any time upon 30 days notice. We will notify you of such developments either (1) by disclosure in the annual or quarterly reports of the Wells REIT filed under the Securities Exchange Act of 1934, or (2) by means of a separate mailing to you, accompanied by disclosure in a current or periodic report filed under the Securities Exchange Act of 1934.

Our share redemption program is only intended to provide interim liquidity for our stockholders until such time, if ever, that a secondary market develops for the shares, at which time the program would terminate. No such market presently exists, and we cannot assure you that any market for your shares will ever develop.

The shares we redeem under our share redemption program will be cancelled, and will be held as treasury stock. We will not resell such shares to the public unless they are first registered with the Securities and Exchange Commission under the Securities Act of 1933 and under appropriate state securities laws or otherwise sold in compliance with such laws.

Description of Real Estate Investments

As of January 10, 2004, we had purchased and own interests in 111 real estate properties located in 26 states, exclusive of properties sold. Below is a description of our recent real property acquisitions.

Boeing Seattle Building

On December 10, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease, and operate real properties on behalf of the Wells REIT, purchased a five-story office building containing approximately 158,000 rentable square feet located on an approximately 5.8-acre tract of land at 22833 SE Black Nugget Road in Issaquah, Washington (Boeing Seattle Building) for a purchase price of approximately $30.0 million, plus closing costs. The Boeing Seattle Building was purchased from Opus Northwest, L.L.C., which is not in any way affiliated with the Wells REIT, Wells OP, or Wells Capital, Inc., our advisor (Advisor). Wells OP previously purchased three properties from Opus Northwest, L.L.C. (the Metris Minnetonka Building, the ADIC Buildings, and the Travelers Express Denver Buildings).

The Boeing Seattle Building, which was built in 2001, is entirely leased under a net lease (i.e., operating costs and maintenance costs are paid by the tenant) to The Boeing Company (Boeing). Boeing is a large aerospace company with corporate headquarters in Chicago, Illinois. Boeing serves customers in approximately 145 countries and has employees in approximately 70 countries worldwide. Boeing reported a net worth, as of September 30, 2003, of approximately $7.4 billion. The current annual base rent payable under the Boeing lease, which expires in 2006, is approximately $3.8 million. In addition, Boeing has the right, at its option, to extend the initial term of its lease for two additional five-year periods.

Bank of America Orange County Building

On December 18, 2003, Wells Brea I, L.P., a Delaware limited partnership whose general partner is a Delaware limited liability company wholly owned by Wells OP, and whose sole limited partner is Wells OP, purchased a three-story office building containing approximately 638,000 rentable square feet located on an approximately 30.6-acre tract of land at 275 Valencia Avenue in Brea, California (Bank of America Orange County Building) for a purchase price of $94.0 million, plus closing costs. The Bank of America Orange County Building was purchased from PIC Realty Corporation (PIC), along with the 1901 Market Street Philadelphia Building described below. PIC is a wholly owned subsidiary of The Prudential Insurance Company of America (Prudential). Neither PIC nor Prudential are in any way affiliated with the Wells REIT, Wells OP, or our Advisor.

The Bank of America Orange County Building, which was built in 1983, is entirely leased under a net lease to Bank of America N.A. (BOA). BOA is a subsidiary of Bank of America Corporation, a bank holding company and financial holding company with corporate headquarters in Charlotte, North Carolina. BOA operates the retail subsidiary banks of Bank of America Corporation, and has full-service branches in approximately 21 states and the District of Columbia. The current annual base rent payable under the BOA lease, which expires in 2009, is approximately $7.6 million. Wells Brea I, L.P., as the landlord, has the right, at its option, to extend the initial term of the BOA lease for one additional three-year period. BOA has the right, at its option, to extend the term of the BOA lease for two additional five-year periods. In addition, BOA has a right of first refusal to purchase the Bank of America Orange County Building should Wells Brea I, L.P. decide to sell the Bank of America Orange County Building in the future. Wells OP and the Registrant have various significant lines of credit with BOA.

1901 Market Street Philadelphia Building

On December 18, 2003, Wells 1901 Market Business Trust, a Delaware statutory trust whose sponsor and beneficial owner is the Wells REIT, purchased all of the membership interest in a Delaware limited liability company (Wells 1901 Market Street LLC) which owns a 45-story office building containing approximately 761,000 rentable square feet located on an approximately 0.8-acre tract of land at 1901 Market Street in Philadelphia, Pennsylvania (1901 Market Street Philadelphia Building) for a purchase price of $174.0 million, plus closing costs. The 1901 Market Street Philadelphia Building was purchased from PIC, along with the Bank of America Orange County Building described above. The $174.0 million purchase price included approximately $160.0 million of debt loaned from Wells OP to Wells 1901 Market Street LLC which was used to pay off the existing indebtedness against the 1901 Market Street Philadelphia Building held by Prudential. The promissory note from Wells 1901 Market Street LLC to Wells OP is secured by an assignment of Wells 1901 Market Business Trust’s membership interest in Wells 1901 Market Street LLC.

The 1901 Market Street Philadelphia Building, which was built in 1990, is entirely leased under a net lease to Independence Blue Cross (Independence). Independence is a health insurance provider with headquarters in the 1901 Market Street Philadelphia Building. Independence offers products in all health care market segments, including managed care, traditional indemnity, Medicare and Medicaid. Independence is an independent licensee of the Blue Cross and Blue Shield Association, the national coordinating body for the nationwide federation of independent Blue Cross and Blue Shield corporations. The current annual base rent payable under the Independence lease, which expires in 2023, is approximately $12.9 million. Independence has the right, at its option, to extend the initial term of the Independence lease for four additional five-year periods.

60 Broad Street New York Building

On December 31, 2003, Wells OP, through Wells 60 Broad Street, LLC, a single-member Delaware limited liability company, purchased a 39-story office building containing approximately 989,000 rentable square feet at 60 Broad Street in New York, New York (60 Broad Street New York Building) for a purchase price of $213.6 million, plus closing costs. The 60 Broad Street New York Building was purchased from 60 Broad Street LLC, an unaffiliated limited liability company among Cogswell Realty Group, L.L.C. and two limited liability companies managed by Lend Lease Real Estate Investments, Inc. (collectively, Cogswell). Cogswell was retained as one of the managers of Wells 60 Broad Street, LLC with authority to perform certain leasing functions. Affiliates of Cogswell Realty Group, L.L.C. will be the on-site property managers of the 60 Broad Street New York Building. In addition, Wells 60 Broad Street, LLC will be required to pay Cogswell an additional amount based on the performance of the 60 Broad Street New York Building.

The 60 Broad Street New York Building, which was completed in 1962 and renovated in 1999, is primarily leased to the State of New York (approximately 46%) and the City of New York (approximately

27%). Approximately 24% of the 60 Broad Street New York Building is leased to 22 additional tenants, and approximately 3% of the 60 Broad Street New York Building is currently vacant.

The State of New York lease serves as the offices for various departments of the State of New York including the Office of Court Administration, the Department of Insurance, and the Division of Housing and Community Renewal. The current annual base rent payable under the State of New York lease, which expires in 2007, is approximately $9.7 million.

The City of New York lease serves as the offices for New York City's Department of Homeless Services, and the Department of Probation. The current annual base rent payable under the City of New York lease, which expires in 2010, is approximately $6.1 million. In addition, the City of New York, at its option, has the right to extend the initial term of its lease for two additional five-year periods.

The current aggregate annual base rent for the 22 additional tenants in the 60 Broad Street New York Building is approximately $7.5 million. The current weighted average remaining lease term of the 22 tenants is approximately 7 years.

1414 Massachusetts Avenue Cambridge Building

On January 8, 2004, Wells OP purchased a five-story office building containing approximately 78,000 rentable square feet located at 1414 Massachusetts Avenue in Cambridge, Massachusetts (1414 Massachusetts Avenue Cambridge Building) for a purchase price of approximately $42.1 million, plus closing costs. The 1414 Massachusetts Avenue Cambridge Building was purchased from Fleet National Bank (Fleet), which is not in any way affiliated with the Wells REIT, Wells OP, or our Advisor.

The 1414 Massachusetts Avenue Cambridge Building, which was completed in 1873 and completely renovated in 2001, is leased to President and Fellows of Harvard College (Harvard) (approximately 63%) and Fleet (approximately 34%). Approximately 3% of the 1414 Massachusetts Avenue Cambridge Building is currently vacant.

Harvard is one of the leading educational institutions in the United States. Located in Cambridge, Massachusetts, Harvard has an undergraduate program which enrolls over 6,000 students and 10 graduate and professional schools with a total of approximately 12,000 students. Harvard employs approximately 2,000 faculty members and has an endowment which was valued at approximately $18.3 billion at the end of fiscal year 2001. The current annual base rent payable under the Harvard lease, which expires in 2018, is approximately $1.6 million. Harvard has a right of first offer and a right of first refusal to purchase the 1414 Massachusetts Avenue Cambridge Building should Wells OP decide to sell the 1414 Massachusetts Avenue Cambridge Building in the future. In addition, Harvard has the right, at its option, to extend the initial term of its lease for 15 additional five-year periods.

Fleet is the principal banking subsidiary of FleetBoston Financial Corporation (FleetBoston). FleetBoston is a diversified financial services company which provides corporate and retail banking and investment services in New England and throughout the United States. The current annual base rent payable under the Fleet lease, which expires in 2014, is approximately $1.1 million. Fleet has a right of first offer and a right of first refusal to purchase the 1414 Massachusetts Avenue Cambridge Building should Wells OP decide to sell the 1414 Massachusetts Avenue Cambridge Building in the future. In addition, Fleet has the right, at its option, to extend the initial term of its lease for eight additional 10-year periods.

Russell Tacoma Building

On January 9, 2004, Wells OP purchased a 12-story office building containing approximately 225,000 rentable square feet located on an approximately 1.3-acre tract of land at 909 A Street in Tacoma, Washington (Russell Tacoma Building) for a purchase price of approximately $52.0 million, plus closing costs. The Russell Tacoma Building was purchased from Stellar Tacoma LLC and Jonsson Security, LLC, which are not in any way affiliated with the Wells REIT, Wells OP, or our Advisor.

The Russell Tacoma Building, which was built in 1988, is entirely leased under a net lease to Frank Russell Company (Russell). Russell is a global investment services firm which has its corporate headquarters in the Russell Tacoma Building. Russell provides investment services in approximately 35 countries worldwide to retirement plans, foundations, endowments, and investment plans of all types. The current annual base rent payable under the Russell lease, which expires in 2013, is approximately $4.1 million. In addition, Russell has the right, at its option, to extend the initial term of its lease for one additional five-year period.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and the Advisor, will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the Boeing Seattle Building, the Bank of America Orange County Building, the 1901 Market Street Philadelphia Building, the 60 Broad Street New York Building, the 1414 Massachusetts Avenue Cambridge Building, and the Russell Tacoma Building, subject to certain limitations. CRG Management, LLC and CRG Real Estate Services, LLC (collectively, CRG), affiliates of Cogswell, the seller of the 60 Broad Street New York Building, are the current on-site property managers for the 60 Broad Street New York Building. The property management fees payable to CRG will be paid out of or credited against the fees payable to Wells Management. CRG is not affiliated with the Wells REIT, Wells OP, or our Advisor.

Management – Affiliated Companies

The information contained on page 49 in the "Management – Affiliated Companies – IRA Custodian" section of the prospectus is revised as of the date of this supplement by the deletion of that section in its entirety, as Wells Advisors, Inc. is no longer acting as the IRA Custodian for our investors.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the Bank of America Orange County Building, the 1901 Market Street Philadelphia Building, and the 60 Broad Street New York Building for the year ended December 31, 2002, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The statements of revenues over certain operating expenses of the Bank of America Orange County Building, the 1901 Market Street Philadelphia Building, and the 60 Broad Street New York Building for the nine months ended September 30, 2003, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the nine months ended September 30, 2003, which are included in this supplement, have not been audited.

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**WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES**

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Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Bank of America Orange County Building for the year ended December 31, 2002. This statement is the responsibility of the Bank of America Orange County Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Bank of America Orange County Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Bank of America Orange County Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Atlanta, Georgia
December 29, 2003

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Bank of America Orange County Building
Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the nine months ended September 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Rental revenues	$ 5,517	$7,356
Operating expenses	0	0
Revenues over certain operating expenses	$ 5,517	$7,356

See accompanying notes.

Bank of America Orange County Building
Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the nine months ended September 30, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On December 18, 2003, Wells Operating Partnership, L.P. ("Wells OP"), through a wholly owned subsidiary, acquired the Bank of America Orange County Building, a three-story office building containing approximately 638,000 square feet located in Brea, California, from PIC Realty Corporation. Total consideration for the acquisition was approximately $94 million. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest, and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Bank of America Orange County Building after its acquisition by Wells OP.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the term of the related lease. The excess of rental income recognized over the amounts due pursuant to the lease term is recorded as straight-line rent receivable. The adjustment to straight-line rent receivable increased revenue by approximately $0.3 million for the year ended December 31, 2002 and decreased revenue by approximately $0.2 million for the nine months ended September 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Description of Leasing Arrangements

The Bank of America Orange County Building is 100% leased to Bank of America NA ("Bank of America") under a net lease ("Bank of America Lease"). Under the Bank of America Lease, Bank of America is required to pay directly to service provider, governmental agency and/or vendor all costs and expenses attributable to the premises including, but not limited to, all real estate taxes, special and general assessments, insurance premiums, utilities and maintenance and repair costs.

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Bank of America Orange County Building
Notes to Statements of Revenues Over Certain Operating Expenses (continued)

For the year ended December 31, 2002
and the nine months ended September 30, 2003 (unaudited)

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 7,574
2004	7,574
2005	7,574
2006	7,574
2007	8,141
Thereafter	13,065
	$51,502

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the nine months ended September 30, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the 1901 Market Street Philadelphia Building for the year ended December 31, 2002. This statement is the responsibility of the 1901 Market Street Philadelphia Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the 1901 Market Street Philadelphia Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the 1901 Market Street Philadelphia Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Atlanta, Georgia
December 29, 2003

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1901 Market Street Philadelphia Building
Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the nine months ended September 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Rental revenues	$ 10,750	$ 14,333
Operating expenses	0	0
Revenues over certain operating expenses	$ 10,750	$ 14,333

See accompanying notes.

1901 Market Street Philadelphia Building
Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the nine months ended September 30, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On December 18, 2003, Wells 1901 Market Business Trust, a Delaware statutory trust, acquired from PIC Realty Corporation all of the membership interests in PRU 1901 Market L.L.C., a Delaware limited liability company that owns the 1901 Market Street Philadelphia Building, a 45-story office building containing approximately 761,000 square feet located in Philadelphia, Pennsylvania. Total consideration for the acquisition was approximately $174 million. Wells Real Estate Investment Trust, Inc. ("Wells REIT"), a Maryland corporation, is the sponsor and beneficial owner of Wells 1901 Market Business Trust. As the sponsor and beneficial owner, Wells REIT possesses full legal control and authority over the operations of Wells 1901 Market Business Trust.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest, and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the 1901 Market Street Philadelphia Building after its acquisition by Wells 1901 Market Business Trust.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the term of the related lease. The excess of rental income recognized over the amounts due pursuant to the lease term is recorded as straight-line rent receivable. The adjustment to straight-line rent receivable increased revenue by approximately $1.4 million for the year ended December 31, 2002 and approximately $0.9 million for the nine months ended September 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Description of Leasing Arrangements

The 1901 Market Street Philadelphia Building is 100% leased to Independence Blue Cross under a net lease ("Independence Blue Cross Lease"). Under the Independence Blue Cross Lease, Independence Blue Cross is required to pay directly to service provider, governmental agency and/or vendor all costs and expenses attributable to the premises including, but not limited to, all real estate taxes, special and general assessments, insurance premiums, utilities and maintenance and repair costs.

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1901 Market Street Philadelphia Building
Notes to Statements of Revenues Over Certain Operating Expenses (continued)

For the year ended December 31, 2002
and the nine months ended September 30, 2003 (unaudited)

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 12,899
2004	12,899
2005	12,899
2006	13,056
2007	15,766
Thereafter	236,983
	$ 304,502

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the nine months ended September 30, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

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Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the 60 Broad Street New York Building for the year ended December 31, 2002. This statement is the responsibility of the 60 Broad Street New York Building's management. Our responsibility is to express an opinion on this statement based on our audit.

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

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the 60 Broad Street New York Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the 60 Broad Street New York Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Atlanta, Georgia
January 13, 2004

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60 Broad Street New York Building
Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the nine months ended September 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Revenues:		
Base rent	$ 17,103	$22,196
Tenant reimbursements	2,579	3,227
Other revenues	524	1,190
Total revenues	20,206	26,613
Expenses:		
Utilities	2,129	2,414
Repairs and maintenance	1,428	2,167
Cleaning	1,348	1,699
Real estate taxes	2,300	1,679
Security	532	793
Other operating expenses	894	633
Administrative	358	575
Total expenses	8,989	9,960
Revenues over certain operating expenses	$ 11,217	$16,653

See accompanying notes.

60 Broad Street New York Building
Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the nine months ended September 30, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On December 31, 2003, Wells Operating Partnership, L.P. ("Wells OP"), through a wholly owned subsidiary, acquired the 60 Broad Street New York Building, a 39-story office building containing approximately 989,000 square feet located in New York, New York, from 60 Broad Street LLC. Total consideration for the acquisition was approximately $213.6 million. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical amounts that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest, and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the 60 Broad Street New York Building after its acquisition by Wells OP.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the term of the related lease. The excess of rental income recognized over the amounts due pursuant to the lease term is recorded as straight-line rent receivable. The adjustment to straight-line rent receivable decreased revenue by approximately $0.1 million for the year ended December 31, 2002 and $0.3 million for the nine months ended September 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

60 Broad Street New York Building
Notes to Statements of Revenues Over Certain Operating Expenses (continued)

For the year ended December 31, 2002
and the nine months ended September 30, 2003 (unaudited)

4. Description of Leasing Arrangements

The office and retail space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. 60 Broad Street LLC's interests in all lease agreements were assigned to Wells OP upon its acquisition of the 60 Broad Street New York Building.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 23,110
2004	23,407
2005	23,362
2006	23,395
2007	23,138
Thereafter	41,764
	$158,176

Two tenants, The People of the State of New York and The City of New York, contributed approximately 41% and 28%, respectively, of rental income for the year ended December 31, 2002. Subsequent to December 31, 2002, these tenants will contribute approximately 31% and 30%, respectively, of the future minimum rental income of those leases in place as of that date.

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the nine months ended September 30, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the “Wells REIT”), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the nine months ended September 30, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2003 has been prepared to give effect to the fourth quarter 2003 acquisitions of the IBM Portland Buildings; the 4250 N. Fairfax Arlington Building; Wells Washington Properties, Inc., a Maryland corporation qualifying as a real estate investment trust that commenced operations on September 17, 2002, and the Boeing Seattle Building by Wells Operating Partnership, L.P. (“Wells OP”), the Leo Burnett Chicago Building by Wells 35 W. Wacker, LLC, of which Wells OP is the sole member, the Bank of America Orange County Building by Wells Brea I, L.P., whose general partner is a Delaware limited liability company wholly owned by Wells OP; the 1901 Market Street Philadelphia Building by Wells 1901 Market Business Trust, of which Wells REIT is the sponsor and beneficial owner (the “Other Recent Acquisitions”); the 1414 Massachusetts Avenue Cambridge Building and the Russell Tacoma Building by Wells OP;and the 60 Broad Street New York Building by Wells 60 Broad Street LLC, of which Wells OP is the sole member (collectively, the “Recent Acquisitions”), as if the acquisitions occurred on September 30, 2003.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with those of Wells REIT.

The following unaudited pro forma statement of income for the nine months ended September 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building; the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building, and the IBM Reston Buildings; the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building, the Applera Pasadena Building, the Continental Casualty Orange County Building, the Polo Ralph Lauren Newark Building, the Aventis Northern NJ Building, the 1901 Main Irvine Building, and the AIU Chicago Building (collectively, the “2003 Acquisitions”); the Recent Acquisitions and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002. The unaudited pro forma statement of income for the nine months ended September 30, 2003 has been prepared to give effect to the acquisition of the Wells Washington Properties, Inc. as if the acquisition occurred on September 17, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the

Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building, and the Nestle Los Angeles Building (collectively, the “2002 Acquisitions”); the 2003 Acquisitions; the Recent Acquisitions and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002. The unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the acquisition of the Wells Washington Properties, Inc. as if the acquisition occurred on September 17, 2002. The Kerr-McGee Property, the AmeriCredit Phoenix Property, the ISS Atlanta III Building and the Continental Casualty Orange County Building had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the 2002 Acquisitions, 2003 Acquisitions, the Recent Acquisitions, and the disposition of the Cort Furniture Building been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

SEPTEMBER 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments				
		Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (a)	Other	60 Broad Street New York	1414 Massachusetts Avenue Cambridge	Russell Tacoma	Pro Forma Total
REAL ESTATE ASSETS, at cost:						
Land	$ 393,014	$ 179,438 (b)	$ 32,040 (b)	$ 4,210 (b)	$ 1,400 (b)	$ 615,475
		5,129 (c)	244 (c)	0	0	
Buildings, less accumulated depreciation of $136,835 at September 30, 2003	2,777,415	597,715 (b)	137,168 (b)	28,449 (b)	37,947 (b)	3,599,163
		19,426 (c)	1,043 (c)	0	0	
Intangible lease assets, net	120,873	153,833 (b)	36,578 (b)	7,587 (b)	10,119 (b)	333,945
		4,677 (c)	278 (c)	0	0	
Construction in progress	943	0	0	0	0	943
Total real estate assets	3,292,245	960,218	207,351	40,246	49,466	4,549,526
INVESTMENT IN JOINT VENTURES	104,098	0	0	0	0	104,098
CASH AND CASH EQUIVALENTS	180,641	(694,222) (b)	(39,931) (b)	(2,000) (b)	(1,000) (b)	88,593
		671,513 (d)				
		(26,408) (e)				
RENT RECEIVABLE	35,889	19,768 (b)	0	0	0	55,657
DEFERRED PROJECT COSTS	5,724	(30,497) (c)	(1,635) (c)	0	0	0
		26,408 (e)				
DUE FROM AFFILIATES	2,083	0	0	0	0	2,083
PREPAID EXPENSES AND OTHER ASSETS, NET	17,657	3,083 (b)	0	0	0	20,755
		15 (c)				
DEFERRED LEASE ACQUISITION COSTS, NET	49,198	40,537 (b)	9,145 (b)	1,897 (b)	2,530 (b)	104,627
		1,250 (c)	70 (c)	0	0	
INVESTMENT IN BONDS	54,500	0	0	0	0	54,500
Total assets	$ 3,742,035	$ 971,665	$ 175,000	$ 40,143	$ 50,996	$ 4,979,839

(in thousands, except share amounts)

	Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments: Other	Recent Acquisitions: 60 Broad Street New York	Recent Acquisitions: 1414 Massachusetts Avenue Cambridge	Recent Acquisitions: Russell Tacoma	Pro Forma Total
LIABILITIES:						
Borrowings	$ 213,779	$277,662 (b)	$175,000 (b)	$ 40,143 (b)	$50,996 (b)	$ 757,580
Obligations under capital lease	54,500	0	0	0	0	54,500
Intangible lease liability	44,713	0	0	0	0	44,713
Accounts payable and accrued expenses	54,531	22,399 (b)	0	0	0	76,930
Due to affiliate	10,188	0	0	0	0	10,188
Dividends payable	11,179	0	0	0	0	11,179
Deferred rental income	24,559	91 (b)	0	0	0	24,650
Total liabilities	413,449	300,152	175,000	40,143	50,996	979,740
COMMITMENTS AND CONTINGENCIES						
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 396,036,430 shares issued and 389,829,812 outstanding at September 30, 2003	3,960	754 (d)	0	0	0	4,714
Additional paid in capital	3,527,007	670,759 (d)	0	0	0	4,197,766
Cumulative distributions in excess of earnings	(140,315)	0	0	0	0	(140,315)
Treasury stock, at cost, 6,206,618 shares at September 30, 2003	(62,066)	0	0	0	0	(62,066)
Other comprehensive loss	0	0	0	0	0	0
Total shareholders' equity	3,328,586	671,513	0	0	0	4,000,099
Total liabilities and shareholders' equity	$ 3,742,035	$971,665	$ 175,000	$ 40,143	$ 50,996	$4,979,839

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the assets, land, building and liabilities assumed, net of any purchase price adjustments.

(c) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(d) Reflects capital raised through issuance of additional shares subsequent to September 30, 2003 through Russell Tacoma acquisition date of January 9, 2003, net of organizational and offering costs, commissions and dealer-manager fees.

(e) Reflects deferred project costs capitalized as a result of additional capital raised described in note (d) above.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments							
				Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc. (a)	2002 Acquisitions	2003 Acquisitions	Other	60 Broad Street New York	1414 Massachusetts Avenue Cambridge	Russell Tacoma	Dispositions	Pro Forma Total
REVENUES:									
Rental income	$107,526	$101,006 (b)	$ 97,310 (b)	$ 49,99 (b)	$ 18,615 (b)	$ 2,520 (b)	$2,960 (b)	$ 0	$ 379,926
Tenant reimbursements	18,992	9,584 (c)	56,686 (c)	23,473 (c)	3,227 (c)	815	0	0	112,777
Equity in income of joint ventures	4,700	588 (d)	(1,130) (d)	0	0	0	0	(237) (i)	3,921
Lease termination income	1,409	0	0	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	0	0	7,001
	139,628	111,178	152,866	73,462	21,842	3,335	2,960	(237)	505,034
EXPENSES:									
Depreciation	38,780	35,737 (e)	41,472 (e)	20,927 (e)	5,528 (e)	1,138 (e)	1,518 (e)	0	145,100
Interest expense	4,638	9,657 (f)	28,394 (f)	6,024 (f)	6,983 (f)	1,682 (f)	2,035 (f)	0	59,413
Property operating costs	26,949	25,244 (g)	76,946 (g)	28,007 (g)	9,708 (g)	815 (g)	0	0	167,669
Management and leasing fees	5,155	3,196 (h)	7,561 (h)	3,855 (h)	1,248	174 (h)	179 (h)	0	21,368
Amortization of deferred leasing costs	0	0	5,188 (j)	4,002 (j)	1,474 (j)	132 (j)	255 (j)	0	11,051
General and administrative	3,244	0	0	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	0	0	1,008
	79,774	73,834	59,561	62,815	24,941	3,941	3,987	0	408,853
NET INCOME	$ 59,854	$ 37,344	$ (6,695)	$ 10,647	$ (3,099)	$ (606)	$ (1,027)	$ (237)	$ 96,181
EARNINGS PER SHARE, basic and diluted	$ 0.41								$ 0.21
WEIGHTED AVERAGE SHARES, basic and diluted	145,633								465,282

(a) Historical financial information derived from annual report on Form 10-K.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.’s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building and the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Depreciation expense is recognized using the straight-line method and a 25-year life.

[f] Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the BMG Greenville Buildings, Nestle Los Angeles Building, Leo Burnett Chicago Building and Wells Washington Properties, which bore interest at approximately 8.5%, 8%, 3.39%, 7.25% and 4.4% for the year ended December 31, 2002, respectively.

[g] Consists of operating expenses.

[h] Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

[i] Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

[j] Amortization of deferred leasing costs is recognized using the straight-line method over the lives of the respective leases.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments						
			Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc. (a)	2003 Acquisitions	Other	60 Broad Street New York	1414 Massachusetts Avenue Cambridge	Russell Tacoma	Dispositions	Pro Forma Total
REVENUES:								
Rental income	$ 202,196	$ 42,882 (b)	$52,256 (b)	$ 14,048 (b)	$ 1,890 (b)	$2,277 (b)	$ 0	$315,549
Tenant reimbursements	51,531	20,153 (c)	18,113 (c)	2,579 (c)	478 (c)	0	0	92,854
Equity in income of joint ventures	3,493	(81) (d)	0	0	0	0	(176) (e)	3,236
Interest and other income	3,445	0	0	0	0	0	0	3,445
	260,665	62,954	70,369	16,627	2,368	2,277	(176)	415,084
EXPENSES:								
Depreciation	73,241	15,666 (f)	18,429 (f)	4,146 (f)	854 (f)	1,138 (f)	0	113,474
Property operating costs	75,602	29,686 (g)	26,629 (g)	8,795 (g)	478 (g)	0	0	141,190
Asset and property management and leasing fees	9,060	3,253 (h)	3,686 (h)	947	124 (h)	137 (h)	0	17,207
Amortization of deferred leasing costs	1,244	3,171 (i)	3,688 (i)	1,106 (i)	99 (i)	191 (i)	0	9,499
General and Administrative	4,171	0	0	0	0	0	0	4,171
Interest expense	11,178	9,106 (j)	7,522 (j)	4,043 (j)	974 (j)	1,178 (j)	0	34,001
	174,496	60,882	59,954	19,037	2,529	2,644	0	319,542
NET INCOME	$ 86,169	$ 2,072	$ 10,415	$ (2,410)	$ (161)	$ (367)	$ (176)	$ 95,542
EARNINGS PER SHARE, basic and diluted	$ 0.30							$ 0.21
WEIGHTED AVERAGE SHARES, basic and diluted	289,521							465,282

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

(f) Depreciation expense is recognized using the straight-line method and a 25-year life.

(g) Consists of operating expenses.

(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

(i) Amortization of deferred leasing costs is recognized using the straight-line method over the lives of the respective leases.

(j) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.08% for the nine months ended September 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.17% for the nine months ended September 30, 2003 and assumed mortgages on the Leo Burnett Chicago Building and Wells Washington Properties, which bore interest at approximately 7.25% and 4.4% for nine months ended September 30, 2003.

The accompanying notes are an integral part of this statement.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Items 31 through 35 and Item 37 of Part II are incorporated by reference to the Registrant's Registration Statement, as amended to date, Commission File No. 333-85848

Item 36 Financial Statements and Exhibits.

(a) Financial Statements:

The following financial statements of Registrant are filed as part of this Registration Statement and included in the Prospectus:

Audited Financial Statements

(1) Report of Independent Public Accountants,

(2) Consolidated Balance Sheets as of December 31, 2001 and December 31, 2000,

(3) Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999,

(4) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999,

(5) Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999,

(6) Notes to Consolidated Financial Statements, and

(7) Schedule III–Real Estate Investments and Accumulated Depreciation as of December 31, 2001.

Unaudited Financial Statements

(1) Consolidated Balance Sheets as of March 31, 2002 and December 31, 2001,

(2) Consolidated Statements of Income for the three months ended March 31, 2002 and March 31, 2001,

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the three months ended March 31, 2002,

(4) Consolidated Statements of Cash Flows for the three months ended March 31, 2002 and March 31, 2001, and

(5) Condensed Notes to Consolidated Financial Statements.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 1 to the Prospectus:

Unaudited Financial Statements

(1) Consolidated Balance Sheets as of June 30, 2002 and December 31, 2001,

(2) Consolidated Statements of Income for the three months ended June 30, 2002 and June 30, 2001 and for the six months ended June 30, 2002 and June 30, 2001,

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the six months ended June 30, 2002,

(4) Consolidated Statements of Cash Flows for the six months ended June 30, 2002 and June 30, 2001, and

(5) Condensed Notes to Consolidated Financial Statements.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 1 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2002.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 2 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2002.

The following financial statements relating to the acquisition of the Harcourt Austin Building are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited).

The following financial statements relating to the acquisition of the IRS Long Island Buildings are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited).

The following financial statements relating to the acquisition of the KeyBank Parsippany Building are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2002.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

Unaudited Financial Statements

(1) Consolidated Balance Sheets as of September 30, 2002 and December 31, 2001,

(2) Consolidated Statements of Income for the three months ended September 30, 2002 and September 30, 2001 and for the nine months ended September 30, 2002 and September 30, 2001,

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the nine months ended September 30, 2002,

(4) Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and September 30, 2001, and

(5) Condensed Notes to Consolidated Financial Statements.

The following financial statements relating to the acquisition of the NASA Buildings are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited).

The following financial statements relating to the acquisition of the Caterpillar Nashville Building are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of September 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the nine months ended September 30, 2002.

The following revised financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 5 to the Prospectus:

(1) Consolidated Balance Sheets as of September 30, 2002 (unaudited) and December 31, 2001 (audited),

(2) Consolidated Statements of Income for the three months ended September 30, 2002 and September 30, 2001 (unaudited) and for the nine months ended September 30, 2002 and September 30, 2001 (unaudited),

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 (audited) and for the nine months ended September 30, 2002 (unaudited),

(4) Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and September 30, 2001 (unaudited), and

(5) Condensed Notes to Consolidated Financial Statements (unaudited).

The following financial statements relating to the acquisition of the Nestle Building are filed as part of this Registration Statement and included in Supplement No. 5 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 5 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of September 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the nine months ended September 30, 2002.

The following audited financial statements of Registrant are filed as part of this Registration Statement and included in Supplement No. 6 to the Prospectus:

Audited Financial Statements

(1) Report of Independent Auditors,

(2) Report of Independent Public Accountants,

(3) Consolidated Balance Sheets as of December 31, 2002 and December 31, 2001,

(4) Consolidated Statements of Income for the years ended December 31, 2002, 2001 and 2000,

(5) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2002, 2001 and 2000,

(6) Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000,

(7) Notes to Consolidated Financial Statements, and

(8) Schedule III–Real Estate Assets and Accumulated Depreciation as of December 31, 2002.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 6 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of December 31, 2002, and

(3) Pro Forma Statement of Income for the year ended December 31, 2002.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 7 to the Prospectus:

(1) Consolidated Balance Sheets as of March 31, 2003 (unaudited) and December 31, 2002,

(2) Consolidated Statements of Income for the three months ended March 31, 2003 and March 31, 2002 (unaudited),

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2002 and for the three months ended March 31, 2003 (unaudited),

(4) Consolidated Statements of Cash Flows for the three months ended March 31, 2003 and March 31, 2002 (unaudited), and

(5) Condensed Notes to Consolidated Financial Statements March 31, 2003 (unaudited).

The following financial statements relating to the acquisition of the US Bancorp Minneapolis Building are filed as part of this Registration Statement and included in Supplement No. 7 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statement of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited), and

(3) Notes to Statement of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited).

The following financial statements relating to the acquisition of the Aon Center Chicago Building are filed as part of this Registration Statement and included in Supplement No. 7 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the three months ended March 31, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the three months ended March 31, 2003 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 7 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of March 31, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the three months ended March 31, 2003.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Consolidated Balance Sheets as of June 30, 2003 (unaudited) and December 31, 2002,

(2) Consolidated Statements of Income for the six months ended June 30, 2003 and June 30, 2002 (unaudited),

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2002 and for the six months ended June 30, 2003 (unaudited),

(4) Consolidated Statements of Cash Flows for the six months ended June 30, 2003 and June 30, 2002 (unaudited), and

(5) Condensed Notes to Consolidated Financial Statements June 30, 2003 (unaudited).

The following financial statements relating to the acquisition of the Lockheed Martin Rockville Buildings are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited).

The following financial statements relating to the acquisition of the Cingular Atlanta Building are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited).

The following financial statements relating to the acquisition of the Aventis Northern NJ Building are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2003.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 10 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2003.

The following financial statements relating to the acquisition of the AIU Chicago Building are filed as part of this Registration Statement and included in Supplement No. 12 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 12 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2003.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 13 to the Prospectus:

(1) Consolidated Balance Sheets as of September 30, 2003 (unaudited) and December 31, 2002,

(2) Consolidated Statements of Income for the three months and nine months ended September 30, 2003 and September 30, 2002 (unaudited),

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2002 and for the nine months ended September 30, 2003 (unaudited),

(4) Consolidated Statements of Cash Flows for the nine months ended September 30, 2003 and September 30, 2002 (unaudited), and

(5) Condensed Notes to Consolidated Financial Statements September 30, 2003 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 13 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of September 30, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the nine months ended September 30, 2003.

The following financial statements relating to the acquisition of the Bank of America Orange County Building are filed as part of this Registration Statement and included in Supplement No. 14 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the nine months ended September 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the nine months ended September 30, 2003 (unaudited).

The following financial statements relating to the acquisition of the 1901 Market Street Philadelphia Building are filed as part of this Registration Statement and included in Supplement No. 14 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the nine months ended September 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the nine months ended September 30, 2003 (unaudited).

The following financial statements relating to the acquisition of the 60 Broad Street New York Building are filed as part of this Registration Statement and included in Supplement No. 14 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the nine months ended September 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the nine months ended September 30, 2003 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 14 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of September 30, 2003,

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(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the nine months ended September 30, 2003.

(b) Exhibits (See Exhibit Index):

Exhibit No.	Description
1.1	Form of Dealer Manager Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
1.2	Form of Warrant Purchase Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
3.1	Amended and Restated Articles of Incorporation dated as of July 1, 2000 (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation dated as of June 26, 2002 (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
3.3	Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)
3.4	Amendment No. 1 to Bylaws (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)
4.1	Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit A to Prospectus)
5.1	Opinion of Holland & Knight LLP as to legality of securities (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.1	Opinion of Holland & Knight LLP as to tax matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.2	Opinion of Holland & Knight LLP as to ERISA matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.1	Advisory Agreement dated January 30, 2003 (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)
10.2	Asset/Property Management Agreement among Registrant, Wells Operating Partnership, L.P. and Wells Management Company, Inc. (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)

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10.3	Amended and Restated Joint Venture Agreement of The Fund IX, Fund X, Fund XI and REIT Joint Venture (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)
10.4	Joint Venture Agreement of Wells/Fremont Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)
10.5	Joint Venture Agreement of Wells/Orange County Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)
10.6	Amended and Restated Joint Venture Partnership Agreement of The Wells Fund XI-Fund XII – REIT Joint Venture (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)
10.7	Joint Venture Partnership Agreement of Wells Fund XII-REIT Joint Venture Partnership (previously filed as Exhibit 10.11 and incorporated by reference to Post-Effective Amendment No. 2 to Form S-11 Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on April 25, 2000)
10.8	Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
10.9	Joint Venture Partnership Agreement of Wells Fund XIII-REIT Joint Venture Partnership (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.10	Agreement of Limited Partnership of Wells Operating Partnership, L.P. as Amended and Restated as of January 1, 2000 (previously filed in and incorporated by reference to Form 10-K of Registrant for the fiscal year ended December 31, 2000, Commission File No. 0-25739)
10.11	Amended and Restated Promissory Note for $15,500,000 for the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)
10.12	Amendment No. 1 to Mortgage and Security Agreement and other Loan Documents for the PwC Building securing the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)
10.13	Loan Agreement with SouthTrust Bank, N.A. for a $35,000,000 revolving line of credit dated May 3, 2000 (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)
10.14	Promissory Note for $35,000,000 to SouthTrust Bank, N.A. (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)

10.15	Allonge to Revolving Note relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.16	First Amendment to Revolving Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.17	Second Note Modification Agreement relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.18	Second Amendment to Amended and Restated Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.19	Revolving Note relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.20	Revolving Loan Agreement relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.21	Amended and Restated Revolving Note relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.22	Amended and Restated Loan Agreement relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.23	Revolving Credit Agreement relating to the Bank of America, N.A. $85,000,000 revolving line of credit (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.24	Construction Loan Agreement relating to the Bank of America, N.A. $34,200,000 construction loan (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.25	Lease for the Eisenhower Blvd Tampa Building (formerly the PwC Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.26	Office Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)
10.27	Guaranty of Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)
10.28	Lease Agreement with Cinemark USA, Inc. for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)
10.29	Lease Agreement with The Coca-Cola Company for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)
10.30	Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)
10.31	First Amendment to Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)
10.32	Ground Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)
10.33	Lease Agreement for the Motorola Plainfield Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 1, 2000)
10.34	Lease Agreement with Stone & Webster, Inc. for a portion of the Stone & Webster Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)
10.35	Lease Agreement with Sysco Corporation for a portion of the Stone & Webster Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)
10.36	Lease Agreement for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)
10.37	Fourth Amendment to Lease Agreement for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.38	Guaranty of Lease for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)
10.39	Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.40	First Amendment to Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.41	Lease Agreement for the State Street Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.42	Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.43	First Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.44	Reinstatement of and Second Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.45	Agreement of Sale for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.46	Lease Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.47	Guaranty of Lease for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.48	Development Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.49	Design and Build Construction Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.50	Indenture of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.51	Guaranty of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.52	Absolute Assignment of Lease and Assumption Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.53	Bond Real Property Lease Agreement for the Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.54	Second Amendment to Lease Agreement for Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.55	Lease Agreement with TCI Great Lakes, Inc. for a portion of the Windy Point I Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.56	First Amendment to Office Lease with TCI Great Lakes, Inc. (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.57	Lease Agreement with Zurich American Insurance Company for the Windy Point II Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.58	Third Amendment to Office Lease with Zurich American Insurance Company (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.59	Lease Agreement with Arthur Andersen LLP for the Vertex Sarasota Building (formerly the Arthur Andersen Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.60	Lease Agreement with Transocean Deepwater Offshore Drilling, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.61	Lease Agreement with Newpark Drilling Fluids, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.62	Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.63	Second Amendment to Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.64	Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.65	Second Amendment to Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.66	Purchase and Sale Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.67	Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.68	Lease Amendment to Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.69	Purchase and Sale Agreement and Escrow Instructions for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.70	Lease Agreement for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.71	Purchase and Sale Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.72	Lease Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.73	Purchase and Sale Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.74	Lease Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.75	Purchase and Sale Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.76	Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.77	Amendment No. 5 to Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.78	Ground Lease Agreement for ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.79	Purchase and Sale Agreement for the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.80	Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.81	Amendment to Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.82	Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.83	Amendment to Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.84	Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.85	Amendment to Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.86 Agreement of Sale for the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.87 Lease Agreement with KeyBank U.S.A., N.A. for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.88 Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.89 Amendment to Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.90 Purchase and Sale Agreement for NASA Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.91 Lease Agreement with the Office of the Comptroller of the Currency and amendments thereto (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.92 Lease Agreement with the United States of America (NASA) and amendments thereto (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.93 Agreement of Purchase and Sale for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.94 Loan Agreement for $90,000,000 loan assumed with Landesbank Schleswig-Holstein Gironzentrale, Kiel (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.95 Lease Agreement for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.96 Various amendments to Lease Agreement for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.97	Agreement of Purchase and Sale for 150 West Jefferson Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 14, 2003)
10.98	$500,000,000 Credit Agreement for an unsecured line of credit with Bank of America, N.A. and a consortium of other banks (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.99	Real Estate Sale Agreement for US Bancorp Minneapolis Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.100	Lease Agreement with US Bancorp Piper Jaffray Companies, Inc. and amendments thereto for a portion of US Bancorp Minneapolis Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.101	Agreement of Purchase and Sale for Aon Center Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.102	Lease Agreement with BP Corporation North America, Inc. and amendments thereto for a portion of the Aon Center Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.103	Lease Agreement for Cingular Atlanta Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)
10.104	Lease Agreement for Aventis Northern NJ Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)
10.105	Purchase and Sale Agreement for 35 W. Wacker Venture, L.P. (Leo Burnett Chicago Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.106	Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.107	First Amendment to Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.108	Amended and Restated Limited Partnership Agreement of Wells-Buck Venture, L.P.

10.109	Promissory Note in favor of Teachers Insurance and Annuity Association of America relating to Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.110	Promissory Note in favor of New York Life Insurance Company relating to Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.111	Mortgage Assignment of Leases and Rents, Security Agreement and Fixture Filing Statement relating to Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.112	Lease Agreement with Leo Burnett USA, Inc. for a portion of Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.113	Lease Agreement with Winston & Strawn, LLP for a portion of Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.114	Purchase and Sale Agreement for Washington, DC Portfolio (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.115	Promissory Note in favor of Metropolitan Life Insurance Company relating to Washington, DC Portfolio (US Park Service Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.116	Deed of Trust, Security Agreement and Fixture Filing relating to US Park Service Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.117	Promissory Note in favor of Metropolitan Life Insurance Company relating to Washington, DC Portfolio (1225 Eye Street Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.118	Deed of Trust, Security Agreement and Fixture Filing relating to 1225 Eye Street Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.119	Limited Liability Company Agreement for 1201 Eye Street, N.W. Associates, LLC (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)

10.120	First Amendment to Limited Liability Company Agreement for 1201 Eye Street, N.W. Associates, LLC (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.121	Limited Liability Company Agreement for 1225 Eye Street, N.W. Associates, LLC (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.122	First Amendment to Limited Liability Company Agreement for 1225 Eye Street, N.W. Associates, LLC (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.123	US Park Service Lease Agreement for a portion of US Park Service Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.124	Amendment to and Clarification of Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture and Agency Agreement
10.125	Bank of America Lease Agreement for Bank of America Orange County Building
10.126	Purchase and Sale Agreement for 1901 Market Street Philadelphia Building
10.127	Amended and Restated Promissory Note from Wells 1901 Market, LLC to Wells Operating Partnership, L.P. relating to 1901 Market Street Philadelphia Building
10.128	Independence Blue Cross Agreement of Lease for 1901 Market Street Philadelphia Building
10.129	Agreement of Purchase and Sale of Property for 60 Broad Street New York Building
10.130	State of New York Agreement of Lease for a portion of the 60 Broad Street New York Building
23.1	Consent of Holland & Knight LLP (included in exhibits 5.1 and 8.1)
23.2	Consent of Arthur Andersen LLP (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
23.3	Consent of Ernst & Young LLP
23.4	Consent of Ernst & Young LLP
24.1	Power of Attorney
24.2	Power of Attorney

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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 the requirements for filing on Form S-11 and has duly caused this Post-Effective Amendment No. 7 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Norcross, and State of Georgia, on the 10 th day of March 2004.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
A Maryland corporation
(Registrant)

By: /s/ Leo F. Wells, III

Leo F. Wells, III, President

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 7 to Registration Statement has been signed below on March 10, 2004 by the following persons in the capacities indicated.

Name	Title
/s/ Leo F. Wells, III Leo F. Wells, III	President and Director (Principal Executive Officer)
/s/ Douglas P. Williams Douglas P. Williams	Executive Vice President and Director (Principal Financial and Accounting Officer)
/s/ Michael R. Buchanan * Michael R. Buchanan (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Richard W. Carpenter * Richard W. Carpenter (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Bud Carter * Bud Carter (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ William H. Keogler, Jr. * William H. Keogler, Jr. (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Donald S. Moss * Donald S. Moss (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Walter W. Sessoms * Walter W. Sessoms (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Neil H. Strickland * Neil H. Strickland (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ W. Wayne Woody ** W. Wayne Woody (By Douglas P. Williams, as Attorney-in-fact)	Director

* By Douglas P. Williams, as Attorney-in-fact, pursuant to Power of Attorney dated April 20, 2003 and included as Exhibit 24.1 herein.

** By Douglas P. Williams, as Attorney-in-fact, pursuant to Power of Attorney dated July 25, 2003 and included as Exhibit 24.2 herein.

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EXHIBIT INDEX

Exhibit No.	Description
1.1	Form of Dealer Manager Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
1.2	Form of Warrant Purchase Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
3.1	Amended and Restated Articles of Incorporation dated as of July 1, 2000 (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation dated as June 26, 2002 (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
3.3	Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)
3.4	Amendment No. 1 to Bylaws (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)
4.1	Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit A to Prospectus)
5.1	Opinion of Holland & Knight LLP as to legality of securities (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.1	Opinion of Holland & Knight LLP as to tax matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.2	Opinion of Holland & Knight LLP as to ERISA matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.1	Advisory Agreement dated January 30, 2003 (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)
10.2	Asset/Property Management Agreement among Registrant, Wells Operating Partnership, L.P. and Wells Management Company, Inc. (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)
10.3	Amended and Restated Joint Venture Agreement of The Fund IX, Fund X, Fund XI and REIT Joint Venture (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)

10.4	Joint Venture Agreement of Wells/Fremont Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)
10.5	Joint Venture Agreement of Wells/Orange County Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)
10.6	Amended and Restated Joint Venture Partnership Agreement of The Wells Fund XI-Fund XII – REIT Joint Venture (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)
10.7	Joint Venture Partnership Agreement of Wells Fund XII-REIT Joint Venture Partnership (previously filed as Exhibit 10.11 and incorporated by reference to Post-Effective Amendment No. 2 to Form S-11 Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on April 25, 2000)
10.8	Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
10.9	Joint Venture Partnership Agreement of Wells Fund XIII-REIT Joint Venture Partnership (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.10	Agreement of Limited Partnership of Wells Operating Partnership, L.P. as Amended and Restated as of January 1, 2000 (previously filed in and incorporated by reference to Form 10-K of Registrant for the fiscal year ended December 31, 2000, Commission File No. 0-25739)
10.11	Amended and Restated Promissory Note for $15,500,000 for the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)
10.12	Amendment No. 1 to Mortgage and Security Agreement and other Loan Documents for the PwC Building securing the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)
10.13	Loan Agreement with SouthTrust Bank, N.A. for a $35,000,000 revolving line of credit dated May 3, 2000 (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)
10.14	Promissory Note for $35,000,000 to SouthTrust Bank, N.A. (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)
10.15	Allonge to Revolving Note relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.16	First Amendment to Revolving Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.17	Second Note Modification Agreement relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.18	Second Amendment to Amended and Restated Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.19	Revolving Note relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.20	Revolving Loan Agreement relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.21	Amended and Restated Revolving Note relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.22	Amended and Restated Loan Agreement relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.23	Revolving Credit Agreement relating to the Bank of America, N.A. $85,000,000 revolving line of credit (previously filed in and incorporated by reference to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.24	Construction Loan Agreement relating to the Bank of America, N.A. $34,200,000 construction loan (previously filed in and incorporated by reference to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.25	Lease for the Eisenhower Blvd Tampa Building (formerly the PwC Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)
10.26	Office Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)
10.27	Guaranty of Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.28	Lease Agreement with Cinemark USA, Inc. for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)
10.29	Lease Agreement with The Coca-Cola Company for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)
10.30	Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)
10.31	First Amendment to Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)
10.32	Ground Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)
10.33	Lease Agreement for the Motorola Plainfield Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 1, 2000)
10.34	Lease Agreement with Stone & Webster, Inc. for a portion of the Stone & Webster Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)
10.35	Lease Agreement with Sysco Corporation for a portion of the Stone & Webster Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)
10.36	Lease Agreement for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)
10.37	Fourth Amendment to Lease Agreement for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)
10.38	Guaranty of Lease for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)
10.39	Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.40	First Amendment to Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)

10.41	Lease Agreement for the State Street Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.42	Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.43	First Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.44	Reinstatement of and Second Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.45	Agreement of Sale for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.46	Lease Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.47	Guaranty of Lease for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.48	Development Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.49	Design and Build Construction Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.50	Indenture of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.51	Guaranty of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.52	Absolute Assignment of Lease and Assumption Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.53	Bond Real Property Lease Agreement for the Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.54	Second Amendment to Lease Agreement for Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.55	Lease Agreement with TCI Great Lakes, Inc. for a portion of the Windy Point I Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.56	First Amendment to Office Lease with TCI Great Lakes, Inc. (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.57	Lease Agreement with Zurich American Insurance Company for the Windy Point II Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.58	Third Amendment to Office Lease with Zurich American Insurance Company (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.59	Lease Agreement with Arthur Andersen LLP for the Vertex Sarasota Building (formerly the Arthur Andersen Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)
10.60	Lease Agreement with Transocean Deepwater Offshore Drilling, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.61	Lease Agreement with Newpark Drilling Fluids, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.62	Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.63	Second Amendment to Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.64	Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.65	Second Amendment to Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.66	Purchase and Sale Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.67	Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.68	Lease Amendment to Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.69	Purchase and Sale Agreement and Escrow Instructions for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.70	Lease Agreement for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.71	Purchase and Sale Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.72	Lease Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.73	Purchase and Sale Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.74	Lease Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.75	Purchase and Sale Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.76	Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.77	Amendment No. 5 to Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.78	Ground Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.79	Purchase and Sale Agreement for the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.80	Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.81	Amendment to Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.82	Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.83	Amendment to Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.84	Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.85	Amendment to Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.86	Agreement of Sale for the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.87	Lease Agreement with KeyBank U.S.A., N.A. for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.88	Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.89	Amendment to Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)
10.90	Purchase and Sale Agreement for NASA Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)
10.91	Lease Agreement with the Office of the Comptroller of the Currency and amendments thereto (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)
10.92	Lease Agreement with the United States of America (NASA) and amendments thereto (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.93	Agreement of Purchase and Sale for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)
10.94	Loan Agreement for $90,000,000 loan assumed with Landesbank Schleswig-Holstein Gironzentrale, Kiel (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)
10.95	Lease Agreement for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)
10.96	Various amendments to Lease Agreement for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)
10.97	Agreement of Purchase and Sale for 150 West Jefferson Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 14, 2003)
10.98	$500,000,000 Credit Agreement for an unsecured line of credit with Bank of America, N.A. and a consortium of other banks (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.99	Real Estate Sale Agreement for US Bancorp Minneapolis Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.100	Lease Agreement with US Bancorp Piper Jaffray Companies, Inc. and amendments thereto for a portion of US Bancorp Minneapolis Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.101	Agreement of Purchase and Sale for Aon Center Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.102	Lease Agreement with BP Corporation North America, Inc. and amendments thereto for a portion of the Aon Center Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)
10.103	Lease Agreement for Cingular Atlanta Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)
10.104	Lease Agreement for Aventis Northern NJ Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)

10.105	Purchase and Sale Agreement for 35 W. Wacker Venture, L.P. (Leo Burnett Chicago Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.106	Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.107	First Amendment to Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.108	Amended and Restated Limited Partnership Agreement of Wells-Buck Venture, L.P. (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.109	Promissory Note in favor of Teachers Insurance and Annuity Association of America relating to Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.110	Promissory Note in favor of New York Life Insurance Company relating to Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.111	Mortgage Assignment of Leases and Rents, Security Agreement and Fixture Filing Statement relating to Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.112	Lease Agreement with Leo Burnett USA, Inc. for a portion of Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.113	Lease Agreement with Winston & Strawn, LLP for a portion of Leo Burnett Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.114	Purchase and Sale Agreement for Washington, DC Portfolio (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.115	Promissory Note in favor of Metropolitan Life Insurance Company relating to Washington, DC Portfolio (US Park Service Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.116	Deed of Trust, Security Agreement and Fixture Filing relating to US Park Service Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)

10.117	Promissory Note in favor of Metropolitan Life Insurance Company relating to Washington, DC Portfolio (1225 Eye Street Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.118	Deed of Trust, Security Agreement and Fixture Filing relating to 1225 Eye Street Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.119	Limited Liability Company Agreement for 1201 Eye Street, N.W. Associates, LLC (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.120	First Amendment to Limited Liability Company Agreement for 1201 Eye Street, N.W. Associates, LLC (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.121	Limited Liability Company Agreement for 1225 Eye Street, N.W. Associates, LLC (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.122	First Amendment to Limited Liability Company Associates for 1225 Eye Street, N.W. Associates, LLC (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.123	US Park Service Lease Agreement for a portion of US Park Service Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on December 17, 2003)
10.124	Amendment to and Clarification of Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture and Agency Agreement, filed herewith
10.125	Bank of America Lease Agreement for Bank of America Orange County Building, filed herewith
10.126	Purchase and Sale Agreement for 1901 Market Street Philadelphia Building, filed herewith
10.127	Amended and Restated Promissory Note from Wells 1901 Market, LLC to Wells Operating Partnership, L.P. relating to 1901 Market Street Philadelphia Building, filed herewith
10.128	Independence Blue Cross Agreement of Lease for 1901 Market Street Philadelphia Building, filed herewith
10.129	Agreement of Purchase and Sale of Property for 60 Broad Street New York Building, filed herewith
10.130	State of New York Agreement of Lease for a portion of the 60 Broad Street New York Building, filed herewith
23.1	Consent of Holland & Knight LLP (included in exhibits 5.1 and 8.1)

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23.2	Consent of Arthur Andersen LLP (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
23.3	Consent of Ernst & Young LLP, filed herewith
23.4	Consent of Ernst & Young LLP, filed herewith
24.1	Power of Attorney, filed herewith
24.2	Power of Attorney, filed herewith

EXHIBIT 10.124

AMENDMENT TO AND CLARIFICATION OF JOINT VENTURE PARTNERSHIP AGREEMENT OF FUND VIII-IX-REIT JOINT VENTURE AND AGENCY AGREEMENT

AMENDMENT TO AND CLARIFICATION OF JOINT VENTURE PARTNERSHIP AGREEMENT OF FUND VIII-IX-REIT JOINT VENTURE AND AGENCY AGREEMENT

This Amendment to and Clarification of Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture and Agency Agreement ("this Agreement") is made and entered into this 24th day of November, 2003, to be effective as of June 15, 2000, by and between WELLS OPERATING PARTNERSHIP, L.P. ("Wells OP") and FUND VIII AND FUND IX ASSOCIATES (the "Fund VIII-IX Joint Venture").

W I T N E S S E T H:

WHEREAS, the parties hereto have previously entered into that certain Joint Venture Partnership Agreement (the "Joint Venture Agreement") dated as of June 15, 2000, relating to the ownership and operation of that certain property located at 15253 Bake Parkway in Orange County, California (the "Bake Parkway Property"); and

WHEREAS, the parties hereto desire to clarify and correct certain provisions of the Joint Venture Agreement relating to the ownership of the Bake Parkway Property.

NOW THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto covenant and agree, and the Joint Venture Agreement is hereby amended, as follows:

1.

Capitalized words used herein shall have the meaning assigned to them in the Joint Venture Agreement unless the context clearly requires otherwise.

2.

Record title to the Bake Parkway Property is held in the name of the Fund VIII-IX Joint Venture. The parties hereto authorize and direct that title to the Bake Parkway Property continue to be held in the name of the Fund VIII-IX Joint Venture as agent and nominee for and as an accommodation to the Venture and the Venturers. The Fund VIII-IX Joint Venture hereby acknowledges and agrees that title shall be held subject to the authorization and direction of the Venturers in accordance with the terms and provisions of the Joint Venture Agreement as if record title were held in the name of the Venture. Wells OP, as the Administrative Venturer of this Venture, is authorized to take such action on behalf of the Venture as may be approved by the Venturers in accordance with the terms and conditions of the Joint Venture Agreement.

The parties hereto hereby acknowledge and agree as follows: (i) that the Fund VIII-IX Joint Venture is acting strictly as agent for the Venture in connection with holding title to the Bake Parkway Property pursuant to the terms of this Agreement; (ii) that the Venture will be deemed the true owner of the Baker Parkway Property for tax and all other purposes; (iii) that the Fund VIII-IX Joint Venture is functioning as agent, and not as principal, with respect to the Bake Parkway Property in all dealings with third parties; (iv) that the Fund VIII-IX Joint Venture will not convey, assign or encumber the Bake Parkway Property unless directed to do so by the Venture, and that the Fund VIII-IX Joint Venture will convey, assign or encumber the Bake Parkway Property and disburse the proceeds only as specifically directed by the Venture; and (v) that the Venture hereby indemnifies and holds the Fund VIII-IX Joint Venture harmless from any liability it might sustain for acting as its agent and nominee hereunder.

3.

Section 3.1 of the Joint Venture Agreement as hereby amended and restated in its entirety as follows:

3.1 Capital Contributions. The Fund VIII-IX Joint Venture shall be obligated and required to contribute the Bake Parkway Property to the Venture, along with any and all leases and other contracts relating to the Bake Parkway Property, to be transferred and deeded to the Venture as its Capital Contribution to the Venture. All real estate transfer taxes, deed taxes and other costs and expenses associated with the transfer of the Bake Parkway Property to the Venture shall be paid for by the Venture. The parties hereby acknowledge and agree that the Agreed Value of the Bake Parkway Property is and shall be deemed to be $6,857,889 for all purposes hereunder and that, upon the transfer and contribution of the Bake Parkway Property to the Venture, the Fund VIII-IX Joint Venture shall be deemed to have made, and shall be credited with making, a Capital Contribution to the Venture in the amount of $6,857,889.

Wells OP shall be obligated and required to make certain cash Capital Contributions to the Venture to be used by the Venture for capital and tenant improvements, leasing commissions and other improvements, renovations, refurbishments, costs and expenses necessary or required relating to the Bake Parkway Property and the transfer of such Property. It is hereby acknowledged and agreed that, as of the date of this Agreement, Wells OP has made aggregate cash Capital Contributions to the Venture in the amount of $1,287,488.

The Venturers shall from time to time make such additional Capital Contributions to the Venture in such amounts as may be agreed to by the Venturers from time to time.

4.

Except as specifically amended hereby, the Joint Venture Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the undersigned Venturers have executed and entered into this Amendment to and Clarification of Joint Venture Agreement of Fund VIII-IX-REIT Joint Venture and Agency Agreement intended to be effective as of the 15th day of June, 2000.

Signed, sealed and delivered
in the presence of:

/s/ Mary Schubert

Unofficial Witness

/s/ Martha Jean Cory

Notary Public

WELLS OPERATING PARTNERSHIP, L.P.
a Delaware limited partnership

By: Wells Real Estate Investment Trust, Inc.,
a Maryland corporation, as General Partner

By: /s/ Leo F. Wells, III

Title: President

Signed, sealed and delivered
in the presence of:

/s/ Mary Schubert

Unofficial Witness

/s/ Martha Jean Cory

Notary Public

FUND VIII AND FUND IX ASSOCIATES

By: Wells Real Estate Fund VIII, L.P., a Georgia limited partnership

By: Wells Partners, L.P., a Georgia limited partnership, as General Partner

By: Wells Capital, Inc., a Georgia corporation, as General Partner

By: /s/ Leo F. Wells, III

Title: President

Signed, sealed and delivered
in the presence of:

/s/ Mary Schubert

Unofficial Witness

/s/ Martha Jean Cory

Notary Public

By: /s/ Leo F. Wells, III

LEO F. WELLS, III, a General Partner

Signed, sealed and delivered
in the presence of:

/s/ Mary Schubert

Unofficial Witness

/s/ Martha Jean Cory

Notary Public

Signed, sealed and delivered
in the presence of:

/s/ Mary Schubert

Unofficial Witness

/s/ Martha Jean Cory

Notary Public

By: Wells Real Estate Fund IX, L.P., a Georgia limited partnership

By: Wells Partners, L.P., a Georgia limited partnership, as General Partner

By: Wells Capital, Inc., a Georgia corporation, as General Partner

By: /s/ Leo F. Wells, III

Title: President

By: /s/ Leo F. Wells, III

LEO F. WELLS, III, a General Partner

EXHIBIT 10.125

BANK OF AMERICA LEASE AGREEMENT FOR BANK OF AMERICA ORANGE COUNTY BUILDING

LEASE

Between

BANK OF AMERICA NT & SA

as Tenant

and

PREFCO XXI LIMITED PARTNERSHIP

as Landlord

Dated as of June 26, 1997

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LEASE

THIS LEASE, dated as of June 26, 1997, between PREFCO XXI LIMITED PARTNERSHIP ("Landlord"), a Connecticut limited partnership having an office at c/o Pitney Bowes Credit Corporation 27 Waterview Drive, Shelton, Connecticut 06484 BANK OF AMERICA NT & SA, a national banking association ("Tenant"), having an address for purposes hereof at 600 Wilshire Boulevard, 2 nd Floor, Los Angeles, California 90017.

IN CONSIDERATION of the mutual covenants and agreements herein contained and intending to be legally bound, Landlord and Tenant covenant and agree as follows:

1. DEFINITIONS:

As used in this Lease the following terms have the meanings set forth below:

"Additional Improvements" shall have the meaning given to that term in paragraph (a) of Article 12 hereof.

"Additional Rent" shall have the meaning given to that term in paragraph (e) of Article 4 hereof

"Alteration Cost Threshold" shall have the meaning given to that term in paragraph (a) of Article 12 hereof.

"Appraisal Procedure" shall mean the following procedure for determining Fair Market Rental: The Tenant and the Landlord shall fail to choose an Appraiser within twenty (20) days after notice from either party of the necessity to select an Appraiser, then the Appraiser shall be selected by the American Arbitration Association. Within fifteen (15) days following the appointment of the Appraiser, each party shall submit to the Appraiser its determination of the Fair Market Rental. The Appraiser shall within thirty (30) days determination of the Fair Market Rental. The Appraiser shall within (30) days following the submission of such determinations render its decision by selecting the determination of Fair Market Rental submitted by either party which, in the judge of the Appraiser, most nearly reflects the Fair Market Rental. It is expressly understood that the Appraiser shall have no power or authority to select any Fair Market Rental other than the Fair Market Rental submitted by the Landlord or the Tenant, and the decision of the Appraiser shall be final and binding upon the parties hereto. The fees and expenses of the Appraiser shall be divided equally between the Tenant and the Landlord. The Appraisal Procedure shall commence at least three (3) months prior to, and shall be completed by the time when the Tenant is required to provide Landlord with its notice of extension pursuant to Section 3(d)(1) hereof.

"Appraiser" shall mean an individual having not less than five years current experience appraising commercial properties of a nature and type similar to that of the Leased Property in the geographic areas where licenses are required and who either (i) holds an MAI designation conferred by the American Institute of Real Estate Appraisers and is in good standing as an independent member thereof, or (ii) holds the Senior Member designation conferred by the

American Society of Appraisers and is in good standing as an independent member thereof, or any organizations succeeding thereto of similarly recognized national standing.

"Bankruptcy Act" shall mean Title 11 of the United States Code and any other Federal insolvency or similar law, now or hereafter in effect.

"Base Price Index" shall mean the CPI for May, 1997.

"Basic Rent" shall mean the base rental payable hereunder for the lease of the Leased Property for the Initial Term, Landlord Extended Term and any Extended Term, as applicable as provided on Schedule B annexed hereto.

"Business Day" shall mean any day except Saturdays, Sundays and the days observed by state chartered banks and national banks in the states of Connecticut, New York, Utah or California as public holidays.

"casualty" shall have the meaning given to that term in paragraph (a) of Article 13 hereof.

"CPI" shall mean the Consumer Price Index Published by the Bureau of Labor Statistics of the United States Department of Labor for "All Urban Consumers" in the table entitled "Consumer Price Index: United States City Average", or any successor index thereto, All Items (1982-84=100) for the month in question. In the event that the CPI is converted to a different standard reference base or otherwise revised, the determination of the Alteration Cost Threshold to be made pursuant to Article 12(a) hereof or pursuant to any other provisions of this Lease shall be made with the use of such conversion factor, formula or table for converting the CPI as may be published by the Bureau of Labor Statistics or, if not so published, then with the use of such conversion factor, formula or table as may be published by Prentice-Hall, Inc. or any other nationally recognized publisher of similar statistical information, or if a conversion factor, formula or table is unavailable, Landlord and Tenant shall agree on another method to adjust the CPI, or any successor thereto, to the figure that would have been arrived at had the manner of computing the CPI in effect on the date of this Lease not been altered. If Landlord and Tenant fail to agree upon a conversion factor, formula, table or other method, the matter will be submitted for resolution by a nationally recognized firm of certified public accountants selected by Landlord and approved by Tenant, which approval shall not be unreasonably withheld, at Tenant's expense.

"Commencement Date" shall mean the date of this lease as first set forth above.

"condemnation" shall have the meaning given to that term in paragraph (a) of Article 13 hereof.

"Depository" shall have the meaning given to that term in paragraph (d) of Article 13 hereof.

"Environmental Laws" shall mean and include the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984, the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, the Hazardous Materials Transportation Act, the Toxic Substances Control Act, Clean Air Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Clean Water Act and all other applicable federal, state and local environmental laws and common laws, ordinances, rules, requirements, and regulations, as any of the foregoing may have been or may be from time to time amended, supplemented or supplanted, and any other federal, state or local laws, ordinances, rules, requirements and regulations, now or hereafter existing relating to regulation or control of Hazardous Substances.

"Environmental Report" means, collectively, the reports relating to the presences and condition of any Hazardous Substances on the Leased Property as described on Schedule E annexed hereto.

"Equipment" shall have the meaning given to that term in Article 2 hereof.

"Event of Default" shall have the meaning given that term in paragraph (a) of Article 23 hereof.

"Extended Term" shall have the meaning given to that term in Article 3 hereof.

"Fair Market Rental" shall mean the fair market rental value that would be obtained in an arm's-length transaction between an informed and willing lessee and as informed and willing lessor, in either case under no compulsion to lease, and neither of which is related to the Landlord or the or the Tenant, for the lease of the Leased Property on the terms set forth, or referred to, in this Lease. Such fair market rental value shall be calculated as the value for the use of the Leased Property, to be lease in place on the Land, assuming, in the determination of such fair market rental value, that the Leased Property has been maintained in accordance with the provisions of this Lease, and that the lessee is a tenant in possession of the Leased Property at the time of renewal which is renewing its net lease and would be contemplating retention of the Leased Property with use and retention of all special features of the Leased Property attendant to the Tenant's operations being considered in the rental rate. Fair Market Rental shall be determined prior to the commencement of each Extended Term in accordance with the Appraisal Procedure and will remain constant throughout the applicable Extended Term. Fair Market Rental will be paid monthly in arrears with a level amount for each month within the applicable Extended Term.

"Hazardous Substance" shall mean and include any, each and all substances or materials regulated pursuant to any Environmental Laws, including, but not limited to, any such substance, emission or material now or hereafter defined as or deemed to be a regulated substance, hazardous substance, toxic substance, pesticide, hazardous waste or any similar or like classification or categorization, there under, including, without limitation, petroleum and petroleum products, radioactive materials, and asbestos.

"Impositions" shall have the meaning given to that term in paragraph (a) of Article 7 hereof.

"Improvements" shall have the meaning given to that term in Article 2 hereof.

"Indemnitees" shall have the meaning given to that term in Article 6 hereof.

"Initial Term" shall have the meaning given to that term in Article 3 hereof.

"Installment Payment Date" shall have the meaning given to that term in paragraph (b) of Article 4 hereof.

"Institutional Investor" shall mean a corporate finance company, a securities company, a bank, trust company or savings and loan association, an insurance company, a collective investment fund, endowment, foundation, educational institution, real estate investment trust or any person organized under the laws of the United States or any state or political subdivision thereof which is generally recognized in the financing or real estate field as an institutional investor or which owns real properties which are net leased to major United States corporations, and which has a net worth of not less than $50 million.

"Land" shall have the meaning given to that term in Article 2 hereof.

"Landlord Extended Term" shall mean the extension of the term of this Lease beginning on the expiration date of the Initial Term for one (1) additional term of three (3) years pursuant to Landlord's option to extend as set forth in Article 3 hereof.

"Landlord's mortgagee" shall mean the holder of a first mortgage or deed of trust given by Landlord which encumbers Landlord's interest in the Leased Property, and the holders from time to time of the debt secured by such mortgage.

"Landlord's Yield" means Landlord's nominal after-tax book yield and total after-tax cash flow per dollar of equity, on the basis of the same assumptions originally used by Landlord in computing Landlord's Yield as of the Commencement Date. In the event that Landlord and Tenant are unable to agree to the amount of any adjustment of Basic Rent necessary to preserve Landlord's Yield hereunder, the matter will be submitted for resolution by a nationally recognized firm of certified public accountants selected by Landlord and reasonably approved by Tenant.

"Leased Property" shall have the meaning given to that term in Article 2 hereof.

"Material Event of Default" shall mean those Events of Default set forth in paragraphs (a)(i), (iii), (iv), (v), (vi) and (vii) of Article 23 hereof.

"Net Award" shall mean the entire award, compensation, insurance proceeds or other payment if any, on account of any condemnation or casualty, less any expenses (including, but not limited to, reasonable attorneys' fees and expenses) actually incurred by Landlord in collecting such award, compensation, insurance proceeds or other payment and not paid (or reimbursed to Landlord) by Tenant pursuant to Article 13 hereof.

"Overdue Interest Rate" shall have the meaning given to that term in Article 22 hereof.

"Permitted Encumbrances" shall mean, with respect to the Leased Property: (a) rights reserved to or vested in any public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting the Leased Property, to (i) terminate such right, power, franchise, licensed or permit, provided that the exercise of such right would not materially impair the use of the Leased Property or materially and adversely affect the value thereof, or (iii) purchase, condemn, appropriate or recapture, or designate a purchaser of the Leased Property or any portion thereof; (b) any liens there on for taxes, assessments, fees and other governmental and similar charges referred to in Article 7 of this Lease, and any liens of mechanics, materialmen and laborers for work or services performed or material furnished in connection with the Leased Property, in case which are not due and payable, or which are not delinquent to the extent that penalties for nonpayment may assessed, or the amount or validity of which are being contested as permitted by paragraph (g) of Article 7 hereof; (c) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances and irregularities in the title to the Leased Property which do not materially impair the use of the Leased Property or materially and adversely affect the value thereof;)d) rights reserved to or vested in any public authority to control or regulate or use the Leased Property, which rights do not materially impair the use of the Leased Property or materially and adversely affect the value there of; (e) any mortgage affecting Landlord's interest in the Leased Property and any assignment of this Lease as further security for the note or notes secured thereby or other liens created by Landlord; and (f) all maters affecting title existing on the date of this Lease as set forth in Schedule D hereto.

"Property" shall have the meaning given to it in Article 2 hereof.

"Tenant's Actual Knowledge" shall mean the actual knowledge of Mr. Conrad Anderson, Mr. Spiro Kailas, Mr. Karl D. Kellogg and their respective successors, all of whom, the Tenant hereby represents and warrants, are the three individuals who in their respective capacities as employees of the Tenant are actively engaged in the management of the Leased Property and are the three employees most intimately familiar with the condition and operation of the Leased Property.

"Tenant's Equipment" shall have the meaning given to that term in Article 2 hereof.

"Tenant's Loss" shall have the meaning given that term in paragraph (a) of Article 13 hereof.

"Term of this Lease" shall mean the Initial Term as the same may be extended by any Landlord Extended Term or Extended Term, as applicable.

"Termination Date" shall have the meaning given to that term in paragraph (c) of Article 13 hereof.

"Termination Value" shall have the meaning given to that term in paragraph (c) of Article 13 hereof.

"Third Party Offer" shall have the meaning given to that term in Article 16 hereof.

2. DEMISE; TITLE; CONDITION:

Landlord hereby demises, leases and rents to Tenant, and Tenant hereby leases, hires and rents from Landlord, upon and subject to the terms, covenants, conditions and limitations hereinafter set forth, for the Term of this Lease, those certain parcels of land (the "Land") described in Schedule A annexed hereto, together with all buildings, structures and improvements, (the "Improvements") thereon and all easements and a appurtenances thereto, and all other facilities, fixtures, machinery, apparatus, installations, equipment and other property (with the exception of computer systems, shelving, signs, surrounds, modular furniture, furniture, trade fixtures, machinery, two gas turbines and two steam turbines (identified on Schedule A-1), equipment and other property of Tenant now or hereafter used or useful in connection with Tenant's business, collectively, "Tenant's Equipment") used in connection with the maintenance and operation of the Improvements (including, but not limited to, all heating, ventilating, air conditioning, plumbing, and electrical equipment, lighting and lighting equipment, elevators and escalators, security systems, utility lines, refuse facilities, waste removal systems, generators, one gas turbine used for emergency back-up power (as identified on Schedule A-1), transformers, cooling towers, maintenance depots, power plants, storage tanks, fire pumps, fire control, sprinkler and stand pipe systems, emergency power and automatic transfer switches, air conditioning units, building and site controls, sewerage facilities, and all associated piping, wiring, conduits, feeders, tracks, pluming, and drainage facilities, but excluding tangible personal property of negligible value used by Tenant in connection with the maintenance and operation of the Improvements such as janitorial supplies and cleaning equipment) now or hereafter located on the Land and used or procured for use in connection with the Improvements (collectively the "Equipment") (the Land, the Improvements and the Equipment are hereinafter referred to individually or collectively from time to time as the context requires as the "Leased Property").

The Leased Property is demised and let in its present condition without representation or warranty by Landlord, subject to (a) the rights of any parties in possession thereof, (b) the state of the title thereto existing at the time Landlord acquired title to the Leased Property, (c) any state of facts which an accurate survey or physical inspection might show, (d) all applicable laws, rules, regulations ordinances and restrictions now in effect, and (e) any violations of such laws, rules, regulations, ordinances and restrictions which may exist at the commencement of the Term of this Lease. Tenant has examined the Leased Property, and Landlord's title thereto, and has found the same to be satisfactory.

This Lease as now existing and hereafter amended, supplemented or otherwise modified is and shall be prior and superior to all mortgages, deeds of trust and security agreements which now or hereafter affect all or any portion of the Leased Property, and to all renewals, modifications, consolidations, replacements, and extensions thereof. This clause shall be self-operative and no further instrument of superiority shall be required. Landlord agrees that it shall not make any additions, changes or modifications to the Leased Property during the term of the Lease.

Tenant acknowledges that Tenant is fully familiar with the physical condition of the Leased Property and that Landlord makes no representation or warranty, express or implied, with respect to same or the location, use, description, design, merchantability, fitness for use for a particular purpose, condition or durability purpose, condition or durability hereof, or as to quality of the material or workmanship therein, or as to Landlord's title thereto or ownership thereof, or otherwise; and all risks incidental to the Leased Property shall be borne by Tenant to the extent of matters which arise during the Term of this Lease. Landlord leases and Tenant accepts the Leased Property as it with all faults and in the event of any defect or deficiency of any nature in the Leased Property or any fixture or other item constituting a portion thereof, whether patent or latent, neither Landlord nor Landlord's mortgagee shall have any responsibility or liability with respect thereto. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION BY LANDLORD OF, AND LANDLORD DOES HEREBY DISCLAIM AMY AND ALL WARRANTIES BY LANDLORD, EXPRESS OR IMPLIED, WITH RESPECT TO THE LEASED PROPERTY OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT OR OTHERWISE.

3. TERM; EXTENDED TERMS:

(a) Subject to the provisions hereof, Tenant shall have and hold the Leased Property for an initial term which shall begin as of the date hereof and end on June 30, 2009 (the "Initial Term").

(b) The Landlord shall have an option to extend the Term of this Lease beginning on June 30, 2009 for one (1) additional term of three (3) years, by notice to the Tenant no later that June 30, 2007 (the "Landlord Extended Term"). Upon exercise by the landlord of its option to extend the Term of this Lease for the Landlord Extended Term, the Tenant will be obligated to lease the Leased Property in accordance with the terms hereof for the Landlord Extended Term.

Tenant shall give Landlord a reminder notice (the "Reminder Notice") of the date that the option to enter into the Landlord Extended Term must be exercised no earlier than March 30, 2007; provided, however, that if Tenant fails to give such Reminder Notice by April 30, 2007, Landlord shall have until the date which is sixty (60) days after the date Landlord receives the Remainder Notice to notify Tenant whether it elects to exercise the option for the Landlord Extended Term.

(c) The Tenant shall have options to extend the Term of this Lease for Two (2) consecutive periods of five (5) years each (individually an "Extended Term" and collectively the "Extended Terms"), as hereinafter provided in paragraph (d).

(d) Provided that no Material Event of Default shall have occurred and be continuing at the time the Tenant delivers to the Landlord a notice of extension and at the time the particular Extended Term is scheduled to begin, the Tenant shall have the right to extend this Lease for one or more Extended Term(s) upon and subject to the following provisions:

(1) The Tenant may extend this Lease for up to two (2) successive Extended Terms of five (5) years each if the Tenant notifies the Landlord thereof no later that March 30, 2008 (if the Landlord does not exercise its option in Section 3(b) or no later than twelve (12) months prior to the expiration of the then existing Extended Term, as the case may be. The Extended Term shall commence immediately upon the expiration of the Initial Term, the Landlord Extended Term or the immediately preceding Extended Term as the case may be. If the Tenant does not extend this Lease in a timely manner for any particular Extended Term, the Tenant's rights with respect to that and any later Extended Term(s) shall expire and be of no further force or effect.

(2) The Tenant's exercise of any extension option must be made by a notice signed by the Tenant and delivered to the Landlord on or before the date set forth above.

Each notice of election to extended given in accordance with the provisions of this Article 3 shall, subject to the other provisions of this Article 3, automatically extend this Lease for the Landlord Extended Term or the Extended Term selected, without further writing, provided, however, either party, upon request of the other, will execute and acknowledge, in form suitable for recording, and instrument confirming any such extension. Time shall be of the essence with respect to the giving of notice by Tenant to extend this Lease. Tenant shall have no right to extend this Lease except as provided in this Article 3.

(e) The terms and conditions under which Tenant shall occupy the Leased Property during the Landlord Extended Term or any Extended Term shall be upon the same covenants, agreements, provisions, and conditions of this Lease that are in effect on the date immediately prior to the date the Landlord Extended Term or the Extended Term, as applicable, begins, except that the Basic Rent payable hereunder during the Landlord Extended Term and each such Extended Term shall be equal to the Basic Rent set forth on Schedule B annexed hereto with respect to the Landlord Extended Term and each such Extended Term, subject to reduction as expressly provided in Article 13 of this Lease.

4. RENT:

(a) Tenant shall pay to Landlord all Basic Rent and (to the extent payable to Landlord) Additional Rent by wire transfer of federal funds or collected funds immediately available to Landlord on the dates when Basic Rent is due as provided in Section 4(b) hereof (and, with respect to any Additional Rent payable to Landlord hereunder, when due as provided herein), at Landlord's address set forth above, or at such other place in the continental United States as Landlord may from time to time designate by written notice to Tenant.

(b) During the Initial Term and any Landlord Extended Term or Extended Term, Tenant shall pay to Landlord the Basic Rent before 12:00 P.M. Eastern Time, on the last day of each month starting with the month of July, 1997 (the "Installment Payment Dates"). If such payment is received after 12:00 P.M. Eastern time on any Installment Payment Date, such payment shall be deemed to be received by Landlord on the next succeeding Business Day. Tenant shall pay to Landlord per diem interest at the Overdue Interest Rate from the date on which such payment was due to the date on which such payment is deemed to be received pursuant to this paragraph. Landlord agrees that it will use its best efforts to provide Tenant with notice of any such late payment of which Landlord has actual knowledge, provided that Tenant will remain liable for payment of interest notwithstanding Landlord's failure to notify Tenant hereunder.

(c) If any Installment Payment falls on a day which is not a Business Day, Basic Rent shall be due and payable on the next succeeding Business Day without interest or penalty if paid on such Business Day.

(d) If Tenant shall fail to make any payment of Additional Rent pursuant to Article 4 hereof or purchase price for the Leased Property pursuant to Articles 13 or 16 hereof or as liquidated damages pursuant to paragraph (c) of Article 23 hereof in the amount and on the date provided for herein, Tenant shall be liable for interest on such late payment at the Overdue Interest Rate from the date such payment was due to and including the date such payment was received. Landlord agrees that it will use its best efforts to provide Tenant with notice of any such late payment of which Landlord has actual knowledge, provided that Tenant will remain liable for payment of interest notwithstanding Landlord's failure to notify Tenant hereunder.

(e) All amounts which Tenant is required to pay or discharge pursuant to this Lease in addition to Basic Rent (including any amount payable as the purchase price for the Leased Property pursuant to any provision hereof or as liquidated damages pursuant to paragraph (c) of Article 23) together with any interest or penalty which may be added for late payment thereof or of Basic Rent, shall constitute additional rent hereunder ("Additional Rent"). In the event of any failure by Tenant to pay or discharge any such amount, Landlord shall have all rights, powers and remedies provided for herein or by law or otherwise in the case of nonpayment of Basic Rent. Tenant may pay Additional Rent directly to the person entitled thereto.

5. USE:

Tenant may use the Leased Property for any lawful purposes, provided that any change in use from the present use shall not (i) have any detrimental environmental effect on the Leased Property arising out of a violation or violations of Environmental Laws or result in any material increased risk of liability to Landlord, in Landlord's reasonable judgment; (ii) result in any loss or deferral of the tax consequences to Landlord anticipated to be available from this transaction; or (iii) result in any substantial modifications to the physical structure of the Leased Property reasonably expected to cost more than the Alternation Cost Threshold unless approved by Landlord and Landlord's mortgagee, which approval shall not be unreasonably withheld, conditioned or delayed so long as there is no adverse effect on the fair market value of the Leased Property when compared to such fair market value immediately prior to such change in use. Notwithstanding anything to the contrary set forth in this Article 5, Landlord agrees that Tenant may at any time during the Term of this Lease use the Leased Property for the purposes for which it as being used by Tenant at the commencement of the Term.

6. NET LEASE; NONTERMINABILITY:

(a) This Lease is a "net lease" and Tenant's obligations arising or accruing during the Term of his Lease to pay all Basic Rent, Additional Rent, and all other payments hereunder required to be made by Tenant shall be absolute and unconditional, and Tenant shall pay all Basic Rent, Additional Rent and all other payments hereunder required to be made by Tenant without notice, demand, counterclaim, set-off, deduction, or defense, and without abatement, suspension, deferment, diminution or reduction, free from any charges, assessments, impositions, expenses or deductions of any and every kind or nature whatsoever. All costs, expenses and obligations of every kind and nature whatsoever relating to the Leased Property and the appurtenances thereto and the use and occupancy thereof which may arise or become due and payable prior to or with respect to the Term of this Lease (whether or not the same shall become payable during the Term of this Lease of thereafter) shall be paid by Tenant, and Landlord, Landlord's mortgagee, and their respective employees, shareholders, officers, directors, members managers, trustees, partners or principals, disclosed or undisclosed, and each of their respective employees, shareholders, officers, directors, members, managers, trustees, partners, invitees, agents, or principals, disclosed or undisclosed and all of their respective successors and assigns (hereinafter collectively referred to as the "Indemnitees" and each individually as an "Indemnitee"), shall be indemnified and saved harmless by Tenant from and against the same other than by reason of such Indemnittee's willful misconduct or gross negligence. Tenant assumes the sole responsibility for the condition, use, operation, maintenance, underletting and management of the Leased Property, and Tenant shall indemnify, defend and hold the Indemnitees harmless from and against any and all liability, costs, damages, losses and claims (including reasonable attorneys' fees and expenses) actually incurred to the extent of matters which arise or accrue prior to or with respect to the Term of this Lease (whether or not the same shall become payable during the Term of this Lease or thereafter), and the Indemnitees shall have no responsibility in respect thereof and shall have no liability for damage to the property of Tenant or any subtenant of Tenant on any account of for any reason whatsoever other than by reason of such Indemnitee's willful misconduct or gross negligence. Without limiting the generality of the foregoing, during the Term of this Lease Tenant shall perform all of the obligations of the sublessor under any sublease affecting all or any part of the Leased Property which Tenant may hereafter enter into as sublessor. It is the purpose and intention of the parties to this Lease that the Basic Rent due hereunder shall be absolutely net to the Landlord and that this Lease shall yield, net to the Landlord, the Basic Rent, Additional Rent and all other payments hereunder required to be made by Tenant as provided in this Lease.

(b) Except as otherwise expressly provided in Articles 13(c) and 23(b)(ii) hereof, this Lease shall not terminate, nor shall Tenant have any right to terminate this Lease or to be released or discharged from any obligations or liabilities hereunder for any reason, including, without limitation: (i) any damage to or destruction of the Leased Property; (ii) any restriction, deprivation (including eviction) or prevention of, or any interference with any use or the occupancy of the Leased Property (whether due to any defect in or failure of Landlord's title to the Leased Property or otherwise); (iii) any condemnation, requisition or other taking or sale of the use, occupancy or title of or to the Leased Property; (iv) any action, omission or breach on the part of Landlord under this Lease or under any other agreement between Landlord and Tenant; (v) the inadequacy or failure of the description of the Leased Property to demise and let to Tenant the Property intended to be leased hereby: (vi) Tenant's acquisition of ownership of the Leased Property; (vii) the impossibility or illegality of performance by Landlord or Tenant or both; (viii) any action of any court, administrative agency or other governmental authority; or (ix) any other cause, whether similar or dissimilar to the foregoing, any present or future law notwithstanding.

(c) Tenant will remain obligated under this Lease in accordance with its terms, and will not take any action to terminate (except in accordance with the provisions of subsection (c) of Article 13 hereof), rescind or avoid this Lease for any reason, notwithstanding any bankruptcy, insolvency, reorganization, liquidation, dissolution or other proceeding affecting Landlord or any assignee of Landlord, or any action with respect to this Lease which may be taken by any receiver, trustee or liquidator or by any court. Tenant waives all rights at any time conferred by statute or otherwise to quit, terminate or surrender this Lease or the Leased Property, or to any abatement or deferment of any amount payable by Tenant hereunder, or for damage, loss or expense suffered by Tenant on account of any cause referred to in this Article 6 or otherwise.

7. TAXES AND OTHER CHARGES; LAW AND AGREEMENTS:

(a) Tenant shall pay and discharge, not later than the last day upon which the same may be paid without interest or penalty, any and all present or future taxes, assessments, levies, fees, water and sewer rents and other governmental and similar charges, general and special, ordinary or extraordinary, and any interest, fines and penalties thereon or additions thereto ("Impositions"), which are levied or assessed and become due and payable with respect to the Term of this Lease, whether or not the same become payable during the Term of this Lease, (including all Impositions for the year in which this Lease is executed which are now a lien but not yet due and payable) against (i) Landlord and which relate to Landlord's ownership of the Leased Property, the use and occupancy of the Lease Property or the transactions contemplated by this Lease, (ii) the Leased Property or the interest of Tenant or Landlord therein, (iii) Basic Rent, Additional Rent or any other amount payable by Tenant hereunder, (iv) this Lease or the interest of Tenant or Landlord hereunder, (v) the use, occupancy, construction, repair or rebuilding of the Leased Property or any portion thereof, of (vi) gross receipts from the Leased Property. Anything in the preceding sentence or in this Lease to the contrary notwithstanding, nothing in this Lease shall require payment by Tenant of any net income (including any capital gain), franchise, estate, inheritance, or similar taxes of Landlord or Landlord's mortgagee, unless such tax is in lieu of or a substitute for any other tax or assessment upon or with respect to the Leased Property, which, it such other tax or assessment were in effect, would be payable by Tenant hereunder. Tenant shall furnish to Landlord, promptly, and in any event within thirty (30) days after demand by Landlord, proof of the payment of any such tax, assessment, levy, fee, rent or charge which is payable by Tenant. Such taxes, assessments, levies, fees, water and sewer rents and other governmental charges shall be apportioned between Landlord and Tenant as of the date on which this Lease terminates or expires.

If any tax or assessment levied or assessed against the Leased Property may legally be paid in installments, Tenant shall have the option to pay such tax or assessment in installments and shall be liable only for the payment of those installments which are payable during the Term of this Lease or relate to the period prior to the termination of the Term of this Lease.

(b) Tenant shall pay on an after tax basis all charges for utility, communication and other services rendered or used on or about the Leased Property to the extent of such matters which arise or accrue during the Term of this Lease, whether or not payment therefore shall become due after the Term of this Lease.

(c) If during the Term of this Lease any method of taxation shall be such that in lieu of or in substitution for Impositions there shall be levied, assessed or imposed on the Landlord a capital levy or other tax (however designated) then the Tenant shall pay all such taxes, assessments, levies or charges or the part thereof so measured or based, but only as if the Leased Property were the only property of the Landlord.

(d) The Tenant shall pay all such Impositions, or other service charges or other assessments payable by Tenant as provided hereunder directly to the applicable authority, or if Tenant has defaulted in the payment thereof (subject to Section 7(g) hereof), which default continues for five (5) Business Days after notice from Landlord, Landlord may (but shall not be obligated to) pay the same, and any penalties or interest which may have accrued thereon, and the Tenant shall reimburse the Landlord for the same within thirty (30) days after the Tenant receives notice thereof and supporting data reasonably acceptable to the Tenant, plus interest on any amounts paid by the Landlord at the Overdue Interest Rate from the date paid through the date of repayment.

(e) In the event that the payment of any fine, penalty or similar charge in connection with any imposition or payment of Additional Rent which is the responsibility of Tenant hereunder is deemed to constitute taxable income to Landlord for federal, state or local income tax purposes, and the payment of such fine, penalty or similar charge or payment of Additional Rent does not result in an offsetting deduction to Landlord for federal, state or local income tax purposes, in the same amount and in the same taxable year as such taxable income is recognized, Tenant shall pay to Landlord upon demand an amount sufficient to hold Landlord and any affiliate of Landlord harmless from all taxes actually required to be paid with respect to the receipt or accrual of such payment and such amount, including interest and penalties in connection therewith, and additions thereto, and after taking into account any deductions to which Landlord and any affiliate of Landlord actually is entitled to and receives as a result of the payment of such fine, penalty or similar charge.

(f) Tenant shall at all times during the Term of this Lease, at Tenant's own cost and expense, perform and comply with all laws (Including Environmental Laws), statutes, treaties, rules, codes, orders, ordinances, regulations and requirements now or hereafter enacted or promulgated, of every government and municipality having jurisdiction over the Leased Property and of any agency thereof, and any applicable judgments, decrees, injunctions, writs, orders or like actions of any court, arbitrator or administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (collectively, "Applicable Laws") relating to the Leased Property, or the Improvements, or the facilities or equipment thereon or therein, or the streets, sidewalks, vaults, vault spaces curbs and gutters adjoining the Leased Property, or the appurtenances to the Leased Property, or the franchises and privileges connected therewith, whether or not such Applicable Laws so involved shall necessitate structural changes, improvements, interference with use and enjoyment of the Leased Property, replacements or repairs, extraordinary as well as ordinary, and

Tenant shall do perform and comply whether or not such Applicable Laws shall now exist or shall hereafter be enacted or promulgated, and whether or not such Applicable Laws can be said to be within the present contemplation of the parties hereto. Tenant shall also observe and comply with the requirements of all permits relating to the Leased Property and all public liability, fire and other policies of insurance at any time in force with respect to the Leased Property which are either (a) purchased by the Tenant, and with orders, rules and regulations published by the Board of Fire Underwriters.

(g) Tenant shall have the right to contest, by appropriate proceedings, any tax, charge, levy, assessment, lien or other encumbrance, and/or any law, rule, code, order, ordinance, regulation or other governmental requirement affecting the Leased Property, and to postpone payment of or compliance with the same during the pendency of such contest, provided that in the event of such postponement or payment or noncompliance: (i) Tenant shall not postpone the payment of any such tax, charge, levy, assessment, lien or other encumbrance for such length of time as shall permit the Leased Property, or any lien thereon created by such item being contested, to be sold by federal, state, county or municipal authority for the non-payment thereof; (ii) Tenant shall not postpone compliance with any such law rule, code, order, ordinance, regulation or other governmental requirement if Landlord will thereby be subject to civil liability or criminal prosecution, or if any municipal or other governmental authority shall commence a process according to carry out any work to comply with the same or to foreclose or sell any lien affecting all or part of the Leased Property which shall have arisen by reason of such postponement or failure of compliance; and (iii) Tenant shall pay, in a timely fashion, all Basic Rent and Additional Rent (other than any item of Additional Rent that Tenant is permitted to contest pursuant to this Lease, so long as Tenant satisfies all of the requirements of this Lease relating to such contest) which shall become due and payable under this Lease.

(h) Tenant shall, at Tenant's sole cost and expense, promptly and fully perform each and every covenant, condition, promise and obligation of the owner of the Leased Property under each and every reciprocal easement agreement, declaration, restriction, easement agreement, declaration, restriction, easement or other agreement now or hereafter in effect, whether recorded or unrecorded, affecting the Leased Property or any portion thereof, or the ownership, use, nonuse, occupancy, construction, repair, maintenance or rebuilding thereof (except for any mortgage affecting Landlord's interest in the Leased Property or other liens created by Landlord).

8. LIENS:

Tenant will promptly, but no later than thirty (30) days after the filing thereof, remove and discharge of record, by bond or otherwise, any charge, lien, security interest or encumbrance upon the Leased Property, or any Basic Rent, or Additional Rent which arises for any reason, including all liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of the Leased Property or by reason of labor or materials furnished or claimed to have been furnished to Tenant for the Leased Property, but not including any Permitted Encumbrances or any mechanics liens created by Landlord. Nothing contained in this Lease shall be construed as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to or for the performance by any contractor, laborer, materialman, or vendor of any labor or services or for the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof. Notice is hereby given that Landlord will not be liable for any labor, services or materials furnished or to be furnished to Tenant, or to anyone holding an interest in the Leased Property or any part thereof through or under Tenant, and that no mechanic's or other liens for any such labor, services or materials shall attach to or affect the interest of Landlord in and to the Leased Property. In the event of the failure of Tenant to discharge any charge, lien, security interest or encumbrance as aforesaid, Landlord may, if not discharged by Tenant within three (3) Business Days after written notice to Tenant, discharge such items by payment or bond or both, and Tenant will repay to Landlord, upon demand, any and all amounts paid by Landlord therefore, or by reason of any liability on such bond, and also any and all incidental expenses, including reasonable attorneys' fees, actually incurred by Landlord in connection therewith.

9. INDEMNIFICATION; FEES AND EXPENSES:

(a) Tenant shall pay, and shall protect, defend, indemnify on an after-tax basis and hold each Indemnitee harmless from and against all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses) actually incurred, claims, demands or judgments of any nature arising from or in connection with the following events to the extent such events arise or accrue prior to or with respect to the Term of this Lease (whether or not the same shall become payable during the Term of this Lease or thereafter): (i) the Leased Property, including any injury-to, or the death of, any person or any damage to or loss of property, (ii) the ownership of the Leased Property by Landlord, (iii) the use, nonuse, occupancy, construction, repair or rebuilding of the Leased Property (or adjoining property, to the extent that any loss or damage to adjoining property arises from or out of the Leased Property), (iv) the condition of the Leased Property, (v) this Lease, including violation by Tenant of any provision of this Lease, or of any law, rule, regulation, ordinance or restriction, now or hereafter in effect and affecting the Leased Property, (vi) any lease or other agreement relating to the Leased Property now or hereafter in effect to which Tenant is a party or by which Tenant is bound, (vii) any agreement of which Tenant now has actual or constructive notice and which is now in effect, affecting the Leased property or the ownership thereof by Landlord, or the use, nonuse, occupancy, construction, repair or rebuilding of the Leased Property, and (viii) the incorrectness or breach of any representation or warranty of Tenant in this Lease or in the Agreement of Purchase and Sale, other than any injury, death, damage or loss arising out of such Indemnitee's willful misconduct or gross negligence or that of such Indemnitee's employees, agents or contractors.

(b) Should any event occur for which any Indemnitee is entitled to indemnification pursuant to this Article 9 or other provisions of this Lease, such Indemnitee shall provide prompt written notice to Tenant describing the nature of such claim (provided, however, that the failure by such Indemnitee to so notify Tenant or any other Indemnitee shall not limit or otherwise affect the obligations and liabilities of Tenant hereunder provided that such failure does not prevent Tenant from so indemnifying such Indemnitee). Tenant may assume responsibility for any action to be taken to contest the claim, provided that Tenant will notify the Indemnitees in writing of its intention to contest such claim within thirty (30) days after receipt of notice of the claim. Tenant, at its sole expense, may control all proceedings relating to such contest, provided that no Material Event of Default is continuing and that Tenant has acknowledged its obligation to provide indemnification hereunder relating to the applicable claim. The Indemnitees will cooperate with Tenant in contesting such claim, provided that Tenant indemnifies and holds harmless the Indemnitees for all reasonable costs and expenses (including, without limitation, reasonable attorney's fees and expenses) relating to contesting such claim. Any counsel selected by Tenant hereunder shall be reasonably acceptable to the Indemnitees, and the Indemnitees, at their option, shall have the right to contest such claim through separate counsel in the event any claims against or defenses of such Indemnitee are in conflict under the applicable standards of professional conduct with those of Tenant, and Tenant shall be obligated to pay for all reasonable costs and expenses (including without limitation reasonable attorneys' fees and expenses) actually incurred relating to any such separate contest of such claim.

10. ENVIRONMENTAL MATTERS

Tenant represents and warrants to Landlord and Landlord's mortgagee that, except as disclosed in the Environmental Reports:

(i) to the best of Tenant's Actual Knowledge, the Leased Property complies with all Environmental Laws

(ii) no notices, complaints or orders of violation or non-compliance with or liability under Environmental Laws have been received by Tenant and, to the best of Tenant's Actual Knowledge, no federal, state or local environmental investigation or proceeding is pending or threatened with regard to the Leased Property or any use thereof or any alleged violation of or liability under Environmental Laws with regard to the Leased Property;

(iii) the Leased Property has not been used by Tenant or, to the best of Tenant's Actual Knowledge, by any prior owner or any other party to generate, manufacture, refine, produce, or process, or to store, handle, dispose, treat, transfer or transport any Hazardous Substances used in compliance with applicable Environmental Laws in connection with the maintenance and operation of the Leased Property;

(iv) to the best of Tenant's Actual Knowledge, no underground storage tanks or surface impoundments have been installed at, under or in the Leased Property in violation of applicable Environmental Laws at, under or in the Leased Property which originated either on or off the Leased Property; and

(v) to the best of Tenant's actual Knowledge, the Leased Property is free of Hazardous Substances and friable asbestos, the removal of which is required or the maintenance of which is prohibited or penalized by any Environmental Law.

Tenant covenants that during the Term of this Lease it (i) shall comply, and cause the Leased Property to comply, with all Environmental Laws applicable to the Leased Property, (ii) shall prohibit the use of the Leased Property for the generation, manufacture, refinement, production, or processing of any Hazardous Substance or for the storage, handling, transfer or transportation of any Hazardous Substance (other than in connection with the operation and maintenance of the Leased Property (including without limitation Tenant's use of the turbines located on the Leased Property) and in commercially reasonable quantities as a consumer thereof, subject to, in any event, compliance with Environmental Laws), (iii) shall not install or permit the installation on the Leased Property of any underground storage tanks or surface impoundments and shall not permit there to exist any petroleum or other contamination at, on or under the Leased Property in violation of applicable Environmental Laws whether originating on or off the Leased Property (other than in connection with the use, operation and maintenance of the Leased Property and then only in compliance with applicable Environmental Laws and all other applicable laws, rules, orders, ordinances, regulations and requirements now or hereafter enacted or promulgated of every government and municipality having jurisdiction over the Leased Property and of any agency thereof) or asbestos-containing materials and (iv) shall cause any alterations of the Leased Property to be done in a way so as to not expose, in violation of applicable Environmental Laws, the persons working on or visiting the Leased Property to Hazardous Substances present upon the Leased Property which could reasonably be expected to cause an exposure in violation of applicable Environmental Laws to any person working on or visiting the Leased Property in connection with any such alterations.

As soon as reasonably possible after obtaining knowledge thereof, Tenant shall give to Landlord notice of the occurrence of any of the following events: (i) the failure of the Leased Property to comply in any material (defined below) manner with any Environmental Law in any manner whatsoever; (ii) the receipt by Tenant or any sublessee or assignee of Tenant of any notice, complaint or order of violation or non-compliance or liability of any nature whatsoever with regard to the Leased Property or the use thereof with respect to Environmental Laws ; (iii) the receipt by Tenant or any sublessee or assignee of Tenant of any notice of a pending or threatened investigation that Tenant's (or its sublessees' or assignees') operations on the Leased Property are not in compliance with any Environmental Law; or (iv) the migration or release, or a threat of migration or release of any Hazardous Substance from the Leased Property to other properties or to the Leased Property from other properties. Tenant shall have the right to contest and/or appeal, by appropriate proceedings, any notice, complaint, order or finding of violation or non-compliance with or liability under any Environmental Laws affecting the Leased Property or any use thereof by Tenant or its sublessees or assignees, provided the same is not reasonably likely to subject Landlord or any Indemnitee to material civil liability or to any criminal liability or prosecution or permit any municipal or other governmental authority to commence a process according to applicable law to carry out any work to comply with the same or to foreclose or sell any lien affecting all or any portion of the Leased Property is in material violation of or subject to material liability under an Environmental Law, Tenant will promptly give Landlord written notice thereof. As used in the immediately preceding sentence, "material" shall mean any violation of or liability under an Environmental Law (i) that may subject the Landlord to any fines or penalties; (ii) the remediation of which is estimated to cost more than Fifty Thousand Dollars ($50,000); or (iii) relating to which notice has been received from, or given to, any governmental authority having jurisdiction over the Leased Property.

At any time that an Event of Default shall have occurred and be continuing, or a notice, complaint, or order or finding of violation or non-compliance with or liability under Environmental Laws shall have been issued with respect to the Leased Property, or at any time (but no more than once) during the last twelve months of the Initial Term or any Landlord Extended Term or Extended Term, Landlord, after not less than forty-eight (48) hours prior written notice to Tenant, may cause to be performed an environmental audit or risk assessment of the Leased Property, or any portion thereof, and the then uses thereof. Such an environmental audit or assessment shall be performed by a reputable, regionally recognized environmental consultant selected by Landlord and shall include a review of the uses of the Leased Property and an assessment of the possibility of violation or non-compliance of the same with Environmental Laws. Except in the case of an emergency, the environmental audit shall be conducted during normal business hours and the environmental consultant shall use its reasonable efforts not to unreasonably interfere with the operations of Tenant. All reasonable costs and expenses actually incurred by Landlord in connection with such environmental audits or assessments shall be paid by Tenant within thirty (30) days after Tenant's receipt of a reasonably detailed invoice for such services. In the event of a dispute between Landlord and Tenant over the reasonableness of such costs or expenses the matter shall be submitted to arbitration pursuant to Article 38 hereof. Until the matter is resolved in accordance with the preceding sentence. Tenant shall not be in default hereunder for failing to make such payment. Following the arbitrator's written determination of the reasonableness of such costs or expenses. Tenant shall be obligated to make such payment to Landlord within five (5) days of the date of the arbitrator's determination.

If at any time an event or condition shall have occurred and be continuing which results in the Leased Property being in violation of or subject to liability under any Environmental Law, or a notice, complaint, or order or finding of violation or non-compliance with or liability under any Environmental Law shall have been received by Tenant with respect to the Leased Property, Tenant shall, subject to Tenant's right to contest and/or appeal set forth above, diligently perform all remedial work to the Leased Property at its own cost and expense and in accordance with all requirements, including timeframes, imposed by any governmental authority having jurisdiction over the Leased Property, in order to bring the leased Property into full compliance with Environmental Laws and the requirements of this Article 10 or to remove the source of such liability but in no event shall such remediation be completed later than the end of the Term of this Lease.

Tenant agrees to indemnify, defend and hold harmless the Indemnitees from and against any and all losses (including, without limitation, diminution in value of the Property), liabilities (including, without limitation, strict liability), suits, obligations, fines, damages, judgments, penalties, claims, charges, costs and expenses (including, without limitation, reasonable fees and disbursements of counsel and consultants actually incurred by such Indemnitees), which may be suffered or incurred by, or asserted against, an Indemnitee at any time and which arise directory or indirectly out of a violation prior to and during the Term of this Lease of this Article 10 or arise directly or indirectly from the presence of Hazardous Substances on the Leased Property prior to or during the Term of this Lease and any matters arising under or relating to any Environmental Law and relating to the Leased Property.

The Warranties and obligations of Tenant, and the rights and remedies of Landlord under this Article 10, are in addition to and not in limitation of any other warranties, obligations, rights and remedies provided in this Lease or otherwise at law or in equity and shall survive the termination of this Lease, either pursuant to the terms hereof or following an Event of Default.

11. MAINTENANCE AND REPAIR:

Tenant will, at its cost and expense, keep and maintain the Leased Property in good condition and repair), and in t least as good condition it was in on the Commencement Date (subject to ordinary wear and tear) and to a standard not lower than other similar properties owned or leased by Tenant and, in any event, consistent with comparable properties in the metropolitan area where the Leased Property is located, and will make all structural and non-structural, and ordinary and extraordinary changes, repairs and replacements which may be required to be made upon or in connection with the improvements to the Leased Property in order to keep the same in such good repair and condition. Landlord shall not be obligated or required to maintain, alter, repair, rebuild or replace any Improvements on the Leased Property or to maintain the Leased Property, and Tenant expressly waives the right to make repair at the expense of Landlord pursuant to any law at any time in effect.

12. ALTERATIONS, ADDITIONS AND CONSTRUCTION BY TENANT:

(a) Provided that no Material Event of Default has occurred and is continuing, if Tenant complies with the requirements of this Article 12(a), Tenant may without the consent of Landlord, at its own cost and expense, (A) make additions or improvements to or alterations of the Improvements now or hereafter erected on the Leased Property, including, without limitation, the construction of new buildings and improvements and the demolition of existing Improvements to replace them with new buildings and improvements ("Additional Improvements") having an estimated cost of less than Two Million Dollars ($2,000,000) (the Alteration Cost Threshold") in any twelve (12) month period, (B) make any interior non-structural tenant improvements and (c) make the additions or improvements or alterations listed in Schedule F annexed hereto which Tenant plans to complete within the first twelve (12) months of the Term of this Lease. For the purposes of clause (A) above commencing on and as of the first anniversary of the Commencement Date and on and as of each anniversary of the Commencement Date thereafter, the Alteration Cost Threshold for the following twelve month period shall be calculated as the amount equal to the product derived by multiplying Two Million Dollars ($2,000,000) by one (l) plus the percentage by which the CPI for May of such calendar year exceeds the base Price Index. In the event the information necessary to calculate clause (A) of the Alteration Cost Threshold shall not have been published in sufficient time to permit such calculation to be made on or before the anniversary of the Commencement Date, the Alteration Cost Threshold shall be calculated by using the CPI for the latest month for which it has been published. After publication of the relevant information, Landlord and Tenant shall make appropriate adjustment of the Alteration Cost Threshold.

In no event shall the Alteration Cost Threshold be reduced as a result of any decrease in the CPI.

Tenant may, subject to the terms and conditions contained in this Article 12, at its own cost and expense, with the prior written consent of Landlord (which consent will not be unreasonably withheld, conditioned or delayed), make Additional Improvements with an estimated Cost in excess of the Alteration Cost Threshold. Notwithstanding the foregoing, Tenant shall not make any Additional Improvements in violation of the terms of any restriction, easements, condition or covenant or other matter affecting title to the Leased Property. The making of all such Additional Improvements shall be subject to the following conditions.

(i) Subject to paragraph (c) of this Article 12, title to any such Additional Improvements shall immediately vest in Landlord and shall be a part of the Leased Property and subject to the terms, covenants and conditions of this Lease;

(ii) No Additional Improvements shall be undertaken until Tenant shall have procured and paid for, so far as the same may be required from time to time, all permits and authorizations of all municipal and other governmental authorities having jurisdiction of the Leased Property. Landlord shall, at Tenant's expense, join in the application for any such permit or authorization and execute and deliver any document in connection therewith, whenever such joinder is necessary.

(iii) The making of the Additional Improvements shall be expeditiously completed in good and workmanlike manner and in compliance with all applicable laws, rules, regulations, ordinances and restrictions then in effect;

(iv) The making of any Additional Improvements with respect to the Leased Property involving changes estimated to have a cost (as defined in paragraph (d) of Article 12 hereof) in excess of the Alteration Cost Threshold shall be conducted under the supervision of an architect or engineer employed or engaged and paid by Tenant and approved in writing by Landlord and Landlord's mortgagee; which approval shall not be unreasonably withheld, conditioned or delayed; and neither shall be undertaken except in accordance with detailed plans and specifications and cost estimates prepared by Tenant and approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed;

(v) Any Additional Improvements shall, when completed, be of such a character as not to adversely affect the fair market value of the Leased Property when compared to such fair market value immediately prior to the commencement of construction of such Additional Improvements, and prior to commencement of construction of the Additional Improvements, if the cost thereof shall be in excess of the Alteration Cost Threshold, Tenant shall furnish Landlord with a certificate (which may be in letter form) confirming that said Additional Improvement is of such a character as not to adversely affect the fair market value of the Leased Property when compared to such fair market value immediately prior to the commencement of construction of such Additional Improvements; if Landlord objects to such certificate within fifteen (15) days of Landlord's receipt thereof, an Appraiser reasonably accepted to Landlord and Tenant shall resolve the dispute by appraising, at Tenant's cost and expense, the Leased Property in question both with and without such Additional Improvements. If Landlord shall not object to such certificate within said fifteen (15) days, Landlord's rights to object to such certificate shall be waived;

(vi) Subject to the Provisions of Article 8, the cost of any Additional Improvements shall be paid by Tenant when due so that the Leased Property shall at all times be free of liens for labor and materials supplied or claimed to have been supplied to the Leased Property;

(vii) No Additional Improvements shall, when completed, be of such a character as to adversely affect the character of the then existing Improvements erected upon the Leased Property as self-contained structural unit(s), capable of being operated independently of any other buildings or improvements. When completed, the Leased Property in question shall have a fair market value not less than the fair market value of the Improvements located at such Property immediately prior to the commencement of construction of such Additional Improvements;

(viii) During the period when any demolition or construction in connection with any Additional Improvements is underway, Tenant shall, subject to Tenant's right to self-insure set forth in paragraph (g) of Article 14, maintain the following insurance: (A) completed value builders risk insurance for the Leased Property, including all building materials thereon, covering loss or damage from fire, lightning, extended coverage perils, sprinkler, leakage, vandalism, malicious mischief and perils insured in an amount not less than the cost, as estimated by Tenant, of the construction of the Additional Improvements and (B) workmen's compensation insurance covering the full statutory liability as an employer of the contractor performing the work of making such Additional Improvements;

(ix) Upon completion of the making of the Additional Improvements in accordance with paragraph (c) of this Article 12, if the cost thereof shall be in excess of the Alteration Cost Threshold (or at any time any financing of any Additional Improvements is provided by

Landlord's mortgagee), Tenant shall furnish Landlord with (A) an endorsement to the policy or policies of title insurance which shall have been issued to Landlord and Landlord's mortgagee insuring their respective interests in the Leased Property confirming that there are no mechanics' Liens or other encumbrances against the Leased Property since the issuance date of Landlord's policy (other than Permitted Encumbrances) and (B) all Certificates of Occupancy or other certificates required by applicable laws;

(x) In the case of any Additional Improvements constituting or including construction of or a change in the exterior walls of a building, Tenant, upon completion of Additional Improvements, shall furnish Landlord with a survey showing the location of said Additional Improvements prepared by a licensed surveyor and reasonably acceptable to Landlord, certified to Landlord, Landlord's mortgagee and the title insurance company or companies issuing a policy or an endorsement pursuant to clause (ix) of paragraph (a) of this Article 12; and

(xi) The making of Additional Improvements shall not constitute income to Landlord or shall not result in some or all of the federal, state or municipal income tax deductions which Landlord would otherwise be permitted to report with respect to the Leased Property or this Lease being deferred or denied or cause this Lease not to be a true Lease for federal income tax purposes. Landlord agrees that within fifteen (15) days of receipt of Tenant's notice of the proposed Additional Improvements, Landlord shall notify Tenant as to whether the Additional Improvement satisfies the terms of this subparagraph (xi) and Landlord's failure to notify Tenant within such fifteen (15) day period shall be deemed to be Landlord's notice of satisfaction with this requirement.

For purposes of this Article 12, Landlord and/or Landlord's mortgagee, as the case may be, shall be deemed to have approved and/or consented to any request for approval or consent submitted to Landlord by Tenant pursuant to this Article 12 if Landlord or Landlord's mortgagee, as the case may be, has not disapproved any such request within (i) fifteen (15) Business Days of Tenant's request therefor with request to Tenant's initial notice of the proposed Additional Improvements and submission of plans and specifications and (ii) ten (10) Business Days of Tenant's request therefor with respect to any work change orders or alterations of plans and specifications of the Additional Improvement thereafter.

(b) Tenant may, at its own cost and expense, install or place upon or reinstall or replace upon and remove from the Leased Property Tenant's Equipment or the Equipment. Any such Tenant's Equipment shall not become the property of Landlord (other than replacements of Equipment which is the property of Landlord, which replacement shall also be the; property of Landlord). Replacements of Equipment which are property of the Landlord shall be of at least equal quality and similar utility to the replaced Equipment when the replaced items were new and the fair market value of the Leased Property as a whole shall not be adversely affected by the replacement of equipment. Tenant shall repair any damage caused by removal of equipment from the Leased Property, at Tenant's own cost and expense.

(c) If the estimated costs and expenses for construction of Additional Improvements on any Property exceed Five Hundred Thousand Dollars($500,000), Tenant may request Landlord to use commercially reasonable efforts to arrange for the financing of such Additional Improvements on terms and conditions which shall be satisfactory to Landlord and Tenant. If Tenant makes any such request, Landlord and Tenant shall negotiate in good faith concerning the financing of such Additional Improvements and any amendment of this Lease appropriate in connection therewith, having due regard to then existing economic, financial and market conditions and the terms and conditions of Tenant's request. Tenant shall pay all costs and expenses associated with the arrangement of any such financing, provided that Tenant may request that such costs and expenses be included as part of the cost of such Additional Improvements to be financed under this paragraph (c) of Article 12. The parties hereto recognize that such amendment to this Lease, including increases in Basic Rent adequate to amortize fully any indebtedness actually incurred by Landlord and to provide a reasonable return (typical of similar transactions) to Landlord with respect to its additional equity contribution, if any, must be of such nature as to permit Landlord to sell such notes or other debt obligations as may be necessary to accomplish such financing, and increases in the Termination Values set forth in Schedule C by amounts acceptable to Landlord and Tenant and sufficient to prepay in full such financing will also be required. If any additional Improvements are financed with mortgage indebtedness, such financing must comply with all of the requirements of Landlord's mortgagee. Landlord shall incur no liability by reason of Landlord's inability or failure to arrange for such financing or to agree with Tenant as to the terms thereof, and this Lease shall continue in full force and effect notwithstanding such failure.

In the event that Landlord shall be unable to secure such financing, Tenant may make such Additional Improvements, and finance such Additional Improvements itself, subject to the terms and conditions of this Article 12 provided that any borrowings actually incurred by Tenant to financing such Additional Improvements may not be secured by the Leased Property. In the case that Tenant arranges for financing (including, without limitation, refinancing any existing mortgage) to cover the costs of any Additional Improvements having a cost in excess of Five Hundred Thousand Dollars ($500,000), then upon obtaining a commitment for such financing, Tenant shall notify Landlord in writing of the terms thereof. Tenant agrees to pay all reasonable attorneys' fees and expenses which Landlord may actually incur in connection with any such financing.

(d) For the purposes of this Article 12, the term "cost" shall include (i) all costs and expenses actually incurred which are properly charged or chargeable, in accordance with generally accepted accounting principles, as capital expenditures in connection with the making of the Additional Improvements, including, without limitation, reasonable attorneys', architects' and engineers' fees, interest charges during construction and the fees and charges for the preparation of the plans and specifications relating to such Additional Improvements, (ii) survey charges and title insurance premiums in connection with the issuance of endorsements, if any, to owner's and mortgagee's title insurance policies pursuant to the provisions of clause (ix) and (x) of paragraph (a) of this Article 12, and (iii) reasonable accounting, printing, duplicating and other expenses actually incurred in connection with the financing referred to in paragraph (c) of this Article 12.

(e) Notwithstanding anything herein to the contrary, no Additional Improvements may be made of financed if doing so would result in some or all of federal, state or municipal income tax deductions which Landlord would otherwise be permitted to report with respect to the Leased Property or this Lease being deferred or denied or cause this Lease not to be a true lease for federal income tax purposes.

(f) Tenant shall have the right to install signs on the Leased Property provided that such signs are in compliance with all applicable codes laws and ordinances.

(g) Landlord and Tenant acknowledge that Landlord will be entitled to claim depreciation and cost recovery deductions with respect to the Leased Property and any alternations, additions and replacements thereof owned by Landlord in accordance with this Lease, and Tenant will be entitled to claim depreciation and cost recovery deductions with respect to Tenant’s Equipment and all leasehold improvements paid for by Tenant (other than with funds provided by Landlord) after the Commencement Date.

13. CONDEMNATION AND CASUALTY

(a) Tenant hereby assigns to Landlord any award, compensation, insurance proceeds or other payment (including any self insurance amounts) to which Tenant may become entitled by reason of its interest in the Leased Property, other than any award, compensation or insurance payment made for any inventory, machinery, equipment or other personal property belonging to Tenant, including, without limitation, Tenant’s Equipment (hereinafter referred to as “Tenant’s Loss”) by reason of (i) damage to or destruction of the Leased Property by fire or other taking or sale of the use, occupancy or title to the Leased Property or any portion thereof in by or on account of any actual or threatened eminent domain proceeding or other action by any governmental authority or other person having the power of eminent domain (a “condemnation”). Tenant is hereby authorized and empowered, at its cost and expense, in the name and on behalf of Landlord, Tenant or otherwise, to appear in any such proceeding or other action, to negotiate, accept and prosecute any claim for any award, compensation, insurance proceeds or other payment on account of any such casualty or condemnation, and to cause any such award, compensation, insurance proceeds or other payment to be paid to Landlord, except that Tenant shall be entitled to submit a separate claim for Tenant’s Loss and receive and retain any award applicable thereto. All amounts so paid or payable to Landlord or Tenant shall be retained or paid over to the party entitled thereto in accordance with the provisions of this Article 13. Tenant shall take all appropriate action in connection with each such claim, proceeding(s), and Tenant shall deliver all instruments reasonably requested by Landlord or Landlord’s mortgagee to permit such participation, and shall pay all costs and expenses in connection therewith.

(b) If less than substantially all of the Leased Property shall be damaged or destroyed by casualty, or condemned, then Tenant shall give prompt written notice thereof to Landlord, and this Lease shall continue in full force and effect and Tenant shall proceed at Tenant’s own cost and expense and in conformity with the requirements set forth in paragraph (a) of Article 12 hereof with reasonable diligence and promptness to carry out any necessary demolition and to restore, repair, re place, and/or rebuild the Leased Property in order to restore the Leased Property, as nearly as practicable, to substantially the same condition, design and construction as that which existed immediately prior to such casualty or condemnation or, if the Leased Property is restored to a different condition design or construction than that which existed immediately prior to such casualty or condemnation, the Leased Property must be restored as nearly as practicable to the condition and fair market value which existed immediately prior to the condemnation or casualty.

Basic Rent shall not abate hereunder by reason of any such casualty or condemnation of the Leased Property, and Tenant shall continue to perform and fulfill all of Tenant’s obligations, covenants and agreements hereunder notwithstanding such damage or destruction.

Landlord and Tenant shall agree on the maximum cost of such restoration, repair, replacement, or rebuilding such agreement not to be unreasonably withheld or delayed, and such cost shall be paid first out of Tenant's own funds to the extent such cost exceeds the Net Award, and then out of the Net Award. If Landlord and Tenant cannot agree on the maximum cost of such restoration, repair, replacement or rebuilding, the issue shall be submitted to arbitration pursuant to Article 38 hereof. If the Net Award shall not exceed the Alteration Cost Threshold and provided that no Material Event of Default has occurred and is continuing, then the Net Award shall be paid to Tenant (and to the extent the Net Award was previously assigned to Landlord, will be remitted by Landlord to Tenant) to be applied to the repair and rebuilding work required by this paragraph (b). If the Net Award exceeds the Alteration Cost Threshold, the proceeds shall be disbursed in accordance with clauses (i)-(iv) of paragraph (d) of this Article 13.

(c) If, at any time during the Term of this Lease, Tenant shall reasonably determine that all or substantially all of the Leased Property has been destroyed by casualty, or all or substantially all of the Leased Property has been taken by condemnation, or after any substantial condemnation of the Leased Property if the Leased Property is unsuitable for continued use in Tenant's business, Tenant shall promptly notify Landlord of such event in writing within thirty (30) days of such condemnation or casualty. In such event Tenant may either (i) rebuild and/or restore the Leased Property, at Tenant's own cost and expense and in accordance with the requirements set forth in paragraphs (a) and (b) of Article 12 hereof and paragraph (d) of Article 13 hereof or (ii) give written notice to Landlord within ninety (90) days after such condemnation or casualty of Tenant's intention to terminate this Lease in conformity with the requirements set forth herein. Substantially all of the Leased Property shall be deemed to have been taken by condemnation if the remaining portion shall not be of sufficient size or character to permit the operation by Tenant on an economically feasible basis of the business conducted thereon immediately prior to the condemnation, assuming that such remaining portion had been repaired and restored to the fullest extent possible. Substantially all of the Leased Property shall be deemed to have been destroyed by casualty, if, as to any one occurrence, fifty percent (50%) or more of the total net rentable square foot area within the Leased Property shall be damaged or destroyed and Tenant determines in its reasonable discretion that the Leased Property is no longer suitable for use in its business, Tenant's notice to Landlord of Tenant's intent to terminate this Lease shall (i) contain a brief description of the relevant condemnation or casualty, (ii) specify such termination date, which shall be the Installment Payment Date first occurring at least 210 days and not more than 360 days after such notice is given (the "Termination Date"), (iii) if such notice of termination shall be based on a reasonable determination by Tenant that after such casualty or condemnation the Leased Property is no longer suitable for use in Tenant's business as aforesaid, contain a certification by Tenant that Tenant has made such determination in good faith, and that, on or before such Termination Date, Tenant will discontinue the use of the Leased Property in Tenant's ordinary course of business, (iv) contain the irrevocable offer of Tenant to purchase Landlord's interest in the Leased Property (and in the Net Award hereinafter referred to) on such Termination Date at the Termination Value (defined as the amount corresponding to the applicable Termination Date on Schedule C annexed hereto); and (v) contain a commitment by Tenant to deposit with a Depository not later than one year after the date of the condemnation or casualty (but no later that the Termination Date) as security for payment of the purchase price for the Leased Property the applicable Termination Value less the amount of any Net Award previously paid with respect to such casualty or condemnation and held by Landlord or Landlord's designee pursuant to paragraph (a) of this Article 13. If Landlord shall reject such offer to purchase by notice (counter-signed by Landlord's mortgagee) given to Tenant not later than thirty (30) Business Days prior to such Termination Date, then this Lease shall terminate on such Termination Date and the Net Award shall be paid and belong to Landlord, plus an amount equal to the deductible payable under the policy or policies of insurance, which shall be paid by Tenant to Landlord. Unless Landlord shall reject such offer to have accepted such offer, and on such Termination Date Landlord shall transfer, and Tenant shall purchase, Landlord's interest in the Leased Property (and in the Net Award) in accordance with the provisions of Article 17 hereof, and upon payment of the purchase piece, Tenant's obligation to pay Basic Rent shall terminate on the Termination Date. The additional amount, if any, deposited by Tenant pursuant to clause (v) of paragraph (c) of this Article 13 and not applied towards the purchase price of such Property shall be paid to Tenant on the Termination Date provided that there is no Material Event of Default existing under this Lease.

If Tenant shall not give notice of its intention to terminate this Lease in accordance with paragraph (c) of this Article 13 or shall not be entitled to give notice of its intention to terminate this Lease, then this Lease shall continue in full force and effect.

(d) If the Net Award shall exceed the Alteration Cost Threshold, or if a Material Event of Default has occurred and is continuing, then:

(i) the full amount of the Net Award shall be paid to a depository (the "Depository") to be selected as hereinafter provided. The Depository shall be Landlord's mortgage if it is a bank or trust company which has an undivided capital and surplus of $200 million or more, and otherwise shall be a bank or trust company selected by Landlord and approved by Tenant (so long as a Material Event of Default does not exist under this Lease) and by Landlord's mortgagee, which approval shall not be unreasonably withheld or delayed, which has undivided capital and surplus of Two Hundred Million Dollars ($200,000,000) or more. The Depository shall have no affirmative obligation to prosecute a determination of the amount of, or to effect the collection of, any insurance proceeds or condemnation award or awards, unless the Depository shall have been given an express written undertaking to do so by Landlord and Tenant. Moneys received by the Depository pursuant to the provisions of this Lease shall not be mingled with the Depository's own funds and shall be held by the Depository in trust, either separately or with other trust funds, for uses and purposes provided in this Lease. The Depository shall place any moneys held by it into an interest bearing account; and the interest paid or received by the Depository on the moneys so held in trust shall be added to the moneys so held in trust. The Depository shall not be liable or accountable for any action taken or suffered by the Depository or for any disbursement of moneys made by the Depository in good faith in reliance on advice of legal counsel. In disbursing monies pursuant to clause (iii) of this paragraph (d), the Depository may rely conclusively on the information contained in any notice given to the Depository by Tenant in accordance with the provisions of said clause (iii), unless Landlord shall notify the Depository in writing within five (5) days after the giving of any such notice that Landlord intends to dispute such information, in which case the disputed amount shall not be disbursed but shall continue to be held by the Depository until such dispute shall have been resolved by agreement of the parties or by arbitration pursuant to Article 38 hereof;

(ii) Landlord and Tenant shall agree on the maximum cost of such rebuilding, restoration or repair, which agreement shall not be unreasonably withheld or delayed, and such cost exceeds the Net Award, the aggregate reasonably expected amount of which funds shall be deposited by Tenant with the Depository upon written request therefor of Landlord or Landlord's mortgagee. If Landlord and Tenant cannot agree on the maximum cost of such rebuilding, restoration or repair, such issue shall be submitted to arbitration in accordance with Article 38 hereof;

(iii) Provided that no Material Event of Default has occurred and is continuing, from time to time, but not more often than once in any thirty (30) day period, Tenant may request reimbursement out of the Net Award for the actual costs and expenses incurred by Tenant in connection with such repair and rebuilding. Such requests shall be made by written notice to the Depository, with a copy to Landlord, setting forth in reasonable detail all of such costs and expenses incurred by Tenant. If Landlord shall in good faith desire to dispute the information contained in any notice given by Tenant pursuant to this clause (iii), Landlord shall so notify Tenant and the Depository in writing within five (5) Business Days after the giving of such notice, specifying the amount intended to be disputed and the nature of the dispute. After such five (5) Business Day period has elapsed, if Landlord has not disputed the information contained in Tenant's Notice, the Depository shall promptly disburse to Tenant out of the Net Award the amount of such costs and expenses. If Landlord disputes the information contained in Tenant's Notice, such dispute shall be resolved by agreement of the parties or by arbitration pursuant to Article 38 hereof, and any undisputed amount shall be released to Tenant; and

(iv) Upon the completion of such repair and rebuilding, any remaining Net Award shall be paid to and belong to Landlord. Landlord will utilize such remaining Net Award to prepay any mortgage indebtedness encumbering the Leased Property, and each payment of Basic Rent payable during the remaining Term of this Lease to occur following the payment of such remaining Net Award to Landlord shall be reduced by an amount so as to preserve Landlord's Yield with respect to its ownership of the Leased Property; provided that in no event will Basic Rent be reduced to an amount which is less than the debt service payable to Landlord's mortgagee.

(e) Notwithstanding any other provision to the contrary contained in this Article 13, in the event of a temporary condemnation, this Lease shall remain in full force and effect and Tenant shall be entitled to the Net Award allocable to such temporary condemnation; except that such portion of the Net Award allocable to the time period after the expiration or termination of the Term of this Lease shall be paid to Landlord.

(f) This Article 13 shall be Tenant's sole and exclusive remedy in the event of damage or destruction to the Leased Property or in the event of a taking or condemnation thereof, and Tenant, as a material inducement to Landlord entering into this Lease, irrevocably waives and releases Tenant's rights under California Civil Code Sections 1932(2) and 1933(4) and California Code of Civil Procedure Section 1265.130.

14. INSURANCE:

(a) Tenant shall, subject to paragraph (g) below, during the Term of this Lease, at its cost and expense, maintain valid and enforceable insurance of the following character:

(i) “all risks” insurance coverage against losses by fire and lightning and other risks for the full insurable replacement value on a per occurrence basis of the Improvements and the Equipment and all building materials, equipment, machinery, appliances and other property which constitute part of the Leased Property, with agreed amount endorsement or endorsements providing equivalent protection, including loss by windstorm, hail, explosion, earthquake, riot (including riot attending a strike), civil commotion, aircraft, vehicles, smoke damage, and vandalism and malicious mischief, but excluding insurrections, rebellions, revolutions and civil wars, in amounts not less than the full insurable value of all buildings and other improvements on the Leased Property. The term “full insurable value” as used herein means the actual replacement cost, including the costs of debris removal, but excluding the cost of constructing foundations, footings and excavations.

(ii) Comprehensive general public liability of Landlord and Tenant against claims for bodily injury, death or property damage, occurring on, in or about the Leased Property or as a result of the use of products or materials manufactured, processed, constructed or sold, or services rendered, on the Leased Property, in the minimum amount of Five Million Dollars ($5,000,000) with respect to any one occurrence, accident or disaster or incidence of negligence. Coverage should include “premises/operations”, “independent contractors”, and “blanket contractual” liabilities. If the insurance is provided on a claims made basis, the insured amount shall be Five Million Dollars ($5,000,000) per claim and the coverage shall be the same as under the occurrence from. Any claims made policy shall provide that (A) coverage will be continuous, (B) the retroactive date of the preceding continuous occurrence coverage, (C) at each renewal of the claims made coverage the retroactive date shall not be advanced, (D) if the retroactive date is advanced or coverage is cancelled for whatever reason, Tenant shall deliver to Landlord a certificate of insurance showing that Tenant has purchased the extended reporting period or supplemental tail endorsement under the previous policy extending the period for an unlimited time, if reasonably available, during which a claim may first be made, and (E) the certificate of insurance shall show the retroactive date. Without limiting the foregoing, Tenant shall, subject to paragraph (g) below, maintain all comprehensive general public liability insurance required to be maintained by the owner or occupant of the Leased Property under any contract, agreement or recorded document affecting the Leased Property or any portion thereof or any appurtenances thereto.

(iii) Workers’ compensation insurance. Tenant shall comply with applicable workers’ compensation laws and shall maintain workers’ compensation insurance if and to the extent necessary for such compliance.

(iv) Such other insurance, in such amounts and against such risks (including, without limitation, flood insurance), as is customarily maintained by operators of similar properties.

(v) Excess Liability – single limit liability insurance in the amount of Five Million Dollars ($5,000,000) with respect to the risk referred to in clause (ii) of this paragraph (a) of Article 14.

(vi) Such insurance as is required of Tenant as provided in clause (viii) of paragraph (a) of Article 12 hereof.

Such insurance shall be written by companies of recognized financial standing which are rated at least A by national rating organizations and have a claims paying ability rating from Standard & Poor's Corporation of AAA or a rating from Best's of at least A:XII, and are legally qualified to issue such insurance, and are acceptable to Landlord and Landlord's mortgagee, and shall name Tenant as the insured party and Landlord and Landlord's mortgagee, as additional insureds as their interests may appear in accordance with paragraph (c)(i) of this Article 14. Such "all risk" insurance may provide for such commercially reasonable deductible amounts as are customarily provided for in insurance maintained by comparable operators of comparable buildings (but in no event in excess of One Million Dollars ($1,000,000) per occurrence as shall be adjusted (upwards only) each year by any increase in the CPI from the Base Price Index). Tenant may, at its cost and expense, prosecute any claim against any insurer or contest any settlement proposed by any insurer, and Tenant may bring any such prosecution or contest during the Term of this Lease in the name of Landlord, Tenant or both, and Landlord will join therein at Tenant's request, provided that Tenant shall indemnity Landlord against any costs or expenses which Landlord may incur in connection with such prosecution or contest.

(b) Provided that no Material Event of Default has occurred and is continuing, insurance claims by reason of damage or destruction to any portion of the Leased Property shall be adjusted by Tenant, subject to the approval of Landlord if such claim exceeds the Alteration Cost Threshold, which approval Landlord agrees not to unreasonably withhold, condition or delay.

(c) Every insurance policy maintained pursuant to clause (viii) of paragraph (a) of Article 12, or paragraph (a) of this Article 14 shall be reasonably satisfactory in form and substance to Landlord and Landlord's mortgagee, and shall: (i) name Landlord and Landlord's mortgagee as additional insureds as their interests may appear; (ii) contain a standard first mortgage endorsement naming any first mortgagee of Landlord's interest in the Leased Property as loss payee; (iii) provide that the insurer waives all rights of subrogation against Landlord, any successor to Landlord's interest in the Leased Property, and any mortgagee of Landlord's interest in the Leased Property; (iv) provide that 30 days (10 days for nonpayment of premiums) prior written notice of cancellation, medication, termination or lapse of coverage shall be given to Landlord and any mortgagee of Landlord's interest in the Leased Property and that such insurance, as to the interest of such mortgagee, shall not be invalidated by any foreclosure or any other proceedings relating to the Leased Property, nor by any change in the title ownership of the Leased Property, nor by occupation of the Leased Property for purposes more hazardous that that which is generally associated with retail and/or light industrial businesses; and (v) be primary and without right or provision of contribution as to any other insurance carried by Landlord or any other interested party; and (vi) in the event any insuring company is not domiciled within the United States of America, include a United States Service of Suit clause (providing any actions against the insurer by the named insured or Landlord are conducted within the jurisdiction of the United States of America):

(d) Tenant shall deliver to Landlord upon the execution and delivery of this Lease certificates of insurance (signed by an authorized insurance company representative), reasonably satisfactory to Landlord and any mortgagee of Landlord's interest in the Leased Property evidencing all the insurance which is then required to be maintained by Tenant, and Tenant shall, within thirty (30) days prior to the expiration of any such insurance, deliver certificates of insurance evidencing the renewal of such insurance (signed by an authorized insurance company representative) evidencing the renewal of such insurance.

(e) Tenant shall not obtain or carry separate insurance concurrent in form or contributing in the event of loss with that required in this Article 14 to be furnished by Tenant, unless Landlord and Landlord's mortgagee is included therein as an additional insured, with loss payable as in this Lease provided. Tenant shall immediately notify Landlord whenever any such separate insurance is obtained and shall deliver to Landlord and Landlord's mortgagee the policy or policies or certificates evidencing the same.

(f) Tenant shall comply with all of the terms and conditions of each insurance policy maintained pursuant to the terms of this Lease.

(g) Provided no Material Event of Default has occurred and is continuing and the Tenant has a senior unsecured debt rating of at least "A" from Standard & Poor's Corporation and "A2" from Moody's Investors Service, Inc., then, to the extent permitted by applicable law, the Tenant may elect to self-insure under any plan of partial or full self-insurance against any of the risks described in this Article 14 (it being understood that any insurance which the Tenant may elect to maintain while self-insurance is permitted hereunder may be provided by any insurance company or companies authorized in the United States of America). With respect to earthquake risk only, if Tenant does not meet the credit rating requirements set forth above, Tenant must either (i) maintain earthquake insurance in commercially reasonable amounts and with commercially reasonable deductibles or (ii) provide Landlord with a letter of credit from a commercial bank rated not lower that "A+" by Standard & Poor's Corporation and "A1" by Moody's Investors Service, Inc. in an amount equal to the full replacement cost of the Improvements, or other comparable collateral reasonably acceptable to Landlord in an amount no more than the full replacement cost of the Improvements.

15. FINANCIAL STATEMENTS:

Tenant shall furnish, or cause to be furnished, the following statements to Landlord:

(i) as soon as practicable and in any event within 120 days after the end of each fiscal year, consolidated statements of earnings, and consolidated statements of cash flows, consolidated statements of stockholders equity, and consolidated balance sheets as of the end of each such year, setting forth in each case in comparative form corresponding consolidated figures from the preceding year, all in the from as furnished by BankAmerica Corporation, a Delaware corporation, the parent corporation of Tenant, to the Securities and exchange Commission or similar federal agency having regulatory jurisdiction over

BankAmerica Corporation, or, it no such jurisdiction exists, in reasonable detail and reasonably satisfactory in scope to Landlord and certified to BankAmerica Corporation as to consolidated statements by independent certified public accountants of recognized national standing selected by BankAmerica Corporation whose certificate shall be based upon an examination conducted in accordance with generally accepted auditing standards and the application of such tests as said accountants deem necessary in the circumstances.

(ii) with reasonable promptness, copies of all financial statements and reports which BankAmerica Corporation shall send to its stockholders, and copies of each Form 10-K, Form 10-Q, Form80-K, proxy statement and, in the form having been deemed effective, registration statement (without exhibits) (other than preliminary proxy statements and Form S-8 registration statements), or copies of any successor forms or statements substituted there for, which BankAmerica Corporation shall file with the Securities and Exchange Commission ("SEC") or any governmental agency substituted to the functions of the SEC.

16. RIGHT OF FIRST REFUSAL:

If at any time during the Term of this Lease, Landlord shall receive a bona fide offer (a "Third Party Offer") from a third party (other than a purchaser making a bid or offer to purchase the Leased Property at any sale incidental to the exercise of any remedy provided for in any mortgage on the Leased Property at any sale incidental to the exercise of any remedy provided for in any mortgage on the Leased Property), which offer may be in the form of a term sheet or letter of intent and need not be an executed purchase contract, to acquire, purchase or otherwise obtain its interest in the Leased Property or any portion thereof containing terms and conditions satisfactory to Landlord, then Landlord, shall notify Tenant of such Third Party Offer, including the identity of the offeror and a copy of the applicable term sheet or letter of intent or purchase contract. If at any time no Material Event of Default has occurred hereunder and is continuing, for a period of forty-five (45) days after Tenant's receipt of Landlord's notice, Tenant shall have the exclusive right to accept Landlord's offer to purchase Landlord's interest in the Leased Property upon the terms and conditions set forth in the Third Party Offer, less the savings resulting from the absence of brokerage commissions (if any). Tenant shall exercise such right of first refusal, if at all by delivering its written purchase offer to Landlord within forty-five (45) days after receipt of Landlord's notice. Such purchase shall occur on the next occurring Installment Payment Date that is at least forty-five (45) days after Landlord's receipt of such notice. On the date of such purchase Landlord shall convey and assign to Tenant, or its designee, Landlord's interest in the Leased Property or portion thereof against payment of the sale price therefor, in accordance and upon compliance with the terms and conditions of the Third Party Offer, provided that such conveyance and assignment shall be made subject to this Lease (including without limitation the provisions of this Article 16), and, notwithstanding any purchase of the Leased Property by Tenant pursuant to this Article 16, this Lease shall continue in full force and effect with respect to the Leased Property as set forth in Article 26. If Tenant fails to accept Landlord's offer within such forty-five (45) day period, than Landlord shall be free to sell the Leased Property at a price not less than the purchase price and otherwise on the terms and conditions contained in the Third Party Offer for a period of twelve (12) months thereafter without offering the Leased Property to Tenant. If Landlord does not convey its interest in the Leased Property within such twelve (12) month period or in the event of any material change in the terms of the Third Party Offer (it being agreed and understood that any change in price would constitute a material change), Tenant's rights pursuant to this paragraph shall be reinstated. Any third party that purchases the Leased Property pursuant to this Article 16 shall take the Leased Property subject to the terms hereof (including without limitation the provisions of this Article 16 shall take the Leased Property subject to the terms hereof (including without limitation the provisions of this Article 16), and such purchaser shall assume Landlord's rights and obligations under the Lease, and this Lease shall remain in full force and effect. Landlord shall cause any third party purchasing the Leased Property pursuant to this Article16 to execute and deliver to Tenant a document confirming such third party's assumption of Landlord's rights and obligations under this Lease.

17. PURCHASE PROCEDURE

(a) In the event of the purchase of Landlord's interest in the Leased Property by Tenant pursuant to any provision of this Lease, the terms and conditions of this Article 17 shall apply.

(b) On the closing date fixed for the purchase of Landlord's interesting the Leased Property:

(i) Tenant shall pay to Landlord, in lawful money of the United States, at Landlord's address hereinabove stated or at any other place in the United States which Landlord may designate, the purchase price; and

(ii) Landlord shall execute and deliver to Tenant a grant deed, assignment and/or such other instrument or instruments as may be appropriate, which shall transfer Landlord's interest in the Leased Property or portion thereof being sold subject to, (A) Permitted Encumbrances (except free of the lien of any mortgage indebtedness incurred, other than with respect to a purchase under Article 16), (B) all liens, encumbrances, charges, exceptions and restrictions attaching to the Leased Property after the Commencement Date which shall not have been created or caused by Landlord unless consented to by Tenant, and (C) all applicable laws, rules, regulations, ordinances and governmental restrictions then in effect. In the case of a purchase of Landlord's interest in the Leased Property by Tenant pursuant to paragraph (c) of Article 13 hereof, Landlord shall also pay to Tenant the Net Award, if any.

(c) Tenant shall pay all costs, charges and expenses of Landlord and Landlord's mortgagee (other than any prepayment premiums or penalties imposed by any such mortgagee) incident to such transfer including, without limitation, all recording fees, reasonable attorneys' fees and expenses, transfer taxes, title insurance premiums and federal, state and local taxes, except for any net income taxes, except in the case of a purchase by Tenant pursuant to Article 16, in which case costs and expenses will be allocated between Landlord and Tenant in the same manner as was provided for in the Third Party Offer.

(d) Tenant shall pay all Basic Rent and Additional Rent due and payable on the date Tenant purchases Landlord’s interest in the Leased Property.

18. INVESTMENT CREDIT:

Landlord hereby elects under the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), to pass through to Tenant all investment tax credits which may be applied from time to time in respect of the Leased Property or any part thereof under Section 38 of the code (or under the corresponding section of any U.S. income tax law at any time in effect during the Term of this Lease). Landlord agrees, at Tenant’s expense, to execute timely all documents prepared by Tenant and delivered to Landlord in advance and required by the Code and regulations issued thereunder to enable Tenant to obtain such investment tax credits.

19. QUIET ENJOYMENT:

Upon due performance of the covenants and agreements to be performed by Tenant under this Lease, Landlord covenants that Tenant shall and may at all times peaceably and quietly have, hold and enjoy the Leased Property during the Term of this Lease, without interruption from the acts of Landlord. Notwithstanding the preceding sentence, Landlord, Landlord’s mortgagee, or their agents may enter into and inspect the Leased Property at any reasonable time during normal business hours, upon the giving of reasonable notice, if they take precautions not to unreasonably inconvenience Tenant or any persons occupying the Leased Property in accordance with this Lease and are accompanied by an employee or other representative of Tenant at all times during such entry and inspection, or at any time in the event of an emergency, it being agreed and understood that only a situation posing a substantial risk of serious and imminent bodily injury or significant property damage shall be considered an emergency for purposed of this Article 19. Furthermore, Tenant may designate certain areas of the Leased Property as “Secured Areas” should Tenant require such areas for the purpose of securing certain valuable or confidential information. Landlord may not enter such Secured Areas except in the case of emergency.

20. TERMINATION:

In the event of the termination of this Lease as herein provided, the obligations and liabilities of Landlord and Tenant, as the case may be, actual or contingent, under this Lease which arose at or prior to such termination shall survive such termination.

21. SUBLETTING; ASSIGNMENT:

(a) Subject to subparagraphs (c), (d) and (e) hereof and Article 5 hereof, Tenant may sublet the Leased Property or any portion or portions thereof, provided that (i) no Material Event of Default has occurred and is continuing and (ii) each sublease shall expressly be made subject and subordinate to the provisions of this Lease. All references in this Lease to a sublease shall be deemed to include all license agreements and any other arrangements for occupancy or other use by any person or entity of all or any part of the Leased Property, and all references in this Lease to a subtenant shall include any licensee, occupant or other user of all or any part of the Leased Property.

(b) Subject to subparagraphs (c), (d) and (e) hereof and Article 5 hereof, Tenant may assign its interest under this Lease, provided that no Material Event of Default has occurred and is continuing and provided further that such assignment shall expressly be made subject to the terms of this Lease.

(c) The term of any subletting of the Leased Property or assignment of this Lease shall not extend beyond the Term of this Lease then in effect. Any sublessee or assignee shall be permitted to use the Leased Property only for the purposes permitted under this Lease.

(d) Tenant shall not sublease the Leased Property or any portion thereof or assign this Lease if the effect of such sublease or assignment would be to cause the Leased Property or any portion there of to be considered as used by a tax-exempt entity or other entity with the result that some or all of the federal, state or municipal income tax deductions which Landlord otherwise would be permitted to report with respect to the Leased Property or the Lease would be deferred or denied, or cause this Lease not to be a true lease for federal income tax purposes. Landlord agrees that within twenty (20) Business Days of the receipt of the receipt of any notice of proposed sublease or assignment from Tenant, Landlord will provide Tenant with notice on whether the requirements of this subparagraph (d) are satisfied, and Landlord's failure to notify Tenant within such period shall be deemed to be a notification by Landlord that such requirements are satisfied.

(e) No sublease or assignment shall affect or reduce any obligation of Tenant or right of Landlord hereunder, and all obligations of Tenant of a principal and not of a guarantor or surety, as though no subletting or assignment had been made.

(f) Tenant shall, within thirty (30) days after the execution thereof, deliver to Landlord a conformed copy (with acknowledgments) of the following: (i) all lease assignments; (ii) any individual sublease (other than to an affiliate of Tenant) of more than 50,000 net rentable square feet of the Leased Property; and (iii) all subleases (other than to affiliates of Tenant) if in the aggregate such subleases comprise more than 30% of the net rentable square feet of the Leased Property.

(g) Neither this Lease nor the Term of this Lease hereby demised shall be mortgaged or pledged by Tenant, nor shall Tenant mortgage, pledge or assign the interest of Tenant in and to any sublease of the Leased Property or any portion thereof or the rental payable thereunder. Any such mortgage, assignment or pledge, and any sublease or assignment not permitted by this Article 21, shall be void.

(h) Landlord may assign, convey, or otherwise transfer its estate, right, title and interest hereunder or in the Leased Property or any part thereof, and upon execution and delivery of any such assignment, conveyance or other transfer, Landlord shall be released from its obligations hereunder arising after the date of such conveyance or other transfer, if any, provided that in connection with any such assignment, conveyance or transfer by Landlord, the transferee agrees to assume all of the obligations of Landlord, if any, under this lease. Any such assignment, conveyance or other transfer shall be subject to this Lease. In the event that Landlord shall transfer part of its interest in the Leased Property subject to this Lease, then Tenant shall enter into such documentation as Landlord shall deem reasonably necessary to effectuate such transfer and to confirm the continued validity and enforceability of this Lease.

Notwithstanding the forgoing, so long as the Lease remains in effect and no Material Event of Default is continuing, Landlord shall not sell the Leased Property except upon compliance with the following conditions:

(i) the transferee shall be a single purpose entity which is not engaged in any business other than the ownership, financing and leasing of the Leased Property.

(ii) the transferee shall be controlled (within the meaning of Rule 405 under the Rules and Regulations of the Securities Act of 1933, as amended) by an Institutional Investor.

(iii) Landlord shall have given notice to Tenant of the identity of the proposed transferee not fewer than ten (10) Business Days prior to entering into any binding agreement with the transferee relating to the transfer of the Leased Property.

(iv) the transferee shall not be a direct competitor of Tenant, meaning a bank, bank holding company, savings bank, savings and loan association, or trust company, or a parent company or subsidiary of any of the foregoing, doing business in the same market as Tenant (a "Direct Competitor").

In the event of a violation by Landlord of the above restrictions, Tenant may seek an injunction to prohibit any such sale, and any sale in violation of this provision shall be void ab initio.

In the event that, upon receipt of Landlord's notice set forth above, Tenant acting in good faith, reasonably believes that the proposed transferee is a Direct Competitor, Tenant will have the right, for a period of ten (10) Business Days following receipt of such notice, to approve or disapprove such proposed transfer. In the event that Landlord intends to sell the Leased Property to a transferee which in Landlord's judgment is not a Direct Competitor, Landlord shall deliver a notice to Tenant requesting Tenant's approval of such proposed transfer. Tenant shall within ten (10) Business Days from its receipt of such notice confirm in writing Tenant's agreement that the proposed transferee is not a Direct Competitor. If Tenant does not object to the proposed transfer or provide a written response to Landlord within either of the above ten (10) Business Day period, Tenant shall, subject to Tenant's right of first refusal pursuant to Article 16 of the Lease, be deemed to have approved such transfer and Tenant shall have waived its rights to object to such transfer or seek an injunction hereunder. In the event that Landlord and Tenant cannot reach agreement with respect to whether the proposed transferee is a Direct Competitor of the Tenant, then the parties shall submit such issue to arbitration in accordance with the provisions of Article 38 hereof. Tenant's rights hereunder shall be applicable to any proposed transfer and any future transfer by any permitted successor or assign of Landlord. In the event that Landlord transfers (or attempts to transfer) its interest in the Leased Property in violation of this section, Tenant will be reimbursed on demand by Landlord for its reasonable attorney's fees and other out-of-pocket expenses incurred in the enforcement of its rights hereunder.

This paragraph (h) of Article 21 is not applicable to any transfer by Landlord to a mortgagee of the Leased Property, by foreclosure or otherwise.

22. ADVANCES BY LANDLORD:

If Tenant shall fail to make or perform any payment or act required by this Lease within any applicable cure period, then Landlord may at its option make such payment or perform such act for the account of Tenant, and Landlord shall not thereby be deemed to have waived any default or released Tenant from any obligation hereunder. All amounts so paid by Landlord and all incidental costs and expenses (including reasonable attorney's fees and expenses) actually incurred in connection with such payment or performance, together with interest at the annual rate equal to the greater of (i) twelve percent (12%) and (ii) three percent (3%) above the prime rate as announced from time to time in New York City by Citibank, N.A. (or at the highest rate not prohibited by applicable law, whichever is less) (the "Overdue Interest Rate") from an including the date of the making of such payments or the incurring of such costs and expenses to and including the date of repayment, shall be paid by Tenant to Landlord on demand.

23. CONDITIONAL LIMITATIONS - EVENTS OF DEFAULT AND REMEDIES:

(a) Any of the following occurrences or acts shall constitute an "Event of Default" under this Lease:

(i) if Tenant shall default in making payment when due of any installment of Basic Rent or Additional Rent, and such default shall continue for five (5) Business Days after receipt of notice of such default; or

(ii) if Tenant shall default in the due performance of any other covenant, agreement, obligation or condition on the part of Tenant to be performed hereunder, other than as set forth in clause (i) or clause (vii) of this paragraph (a), and if such default shall continue for thirty (30) days after written notice from Landlord to Tenant specifying such default and demanding that the same be cured (or, in the case of a default which cannot be cured with the payment of money, or with due diligence be wholly cured within such thirty (30) day period, if Tenant shall fail to commence to cure the same with said thirty (30) day period, or, having promptly so commenced to cure the same shall fail thereafter to prosecute the curing thereof in good faith and with all due diligence, it being intended that the time within which to cure such a default shall be extended for such period as may be necessary to complete the curing of the same in good faith and with due diligence, provided that in no event shall such cure period extend beyond the earlier of (i) two hundred seventy (270) days after written notice from Landlord (except with respect to the cure of environmental violation in accordance with the requirements of all governmental authorities) and (ii) the last day of the Term of this Lease); or

(iii) if Tenant, or any corporation succeeding to Tenant by merger, consolidation or acquisition of all or substantially all of its assets, shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to the Bankruptcy Act of under any similar federal or state law now or hereafter in effect, or shall be adjudicated a bankrupt or become insolvent or shall make an assignment for the benefit of its creditors, or shall be unable to pay its debts generally as they become due, or shall be dissolved, or shall suspend payment of its obligations, or shall take any corporate action in furtherance of any of the foregoing; or

(iv) if a petition or answer shall be filed proposing the adjudication of Tenant or any corporation succeeding to Tenant by merger, consolidation or acquisition of all or substantially all of its assets as a bankrupt or its reorganization pursuant to the Bankruptcy Act or any similar federal or state law, now or hereafter in effect, and (A) Tenant or its successor corporation shall consent to the filing thereof, or (B) such petition or answer shall not be discharged, or denied within one hundred twenty (120) days after the filing thereof; or

(v) if a receiver, trustee or liquidator (or other similar official) shall be appointed for or take possession or charge of Tenant or any corporation succeeding to Tenant by merger, consolidation or acquisition of all or substantially all of its assets, or of all or substantially all of the business or assets of Tenant or its successor corporation or of Tenant's or its successor corporation's estate or interest in the Leased Property, and shall not be discharged within ninety (90) days thereafter or if Tenant or its successor corporation shall consent to or acquiesce in such appointment; or

(vi) if the estate or interest of Tenant in the Leased Property or any sublease thereof shall be levied upon or attached in any proceeding and such process shall not be vacated or discharged within ninety (90) days after such levy or attachment, unless Tenant shall be contesting such levy or attachment in accordance with the requirements of paragraph (d) of Article 7 hereof: or

(vii) if Tenant fails to pay Landlord the purchase price of the Leased Property pursuant to Article 17 hereof or if Tenant fails to maintain insurance in accordance with Article 14 hereof or if Tenant is in breach of Article 29 hereof; or

(viii) if, as of the time when the same shall have been made, any representation or warranty of Tenant to Landlord or Landlord's mortgagee set forth in any notice, certificate, demand, request or other instrument delivered in connection with or pursuant to this Lease shall prove to be incorrect or misleading in any material respect which breach had a material adverse effect on Landlord and for which Tenant failed to diligently commence to cure or, having diligently commenced to cure, which was not cured within two hundred seventy (270) days thereafter.

(b) This Lease and the Term of this Lease and estate hereby granted are subject to the limitation that whenever an Event of Default shall have occurred, Landlord may, at Landlord's option, elect to (i) re-enter the Leased Property, without notice, and remove all persons and property therefrom, either by summary proceedings or by any suitable action or proceeding at law, or otherwise, without being liable to indictment, prosecution action or proceeding at law, or otherwise, without being liable to indictment, prosecution or damages therefor, and may have, hold and enjoy the Leased Property, together with the appurtenances thereto and the improvements thereon; and/or (ii) terminate this Lease at any time by giving ten (10) days notice in writing to Tenant, electing to terminate this Lease, and the Term of this Lease shall expire at the expiration of said last mentioned ten (10) days notice as fully and completely as if said date were the date herein originally fixed for the expiration of the Term of this Lease hereby granted, and Tenant shall thererupon quit and peacefully surrender the Leased Property to Landlord, with all appurtenances thereto and all improvements thereron, without any payment therefor by Landlord, and Landlord, upon the expiration of said last mentioned ten (10) days notice, or at any time thereafter, may re-enter the Leased Property as provided in the preceding clause (i).

(c) In case of any such re-entry, termination and/or dispossession by summary proceedings as provided in the immediately preceding paragraph, (i) the Basic Rent and Additional Rent shall become due thereupon and be paid up to the time of such re-entry, dispossession and/or termination, together with such expenses, including reasonable attorneys' fees and expenses, as Landlord shall incur in connection with such re-entry, termination and/or dispossession by summary proceedings or otherwise; (ii) Landlord may in good faith relet the Leased Property or any part or parts thereof, either in the name of Landlord or otherwise, for a term or terms which may, at Landlord's option, be equal to or less than or exceed the period which would otherwise have constituted the balance of the Term of this Lease; (iii) Tenant shall also pay to Landlord all other actual damages and expenses which Landlord shall have sustained by reason of the breach of any provision of this Lease, including, without limitation, legal expenses, reasonable attorneys' fees, brokerage commissions and expenses incurred in altering, repairing and putting the Leased Property and any buildings and improvements thereon in good order and condition and in preparing the same for reletting, which expenses shall be paid by Tenant as they are incurred by Landlord; (iv) Tenant shall also pay to Landlord the amount by which the Basic Rent reserved in this Lease exceeds the net amount, if any, of the rents collected on account of the leases of the Leased Property for each month of the period which would otherwise have constituted the Term of this Lease (excluding unexercised extension options other than the Landlord Extension Term), which amounts shall be paid in monthly installments by Tenant on the respective Installment Payment Dates specified therefor, and any suit brought to collect said amounts for any month or months shall not prejudice in any way the rights of Landlord to collect the deficiency in any subsequent month by a similar action or proceeding; and/or (v) at the option of Landlord exercised at any time, Landlord forthwith shall be entitled to recover from Tenant as liquidated damages, in addition to any other proper claims but in lieu of and not in addition to any amount which would thereafter have become payable under the preceding clause (iv), whichever of the following sums Landlord shall elect:

(A) an amount equal to the Basic Rent and Additional Rent reserved in this Lease and/or covenanted to be paid for the remainder of the Term of this Lease (excluding unexercised extension periods other that the Landlord Extension Term), discounted at the rate of six and on-half percent ($6\,^1/_2$%) per year to present worth; provided that, if Tenant shall so request, Landlord shall at the time of such payment assign and convey the Leased Property to Tenant, without further consideration, in accordance with the terms and provisions of Article 17 hereof; or

(B) the Termination Values as set forth in Schedule C hereto, provided that, if Tenant shall so request, Landlord shall at the time of such payment assign and convey the Leased Property to Tenant, without further consideration, in accordance with the terms and provisions of Article 17 hereof.

Landlord, at Landlord's option, may make such alterations and/or decorations in the Leased Property as Landlord, in Landlord's sole judgment, considers advisable and necessary for the purpose of reletting the Leased Property; and the making of such alterations and/or decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid.

(d) No receipt of moneys by Landlord from Tenant after a termination of this Lease by Landlord shall reinstate, continue or extend the Term of this Lease or affect any notice theretofore given to Tenant, or operate as a waiver of the right of Landlord to enforce the payment of rent than due or thereafter falling due, it being agreed that after the commencement of suit for possession of the Leased Property, or after final order or judgment for the possession of the Leased Property, Landlord may demand, receive and collect any moneys due or thereafter falling due without in any manner affecting such suit, order or judgment, all such moneys collected being deemed payments on account of the use and occupation of the Leased Property or, at the election of Landlord, on account of Tenant's liability hereunder. Landlord shall have, receive and enjoy as Landlord's sole and absolute property, without right or duty to account therefor to Tenant, any and all sums collected by Landlord as rent or otherwise upon reletting the Leased Property after Landlord shall resume possession thereof as hereinbefore provided, including, without limitation upon the generality of the foregoing, any amounts by which the sum or sums so collected shall exceed the continuing liability of Tenant hereunder.

(e) The word "re-enter", as used in this Lease, is not and shall not be restricted to its technical legal meaning, but is used in the broadest sense. No such taking of possession of the Leased Property by Landlord shall constitute an election to terminate the Term of this Lease unless notice of such intention be given to Tenant or unless such termination be decreed by a court having jurisdiction.

(f) If an action shall be brought for the enforcement of any provision of this Lease, in which it shall be determined that an Event of Default has occurred, Tenant shall pay to Landlord all costs and other expenses which may become payable as a result thereof, including reasonable attorney's fees and expenses. If Landlord shall, without fault on its part, be made a party to any litigation commenced against Tenant, Tenant shall pay all costs and reasonable attorneys' fees and expensed. If Landlord shall, without fault on its part, be made a party to any litigation commenced against Tenant, Tenant shall pay all costs and reasonable attorneys' fees actually incurred or paid by Landlord in connection with such litigation.

(g) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to any other legal or equitable right or remedy given hereunder, or at any time existing. The failure of Landlord to insist upon the strict performance of any provision or to exercise any option, right, power or remedy contained in this Lease shall not be construed as a waiver or a relinquishment thereof for the future. Receipt by Landlord of any Basic Rent or Additional Rent payable hereunder with knowledge of the breach of any provision contained in this Lease shall not constitute a waiver of such breach (other than the prior failure to pay such Basic Rent or Additional Rent) and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless made under signature of an officer of Landlord.

24. NOTICES:

All notices and other instruments given or delivered pursuant to this Lease shall be in writing and shall be deemed to have been given (i) when delivered by hand, (ii) on the earlier of receipt and five (5) Business Days after being sent by first class registered or certified mail, postage prepaid, returned receipt requested, (iii) when sent by telegram or cable or (iv) on the earlier of receipt and two (2) days after being sent by a nationally recognized overnight courier. Copies of notices must be sent to all of the parties listed below. Landlord and Tenant shall each have the right to specify, from time to time, as its address for purposes of this Lease, any address and any addressee, in the continental United States, upon giving fifteen (15) days' written notice thereof to the other party. The addresses of Landlord and Tenant for purposes of this Lease, until notice has been given as above provided, shall be as follows:

Landlord:	PREFCO XXI Limited Partnership c/o Pitney Bowes Credit Corporation 27 Waterview Drive Shelton, Connecticut 06484 Attention: Vice President – Credit/Operations FAX: (203) 922-4083 PHONE: (203) 922-4073
With a copy to:	Kelly Drye & Warren LLP 101 Park Avenue New York, New York 10178 Attention: John A. Garraty, Jr., Esq. FAX: (212) 808-7898 PHONE: (212) 808-7653
Tenant:	Bank of America NT & SA Corporate Real Estate 600 Wilshire Blvd., 2nd Floor Los Angeles, California 90017 Attention: Mr. Darl D. Kellogg and Mr. Steven T. Ohigashi FAX: (213) 228-2304 PHONE: (213) 228-3366 and (213) 228-2680
	Bank of America NT & SA Legal Department 555 South Flower Street, Suite 800 Los Angeles, California 90071 Attention: John A Clark, Esq. FAX: (213) 228-5344 PHONE: (213) 228-5030
	Koll Attn: Lease Administration 101 North First Avenue Phoenix, AZ 85003
	Koll Attn: Office of the Building 275 So. Valencia Brea, CA 92821

With a copy to: Pillsbury Madison & Sutro LLP
725 South Figueroa Street
Los Angeles, California 90017-2513
Attention: John J. Duffy, Esq.
FAX: (213) 629-1033
PHONE: (213) 488-7415

25. ESTOPPEL CERTIFICATES:

Each party hereto agrees that at any time and from time to time during the Term of this Lease, it will promptly, but in no event later than fifteen (15) days after request by the other party hereto, execute, acknowledge and deliver to such requesting party or to any prospective purchaser, assignee or mortgagee or third party designated by such requesting party, a certificate stating (a) that this Lease is unmodified and in force and effect (or if there have been modifications, that this Lease is in force and effect as modified, and identifying the modifications, that this Lease is in force and effect as modified, and identifying the modifications, that this Lease is in force and effect as modified, and identifying the modification agreements); (b) the date to which rent has been paid; (c) whether or not there is any existing default by Tenant in the payment of Basic Rent or any other sum of money hereunder, and whether or not there is any other existing default by either party hereto with respect to which a notice of default has been served, and, if there is any such default, specifying the nature and extent thereof; (d) whether or not there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed hereunder existing in favor of the party executing such certificate; and (e) any other information relating to this Lease reasonably requested by the requesting party.

26. NO MERGER:

There shall be no merger of this Lease or of any leasehold or subleasehold estate hereby or thereby created with the fee or any other estate or interest or ownership interest in the Leased Property or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly, (a) this Lease or any leasehold or subleasehold estate created hereby or thereby or any interest in this Lease or in any such leasehold or subleasehold estate and (b) the fee estate or other estate or interest or ownership interest in the Leased Property or any part thereof, and this Lease shall not be terminated for any cause except as expressly provided herein.

27. SURRENDER; HOLDOVER

(a) Upon the expiration or earlier termination of the Term of this Lease, Tenant shall surrender the Leased Property to Landlord in the same condition and suitable for the same use in which the Leased Property was originally received from Landlord except as repaired, rebuilt or altered (including without limitation the alterations listed on Schedule F) as required or permitted by this Lease and except for ordinary wear and tear. Tenant shall remove from the Leased Property on or prior to such expiration or earlier termination all property owned or leased by Tenant from any third party except that agreed upon by Landlord and Tenant in writing, which agreement, if any shall be entered into at least thirty (30) days prior to the expiration or earlier termination of the Term of this Lease, and shall repair any damage caused by such removal. Property not so removed within three (3) Business Days after notice from Landlord shall become the property of Landlord, which may cause such property to be removed from the Leased Property and disposed of, but the cost of any such removal and disposition and of repairing any damage caused by such removal shall be borne by Tenant.

(b) Except for surrender upon the expiration or earlier termination of the Term of this Lease, no surrender to Landlord of this Lease or of the Leased Property shall be valid or effective unless agreed to and accepted in writing by Landlord.

(c) If the Tenant shall continue to occupy the Leased Property after the expiration or earlier termination of this Lease, then Tenant shall be deemed to be a holdover tenant, the tenancy of which shall be from month to month upon the same provisions and conditions set forth in this Lease, except that Basic Rent for the holdover period shall be an amount equal to one hundred thirty (130%) percent of the Basic Rent in effect immediately prior to the holdover period. The foregoing shall not constitute a waiver of the Landlord's right or re-entry or any other right granted under this Lease and shall not derogate from any of Tenant's obligations hereunder in respect of the surrender of the Leased Property or otherwise.

28. SEPARABILITY:

Each provision contained in this Lease shall be separate and independent and the breach of any such provision by Landlord shall not discharge or relieve Tenant from its obligation to perform each obligation of this Lease to be performed by Tenant. If any provision of this Lease or the application thereof to any person or circumstance shall to any extent be invalid and unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and shall be enforceable to the extent permitted by law.

29. BINDING EFFECT; MERGER, CONSOLIDATION AND DISPOSAL OF ASSETS:

(a) All provisions contained in this Lease shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns and sublessees of Landlord, Tenant and Landlord's mortgagee to the same extent as if each such successor or assign or sublessee were named as a party hereto.

(b) Without the prior written consent of Landlord, Tenant will not, directly or indirectly, consolidate with or merge into any corporation, association, partnership or other business organization to consolidate with or merge into it, or sell or otherwise transfer all or substantially all of its properties and assets, or acquire all or substantially all of the assets of any corporation, association, partnership or other business organization or individual, unless (i) the Tenant shall be the entity surviving such consolidation, merger or other action, or the surviving entity or transferee shall enter into an assumption of this Lease and the other agreements contemplated by this transaction in form and substance reasonably satisfactory to Landlord; (ii) immediately prior to such action, no Event of Default shall have occurred and be continuing; (iii) immediately after giving affect to such action, no default or Event of Default shall exist under this Lease as a consequence of such action; (iv) the surviving entity (whether or not Tenant) or transferee and its subsidiaries shall be in compliance with all bank regulatory requirements with respect to capital; and (v) the surviving entity or transferee shall be a corporation duly organized, validly existing and in good standing under the laws of the United States of America, any state or the District of Columbia.

30. SHOWING:

During the one year period preceding the date on which the Term of this Lease shall terminate or fully expire, Landlord may show the Leased Property to prospective tenants or purchasers at such reasonable times during normal business hours as Landlord may select upon reasonable prior notice to Tenant, if they take precautions not to unreasonably inconvenience Tenant or any persons occupying the Leased Property in accordance with this Lease and are accompanied by an employee or other representative of Tenant at all times during such entry. Tenant may designate certain areas of the Leased Property as “Secured Areas” should Tenant require such areas for the purpose of securing certain valuable property or confidential information. Landlord may not enter such Secured Areas” should Tenant require such areas for the purpose of securing certain valuable property or confidential information. Landlord nay not enter such Secured Areas except in the case of emergency, as set forth in Article 19 hereof.

31. NATURE OF LANDLORD’S OBLIGATIONS:

Anything in this Lease to the contrary notwithstanding, no recourse or relief shall be had under any rule of law or equity, statute or constitution or by any enforcement of any assessments or penalties, or otherwise or based on or in respect of this Lease (whether by breach of Landlord or any predecessor or successor corporation (or other entity) of Landlord), or its employees, shareholders, officers, directors, members, managers, trustees, partners or principals, disclosed or undisclosed, or any of their respective employees, shareholders, officers directors, members managers, trustees, partners or principals, disclosed or undisclosed, or any of their respective successors and assigns, it being expressly understood that any obligations of Landlord under or relating to this Lease are solely obligations payable out of Landlord’s equity interest in the Leased Property and are compensable solely therefrom (subject and subordinate to the rights of Landlord’s mortgagee under the related mortgage and without in any manner affecting or limiting Tenant’s obligations under this Lease). It is expressly understood that all such liability is and is being expressly waived and released as a condition of and as condition for the execution of this Lease, and Tenant expressly waives and releases all such liability as a condition of, and as consideration for, the execution of this Lease.

32. GRANTING OF EASEMENTS:

If no Material Event of Default hereunder has occurred and is continuing, Landlord will join with Tenant, from time to time at the request of Tenant (and at Tenant’s sole cost and expense), with respect to their interest in the Leased Property to any person legally empowered to take such interest under the power of eminent domain, (ii) grant, in the ordinary course of business, easements, licenses, rights of way and other rights and privileges in the nature of easements, (iii) release, in the ordinary course of business, existing easements and appurtenances which benefit the Leased Property, (iv) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes, (v) execute petitions to have the Leased Property annexed to any municipal corporation or utility district, (vi) execute amendments to any covenants and restrictions affecting the Leased Property and (vii) execute and deliver any instrument, in form and substance reasonably acceptable to Landlord and Landlord's mortgagee, necessary or appropriate to make or confirm such grants or releases to any person, with or without consideration, but only if Landlord shall have received (x) a certificate of an authorized officer of Tenant stating that such grant or release was granted in the ordinary course of Tenant's business, does not materially interfere with and is not detrimental to the conduct of business on the Leased Property and does not materially impair the usefulness of the Leased Property or materially impair the fair market value of the Leased Property or materially impair Landlord's or Landlord's mortgagee's interest in the Leased Property, (y) a certificate stating the consideration, if any being paid for said sale, grant easement, license, release, right of way, petition, amendment or other such instruments described in this Article 33, is in the opinion of Tenant fair and adequate; and (z) a duly authorized and binding undertaking of Tenant, in form and substance reasonably satisfactory to Landlord and Landlord's mortgagee, to remain obligated under this Lease and under any instrument executed by Tenant consenting to the assignment of Landlord's interest in this Lease as security for indebtedness, as though such easement, license, right-of-way or other right or privilege has not been granted or released, and to perform all obligations of the grantor or party effecting the release under such instrument of grant or release during the Term of this Lease.

33. RECORDING OF LEASE:

Landlord and Tenant will execute, acknowledge, deliver and cause to be recorded or filed in the manner and place required by any present or future law a memorandum of this Lease or, if required by law, this Lease, and all other instruments, including, without limitation, financing statements, continuation statements, releases and instruments or similar character, which shall be reasonably requested by Landlord or Tenant as being necessary or appropriate in order to protect their respective interests in the Leased Property or to publish notice of or to create, maintain and protect or terminate or release the lien and security interest intended to be created by any mortgage upon, and the interest of Landlord's mortgagee in, the Leased Property. If either Landlord or Tenant shall fail to comply with this paragraph, Tenant or Landlord, as the case may be, shall be and is hereby irrevocably appointed the agent and attorney-in-fact of Landlord or Tenant, as the case may be, to comply therewith, but this sentence shall not prevent any default in the observance of this Article 33 by the Tenant from constituting an Event of Default hereunder.

34. RELATIONSHIP OF PARTIES.

Nothing contained in this Lease shall be construed in any manner to create any relationship between the Landlord and the Tenant other than the relationship of landlord and tenant. Without limitation, the Landlord and the Tenant are independent parties and shall not be considered partners or co-venturers for any purpose on account of this Lease.

35. ACCESS TO LEASED PROPERTY.

The Tenant will permit the Landlord, any Landlord's mortgagee and their duly authorized representatives to enter upon the Leased Property and to inspect the same at any and all reasonable times during normal business hours, upon reasonable advance notice if they take precautions not to unreasonably inconvenience Tenant or any persons occupying the Leased Property in accordance with this Lease and are accompanied by an employee or other representative of Tenant at all times during such entry and inspection, and at any time in the case of emergency (as such is described in Article 19) without the giving of notice, and for purposes reasonably related to the rights of the Landlord, and any Landlord's mortgagee under this Lease. Tenant may designate certain areas of the Leased Property as "Secured Areas" should Tenant require such areas for the purpose of securing certain valuable property or confidential information. Landlord may not enter such Secured Areas except in the case of emergency, as set forth in Articles 10 and 19 hereof.

36. BROKER.

The Tenant and the Landlord each represents to the other that it has dealt with no brokers in connection with this Lease and the transactions contemplated hereby, other than Wells Hill Partners, Ltd. Any fees any commissions payable to Wells Hill Partners, Ltd. shall be paid by Tenant.

37. TRUE LEASE.

This Lease is intended as, and shall constitute, an agreement of lease, and nothing herein shall be construed as conveying to the Tenant any right, title or interest in or to the Leased Property nor to any remainder or reversionary estates in the Lease Property except, in each instance, as a lessee.

38. ARBRITATION OF DISPUTES:

DISPUTE RESOLUTION: NOTICE: BY INITIALLING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE DISPUTE RESOLUTION PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT BY JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE DISPUTE RESOLUTION PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE DISPUTE RESOLUTION PROVISION TO NEWTRAL ARBITRATION.

INITIALS	INITIALS

ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THIS LEASE OR ANY AGREEMENTS OR INSTRUMENTS RELATING HERETO OR DELIVERED IN CONNECTION HEREWITH, INCLUDING, BUT NOT LIMITED TO, A CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT WILL, AT THE REQUEST OF ANY PARTY BE DETERMINED BY ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (9 U.S.C.SECTION 1 ET. SEQ.), SUBJECT TO THE TERMS OF THIS PROVISION, UNDER THE AUSPICES AND RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("AAA"). THE AAAWILL BE INSTRUCTED BY EITHER OR BOTH PARTIES TO PREPARE A LIST OF THREE JUDGES WHO HAVE RETIRED FROM THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, A HIGHER CALIFORNIA COURT OR ANY FEDERAL COURT. WITHIN 10 DAYS OF RECEIPT OF THE LIST, EACH PARTY MAY STRIKE ONE NAME FROM THE LIST. THE ARBITRATION WILL BE CONDUCTED IN SAN FRANSISCO, LOS ANGELES OR SAN DIEGO, WHICH EVER IS THE CLOSEST SITY TO THE NEXUS OF THE DISPUTE. ANY CONTROVERSY IN INTERPRETATION OR ENFORCEMENT OF THIS PROVISION OR WHETHER A DISPUTE IS ARBITRABLE, WILL BE DETERMINED BY THE ARBRITRATORS. JUDGEMENT UPON THE AWARD RENDERED BY THE ARBITRATORS(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. THE INSTITUTIN AND MAINTENANCE OF AN ACTION FOR JUDICIAL RELIEF OR IN PURSUIT OF AN ANCILLARY REMEDY, DOES NOT CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE PLAINTIFF, TO SUBMIT THE CONTROVERSY OR CLAIM TO ARBITRATION. THE ARBITRATION SHALL FOLLOW SUBSTANTIVE CALIFORNIA LAW IN MAKING HIS DECISION, RENDER HIS DECISION IN WRITING AND STATE THE BASIS THEREFOR, AND PERMIT REASONABLE DISCOVERY IN ACCORDANCE WITH THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE ARBITRATOR IN HIS DISCRETION MAY AWARD LEGAL FEES AND COSTS TO THE PREVAILING PARTY.

39. MISCELLANEOUS:

No term or provision hereof may be amended, changed, waived, discharged or terminated orally, but only by an instrument signed by the party against whom enforcement thereof is sought. No failure, delay, forbearance or indulgence on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, or as an acquiescence in any breach, nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. This Lease and the rights and obligations in respect hereof shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, except where the laws of the State of California require such State's own law to apply and except provisions of this Lease regarding the exercise of remedies, which shall be governed by the laws of the State of California. All headings are for reference only and shall not be considered as part of this Lease. This Lease nay be executed in any number of counterparts, each of which shall be an original, and such counterparts together shall constitute but one and the same instrument.

40. REASONABLENESS:

Except as otherwise provided herein and except for matters which (i) could have an adverse effect on the structural integrity of the Improvements, (ii) could have as adverse effect on the mechanical, electrical life safety, pluming, sprinkler and HVAC systems, or (iii) could have an adverse effect on the exterior appearance of the Leased Property, whereupon in each such case Landlord's duty is to act in good faith and in compliance with the Lease, any time the consent of Landlord or Tenant is required, such consent shall not be unreasonably withheld, conditioned or delayed. Whenever this Lease grants Landlord or Tenant the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, Landlord and Tenant shall act reasonably and in good faith and take no action which might result in the frustration of the reasonable expectations of a sophisticated tenant or landlord concerning the benefits to be enjoyed under this Lease.

41. ERISA

(1) Tenant represents and warrants to Landlord that, as of the date of the Lease and throughout the term of the Lease,

(a) the assets of the Tenant do not constitute "plan assets" within the meaning of 29 C.R.F. § 2510.3-101 because one or more of the following circumstances is true:

(i) Equity interests in the parent company of Tenant are publicly offered securities within the meaning of 29 C.R.F. § 2510.3-101(b)(2);

(ii) Less than 25 percent of all equity interests in Tenant are held by "benefit plan investors" within the meaning of 29 C.F.R. § 2510.3-101(f)(2); or

(iii) Tenant qualifies as an "operating company", "venture capital operating company" or a "real estate operating company" within the meaning of 29 C.F.R. § 2510.3(c), (d) or (e).

(b) As of the date of the Lease and throughout the term of the Lease: (i) Tenant will not be a "governmental plan" within the meaning of § 3(32) of the Employee Retirement Income Security Act of 1974 ("ERISA"); and (ii) transactions by Tenant (or by Tenant's direct or indirect owners, subsidiaries or affiliates) in connection with the Lease or the Leased Property will not be subject to state statutes regulating investments of and fiduciary obligations with respect to governmental plans

(2) Tenant shall deliver to Landlord certifications or evidence from time to time during the term of the Lease, as requested by Landlord in its sole discretion, that Tenant's representations and warranties pursuant to this Article 41 remain true.

(3) Tenant shall indemnify Landlord and defend and hold Landlord harmless from and against all loss, costs, damage and expense (including, without limitation, reasonable attorney's fees and costs incurred in the investigation. Defense and settlement of claims and losses incurred in correcting any prohibited transaction and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Landlord's sole discretion) that Landlord may incur, directly or indirectly, as a result of a default under Sections 1 or 2 above. This indemnity shall survive any termination, satisfaction or foreclosure of the Lease.

(4) (a) Anything in Article 21 (Subletting; Assignment) or elsewhere in the Lease to the contrary notwithstanding, no sale, encumbrance, assignment or transfer of any direct or indirect interests in the Tenant or in the Premises (including, without limitation a subleasehold interest) shall be permitted which would negate Tenant's representations in this Article 14 or cause the Lease (or any exercise of Landlord's rights under the Lease) to constitute a violation of any provision of ERISA or any State Investment Statutes, as determined in Landlord's sole discretion.

(b) Anything in the Lease to the contrary notwithstanding, upon consummation of a sale, assignment or transfer o9f any direct or indirect interest in the Tenant or in the Premises (Including, without limitation, a subleasehold interest), Tenant shall obtain to Landlord that this Section will be true after the transfer.

-See signature Pages Attached Hereto and Made a Part Hereof-

-Signature Page to Lease-

IN WITNESS WHEREOF, Landlord and Tenant hereto have each caused This Lease to be duly executed under seal and delivered in their respective names and behalfs, all by authority duly given, as of the day and year first above written.

PREFCO XXI LIMITED PARTNERSHIP

By: PREFCO XXI INC., general partner

By: /s/ Michael J. Leyh

Name: Michael J. Leyh

Title: Vice President

-Signature Page to Lease-

IN WITNESS WHEREOF, Landlord and Tenant hereto have each caused This Lease to be duly executed under seal and delivered in their respective names and behalfs, all by authority duly given, as of the day and year first above written.

BANK OF AMERICA NT & SA

By: /s/ Jack L. Meyers

Name: Jack L. Meyers

Title: Vice Chairman

-Signature Page to Lease-

IN WITNESS WHEREOF, Landlord and Tenant hereto have each caused This Lease to be duly executed under seal and delivered in their respective names and behalfs, all by authority duly given, as of the day and year first above written.

BANK OF AMERICA NT & SA

By: /s/ Thomas E. Rotticci

Name: Thomas E. Rotticci

Title: Executive Vice President

IN WITNESS WHEREOF, Landlord and Tenant hereto have each caused This Lease to be duly executed under seal and delivered in their respective names and behalfs, all by authority duly given, as of the day and year first above written.

BANK OF AMERICA NT & SA

By: /s/ Spiro G. Kailas

Name: Spiro G. Kailas

Title: Vice President

EXHIBIT 10.126

PURCHASE AND SALE AGREEMENT FOR 1901 MARKET STREET PHILADELPHIA BUILDING

PURCHASE AND SALE AGREEMENT

Property Name: 1901 Market Street
Location: Philadelphia, Pennsylvania

Effective Date: December 17, 2003

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EXHIBITS

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made as of December 17, 2003, by and between **PIC REALTY CORPORATION**, a Delaware corporation ("PIC" or "Seller"), **THE PRUDENTIAL INSURANCE COMPANY OF AMERICA**, a New Jersey corporation ("Prudential"), **WELLS 1901 MARKET BUSINESS TRUST**, a Delaware business trust ("Buyer"), and **PRU 1901 MARKET LLC**, a Delaware limited liability company (the "Company").

W I T N E S S E T H:

WHEREAS, the Company is the owner in fee simple of that certain parcel or tract of land (the "Land") located at 1901 Market Street in Philadelphia, Pennsylvania (the Land is more particularly described in Exhibit A attached hereto) and the existing 48 story office building and underground garage located thereon (the "Building").

WHEREAS, the Company was originally formed with Prudential as its sole member owning all of the legal and beneficial interests in the Company;

WHEREAS, PIC is a wholly-owned subsidiary of Prudential;

WHEREAS, intending to make a capital contribution of the beneficial interests in the Company to PIC, Prudential and PIC simultaneously entered into (i) a capitalization agreement (the "Capitalization Agreement") and (ii) an option agreement (the "Option Agreement"), each dated August 31, 2003 pursuant to which Prudential granted to PIC an option to acquire all or a portion of the legal title to the membership interests in the Company (the "LLC Interests") for ten dollars ($10.00) (the "Option").

WHEREAS, Seller and Wells Brea I, L.P. ("Wells Brea"), a Delaware limited partnership, have as of the Effective Date hereof, entered into the Brea Purchase Agreement with respect to the sale of real property owned by Seller in Brea, Orange County, California, the closing of which is conditioned on the simultaneous closing of the acquisition of the Option and LLC Interests as contemplated herein, and Prudential and Buyer have, as of the Effective Date hereof, entered into that certain agreement with respect to the acquisition of the legal title to the LLC Interests pursuant to the exercise of the Option (the "Option Exercise Agreement").

Subject to the terms and conditions hereof, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, all of Seller's legal and beneficial interest, in and rights to the Option, the Option Agreement and the LLC Interests.

In consideration of the mutual covenants and agreements set forth herein, and intending to be legally bound hereby, the parties hereto do hereby agree as follows:

ARTICLE 1 - CERTAIN DEFINITIONS

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

"Brea Purchase Agreement" shall mean that certain Purchase and Sale Agreement between Seller, as seller, and Wells Brea, as buyer, dated the date hereof.

"Building" shall be as described in the Recitals.

"Business Day" shall mean any day other than a Saturday, Sunday, or any federal or state of Pennsylvania holiday. If any period expires on a day which is not a Business Day or any event or condition is required by the terms of this Agreement to occur or be fulfilled on a day which is not a Business Day, such period shall expire or such event or condition shall occur or be fulfilled, as the case may be, on the next succeeding Business Day.

"Buyer's Reports" shall mean the results of any examinations, inspections, investigations, tests, studies, analyses, appraisals, evaluations and/or investigations prepared by or for or otherwise obtained by Buyer or Buyer's Representatives in connection with Buyer's Due Diligence.

"Buyer's Representatives" shall mean Buyer, any direct or indirect owner of any beneficial interest in Buyer, and any officers, directors, employees, agents, representatives, accountants, professional consultants, financial advisors and attorneys of Buyer or any such direct or indirect owner of any beneficial interest in Buyer and any rating agencies or potential lenders.

"Closing" shall mean the closing of the Transaction.

"Closing Date" shall mean the fifth calendar day after the date upon which the latest of the following occurs: (i) the Seller has delivered to the Buyer the estoppel certificate from the Required Tenant in the form required by Section 7.3(k) hereof; (ii) the expiration of the Due Diligence Period; and (iii) Buyer's receipt of the updated Survey required by Section 4.2.1(a) hereof; *provided, however*, the Closing Date shall be extended to the date upon which the closing shall occur under the Brea Purchase Agreement. Notwithstanding the preceding, in no event shall the Closing Date be later than December 31, 2003, as the same may be extended pursuant to the express terms of this Agreement.

"Closing Tax Year" shall mean the Tax Year in which the Closing Date occurs.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any corresponding federal tax stature enacted after the date of this Agreement. A reference to a specific section (§) of the Code refers not only to such specific section but also to any corresponding provision of any federal tax statute enacted after the date of this Agreement, as such specific section or corresponding provision is in effect on the date of application of the provisions of this Agreement containing such reference.

"Confidential Materials" shall mean any books, computer software, records or files (whether in a printed or electronic format) that consist of or contain any of the following: appraisals; budgets; strategic plans for the Property; internal analyses; information regarding the marketing of the Property for sale; submissions relating to obtaining internal authorization for the sale of the Property by Seller or any direct or indirect owner of any beneficial interest in Seller; attorney and accountant work product; attorney-client privileged documents; internal correspondence of Seller, any direct or indirect owner of any beneficial interest in Seller, or any of their respective affiliates and correspondence between or among such parties; or other information in the possession or control of Seller, or any direct or indirect owner of any beneficial interest in Seller or the Company which such party has reasonably designated as proprietary, privileged or confidential.

"Contracts" shall mean, to the extent the Company is a party thereto, all service, supply, maintenance, utility and commission agreements, all equipment leases, and all other contracts, subcontracts and agreements relating to the Real Property and the Personal Property (including all contracts, subcontracts and agreements relating to the construction of any unfinished tenant improvements but excluding all Leases), all of which are described in **Exhibit B** attached hereto and incorporated herein by this reference, together with any additional contracts, subcontracts and agreements entered into in accordance with the terms of Subsection 10.2.1 hereof and as the same may be modified or terminated in accordance with the terms of Subsection 10.2.1.

"Deemed to know" (or words of similar import) shall have the following meaning: (a) Buyer shall be "deemed to know" of the existence of a fact or circumstance to the extent that such fact or circumstance is disclosed by this Agreement, the Documents, any estoppel certificate executed by any tenant of the Property and delivered to Buyer or any Buyer's Representatives, or any studies, tests, reports, or analyses prepared by or for or otherwise obtained by Buyer or Buyer's Representatives; and (b) Buyer shall be "deemed to know" that a representation or warranty is untrue, inaccurate or incorrect to the extent that this Agreement, the Documents, any estoppel certificate executed by any tenant of the Property and delivered to Buyer or any Buyer's Representatives, or any studies, tests, reports or analyses prepared by or for or otherwise obtained by Buyer or Buyer's Representatives contains information which is inconsistent with such representation or warranty.

"Deposit" shall mean the sum of Two Million and No/100 Dollars ($2,000,000.00), to the extent the same is deposited by Buyer in accordance with the terms of Subsection 3.1.1 hereof, together with any interest earned thereon.

"Designated Employees" shall mean Peter L. Ruggiero and Allen J. Green.

"Documents" shall mean the documents and instruments applicable to the Property or any portion thereof that Seller or any of the other Seller Parties deliver or make available to Buyer or Buyer' Representatives prior to Closing or which are otherwise obtained by Buyer or Buyer's Representatives prior to Closing, including, but not limited to, the Title Commitment, the Survey, the Title Documents, and the Property Documents.

"Due Diligence" shall mean examinations, inspections, investigations, tests, studies, analyses, appraisals, evaluations and/or investigations with respect to the Property, the Documents, and other information and documents regarding the Property, including, without limitation, examination and review of title matters, applicable land use and zoning Laws and other Laws applicable to the Property, the physical condition of the Property, and the economic status of the Property.

"Due Diligence Period" shall mean the period commencing prior to the execution of this Agreement and expiring on November 28, 2003.

"Effective Date" shall mean the date on which Buyer and Seller have executed this Agreement and Seller has delivered a fully executed counterpart of this Agreement to Buyer.

"**Employee Benefit Arrangement**" shall mean (i) any employment, severance or similar contract or arrangement whether or not written, (ii) any plan, policy, fund, program or contract or arrangement (formal or informal, oral or written, legally binding or not) providing for compensation, bonus, collective bargaining, profit-sharing, stock option stock purchase or other stock related rights or other forms of incentive or deferred compensation, vacation benefits, insurance coverage (including any self-insured arrangements) health or medical benefits, disability benefits, fringe benefits, workers' compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, health, medical or life insurance or other benefits), (iii) any "group health plan" as defined in Section 5000(b)(1) of the Code, (iv) any "employee benefit plans" (as defined in Section 3(3) of ERISA), or (v) any "employee pension plans" (as defined in Section 3(2) of ERISA), and, subject to Title IV of ERISA or Section 412 of the Code, maintained by Prudential or Seller or any subsidiary thereof or any trade or business (whether or not incorporated) which is under the control, or which is treated as a single employer, with any Person under Section 414(b), (c), (m) or (o) of the Code.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agent" shall mean the Title Company, whose mailing address is Two Penn Center Plaza, Suite 1910, 1500 J.F. Kennedy Boulevard, Philadelphia, PA 19102, in its capacity as escrow agent.

"**Governmental Authority**" shall mean any federal, state or local court, tribunal, governmental department, agency, board or commission, regulatory authority, or other governmental body, subdivision or instrumentality.

"IBC Lease" shall mean that certain lease dated as of November 16, 1998, between Required Tenant, as tenant, and the Company, as landlord.

"Indebtedness" of any person shall mean, at any time and without duplication, (i) all obligations of such Person for borrowed money or for the deferred purchase price of property or services (including, without limitation, all obligations, contingent or otherwise, of such Person in connection with letter of credit facilities and acceptance facilities), (ii) all obligations of such Person evidenced by bonds, notes, debentures, debt securities, book-entry or other similar instruments, (iii) all obligations of such Person created or arising under any conditional sale or lease or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (iv) all capitalized lease obligations of such Person (exclusive of capitalized lease obligations relating to furniture, fixtures and equipment used in the operation of the Property) and (v) all obligations of another Person of a type referred to in the preceding clauses (i) through (iv) as to which such first-mentioned Person has agreed to act as surety indemnitor, endorser, guarantor or other obligor.

"Land" shall be as described in the Recitals.

"Laws" shall mean all municipal, county, state or federal statutes, codes, ordinances, laws, rules or regulations.

"Leases" shall mean all Seller's interest in the leases for tenants of the Real Property on the Closing Date (including, without limitation, the IBC Lease and all New Leases) and all guaranties of such leases, if any.

"Liabilities" shall mean, collectively, any and all losses, costs, damages, claims, liabilities, expenses, demands or obligations of any kind or nature whatsoever.

"Liens" shall mean any and all mortgages, pledges, claims, liens, security interests, options, warrants, purchase rights, selling restrictions, charges, charging orders, imperfections of title, rights of way, easements, and encumbrances of any kind.

"LLC Agreement" shall mean the Limited Liability Company Operating Agreement for 1901 Market LLC dated as of November 6, 1998, as amended by that certain amendment dated as of August 25, 2003.

"**Major Casualty/Condemnation**" shall mean:

(a) with respect to any condemnation or eminent domain proceedings that occurs after the date hereof, the portion of the Property that is the subject of such proceedings has a value in excess of One Hundred Thousand and no/100 Dollars ($100,000.00), as reasonably determined by Seller; and

(b) with respect to any casualty that occurs after the date hereof, either (i) the casualty is an uninsured casualty and Seller, in its sole and absolute discretion, does not elect to cause the damage to be repaired or restored or give Buyer a credit at Closing for such repair or restoration, or (ii) the portion of the Property that is damaged or destroyed has a cost of repair that is in excess of One Hundred Thousand and no/100 Dollars ($100,000.00), as reasonably determined by Seller.

"<u>Net Purchase Price</u>" shall mean an amount equal to the Purchase Price less all amounts outstanding under the Prudential Note as of the Closing Date.

"<u>New Leases</u>" shall mean, collectively, any lease for space at the Property entered into between the date of this Agreement and the Closing Date.

"<u>Option Exercise Agreement</u>" shall be as described in the Recitals.

"<u>Other Property Rights</u>" shall mean, collectively, the Company's interest (if any) in and to (if any) all of the following: (a) to the extent that the same are in effect as of the Closing Date, any licenses, permits and other written authorizations necessary for the use, operation or ownership of the Real Property, (b) the Company's interest in all plans, specifications, licenses and permits relating to the ownership or use or operation of the real estate and improvements, and (c) any guaranties and warranties and other intangible property of the Company in effect with respect to any portion of the Real Property or the Personal Property as of the Closing Date.

"<u>Owner's Title Policy</u>" shall mean an ALTA Owner's Form of title insurance policy (or such other comparable form of title insurance policy as is available in the jurisdiction in which the Real Property is located) in accordance with the Title Commitment, in the amount of the Purchase Price.

"<u>Permitted Exceptions</u>" shall mean and include all of the following, subject to the rights of Buyer to object to matters of title and survey pursuant to Article 4 hereof and the right of Buyer to terminate this Agreement pursuant to Article 5 hereof: (a) applicable zoning and building ordinances and land use regulations, (b) all liens, encumbrances, covenants, conditions, restrictions, easements and other matters of record, except to the extent that the same are caused or created by Seller or the Company in violation of the terms of <u>Subsection 4.2.3</u>, (c) such exceptions to title as are listed on Schedule B of the Title Commitment, (d) such state of facts as may be disclosed in an accurate survey of the Real Property, (e) the lien of taxes and assessments not yet due and payable, (f) any exceptions caused by Buyer or any Buyer's Representative, (g) the rights of the tenants under the Leases, and (h) any matters deemed to constitute additional Permitted Exceptions under <u>Subsection 4.2.1</u> hereof.

"<u>Person</u>" shall mean any natural person, corporation, limited partnership, limited liability company, limited liablity partnership, general partnership, joint stock company, joint venture, real estate investment trust, association, company, trust, bank, trust company, and trust, vehicle trust, business trust or other organization irrespective of whether it is a legal entity, or any government or agency or political subdivision thereof.

"<u>Personal Property</u>" shall mean all tangible personal property owned by the Company (excluding any computer software which either (a) is licensed to the Company, or (b) the Company deems proprietary), located on the Real Property and used in the ownership, operation and maintenance of the Real Property and all non-confidential books, records and files (excluding any appraisals, budgets, strategic plans for the Real Property, internal analyses, information regarding the marketing of the Property for sale, submissions relating to Seller's obtaining of corporate authorization, attorney and accountant work product, attorney-client privileged documents, or other information in the possession or control of Seller, or any of the Seller Parties if any, which Seller reasonably designated as proprietary) relating to the Real Property.

"PIC" shall mean PIC Realty Corporation, a Delaware corporation, the Seller as described herein.

"Property" shall mean, collectively, (a) the Real Property, (b) the Personal Property, (c) the Company's interest as landlord in all Leases; (d) the Contracts, and (e) the Other Property Rights.

"Property Documents" shall mean, collectively, (a) the Leases, (b) the Contracts, and (c) any other documents or instruments which constitute, evidence or create any portion of the Property.

"Prudential" shall mean The Prudential Insurance Company of America, a New Jersey corporation

"Prudential Note" shall mean that certain Term Note dated November 18, 1998 in the original principal amount of $160,000,000 by the Company in favor of Prudential, as amended on May 23, 2000.

"Purchase Price" shall mean the sum of One Hundred Seventy-Four Million and No/100 Dollars ($174,000,000.00).

"Real Property" shall mean the Land and the Building, and all fixtures and improvements thereon owned by the Company as of the Closing Date, and all right, title and interest, if any, that the Company may have in and to all rights, privileges and appurtenances pertaining thereto including all of the Company's right, title and interest, if any, in and to all rights-of-way, open or proposed streets, alleys, easements, strips or gores of land adjacent thereto; provided, however, that in the event of any condemnation or casualty that occurs after the date hereof, the term "Real Property" shall not include any of the foregoing that is destroyed or taken as a result of any such condemnation proceeding.

"Reimbursable Lease Expenses" shall mean, collectively, any and all costs, expenses and fees paid by the Company prior to Closing or costs, expenses and fees incurred by the Company (which, if not stipulated as to amount in the applicable lease document, shall be reasonable) prior to Closing arising out of or in connection with (a) any extensions, renewals or expansions under any Lease exercised or granted between the date of this Agreement and the Closing Date, and (b) to the extent approved by Buyer, in writing or by deemed approval as set forth in Section 14.1, any New Lease. Reimbursable Lease Expenses shall include, without limitation, (i) brokerage commissions and fees to effect any such leasing transaction, (ii) expenses incurred for repairs, improvements, equipment, painting, decorating, partitioning and other items to satisfy the tenant's requirements with regard to such leasing transaction, (iii) legal fees for services in connection with the preparation of documents and other services rendered in connection with the effectuation of the leasing transaction, (iv) if there are any rent concessions covering any period that the tenant has the right to be in possession of the demised space, the rents that would have accrued during the period of such concession prior to the Closing Date as if such concession were amortized over (A) with respect to any extension or renewal, the term of such extension or renewal, (B) with respect to any expansion, that portion of the term remaining under the subject Lease after the date of any expansion, or (C) with respect to any New Lease, the entire initial term of any such New Lease, and (v) expenses incurred for the purpose of satisfying or terminating the obligations of a tenant under a New Lease to the landlord under another lease (whether or not such other lease covers space in the Property).

"Remove" with respect to any exception to title shall mean that Seller or the Company causes the Title Company to remove or affirmatively insure over the same as an exception to the Owner's Title Policy for the benefit of Buyer, without any additional cost to Buyer, whether such removal or insurance is made available in consideration of payment, bonding, indemnity of Seller or otherwise; *provided, however*, that Seller shall not be permitted to Remove any Title Objection (other than liens evidencing monetary encumbrances) by "insuring over" such Title Objection without the consent of Buyer, which consent shall not be unreasonably withheld or delayed.

"Rents" shall mean all base rents, percentage rents, additional rent and any tax and operating expense reimbursements and escalations due from the tenants of the Property under the Leases.

"Required Removal Exceptions" shall mean, collectively, any Title Objections to the extent (and only to the extent) that the same (a) have not been caused by Buyer or any Buyer's Representatives, and (b) are either:

(i) liens evidencing monetary encumbrances (other than liens for non-delinquent general real estate taxes or assessments or related to the Prudential Note) ("Monetary Liens") which can be Removed by payment of liquidated amounts but only if such Monetary Liens have been created by written instrument signed by the Company or assumed by written instrument signed by the Company or which arise from written agreements signed by the Company, and *provided* that because PIC is the Seller (and may become subject to judgments unrelated to the Property), in no event shall Seller be required to Remove any such Monetary Lien which is not related to the operation of the Property by any method other than indemnity of Seller in favor of the Title Company (for example, unrelated items would include a judgment against PIC in connection with its other operations; whereas a mechanic's lien for work on the Property pursuant to a contract entered into by the Company would be related to Property operations), or

(ii) liens or encumbrances (including, but not limited to, Monetary Liens) created by Seller or the Company after the date of this Agreement in violation of Subsection 4.2.3.

"Required Tenant" shall mean Independence Blue Cross.

"Seller-Allocated Amounts" shall mean, collectively:

(a) with respect to any condemnation or eminent domain proceedings with respect to any portion of the Property that occurs after the date hereof, (i) the costs, expenses and fees, including reasonable attorneys' fees, expenses and disbursements, incurred by Seller or any Seller Party in connection with obtaining payment of any award or proceeds in connection with any such condemnation or eminent domain proceedings, and (ii) any portion of any such award or proceeds that is allocable to loss of use of the Property prior to Closing; and

(b) with respect to any casualty to any portion of the Property that occurs after the date hereof, (i) the costs, expenses and fees, including reasonable attorneys' fees, expenses and disbursements, incurred by Seller or any Seller Party in connection with the negotiation and/or settlement of any casualty claim with an insurer with respect to the Property, (ii) the proceeds of any rental loss, business interruption or similar insurance that are allocable to the period prior to the Closing Date, and (iii) the reasonable and actual costs incurred by Seller in stabilizing the Property following a casualty.

"Seller" shall mean PIC Realty Corporation, a Delaware corporation (the " Seller" as defined above).

"Seller Parties" shall mean and include, collectively, (a) Seller; (b) its counsel; (c) Seller's Broker; (d) the Company's property manager, if any, (e) any direct owner of any beneficial interest in Seller, (f) any officer, director, employee, or agent of Seller, its counsel, Seller's Broker, the Company's property manager, if any, or any direct owner of any beneficial interest in Seller; (g) the Company and (h) any other entity or individual affiliated or related in any way to any of the foregoing.

"Seller's Broker" shall mean Eastdil Realty Company, L.L.C.

"Seller's Knowledge" or words of similar import shall refer only to the actual knowledge of the Designated Employees and shall not be construed to refer to the knowledge of any other Seller Party, or to impose or have imposed upon the Designated Employees any duty to investigate the matters to which such knowledge, or the absence thereof, pertains, including, but not limited to, the contents of the files, documents and materials made available to or disclosed to Buyer or the contents of files maintained by the Designated Employees. There shall be no personal liability on the part of the Designated Employees arising out of any of the Seller's Warranties.

"Seller's Entity Warranties" shall mean Seller's and Prudential's warranties and representations contained in Sections 9.2.3 and 9.2.4.

"Seller's Property Warranties" shall mean Seller's representations and warranties set forth in Sections 9.2.1 and 9.2.2.

“**Seller’s Warranties**” shall mean, collectively, Seller’s Entity Warranties and Seller’s Property Warranties.

“**Survey**” shall mean the ALTA/ACSM survey of the Property by Barton & Martin Engineers dated October 30, 1998, which shall be updated in accordance with Article 4 hereof.

“**Taxes**” shall mean all taxes, charges, fees, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, service, service use, ad valorem, transfer, franchise, profits, license, lease, withholding, social security, payroll, employment, excise, estimated, severance, stamp, recording, occupation, personal property, gift, windfall profits or other taxes, customs, duties, fees, assessments or charges of any kind whatsoever, whether computed on a separate consolidated, unitary, combined or other basis, together with any interest, fines, penalties, additions to tax or other additional amounts imposed thereon or with respect thereto imposed by any taxing authority (domestic or foreign).

“**Tax Return**” shall mean all federal, state, local and foreign income, franchise, sales and other returns, reports or related documents required to be filed with respect to Taxes.

“**Tax Year**” shall mean the year period commencing on January 1 of each calendar year and ending on December 31 of each calendar year.

“**Title Commitment**” shall mean that certain commitment to issue an Owner’s Policy of Title Insurance with respect to the Property to be issued by the Title Company.

“**Title Company**” shall mean First American Title Insurance Company.

“**Title Documents**” shall mean all recorded documents referred to on Schedule B of the Title Commitment as exceptions to coverage.

“**Title Objections**” shall mean any exceptions to title to which Buyer is entitled and timely objects in accordance with the terms of Subsection 4.2.1(a).

“**Transaction**” shall mean the transactions contemplated by this Agreement.

“**Treasury Regulations**” shall mean the proposed temporary and final regulations of the United States Department of Treasury promulgated under the Code.

“**Wells**” shall mean Wells Operating Partnership, L.P., a Delaware limited partnership.

“**Wells Brea**” shall mean Wells Brea I, L.P., a Delaware limited partnership.

ARTICLE 2 - SALE

Seller agrees to sell, transfer and assign and Buyer agrees to purchase, accept and assume, subject to the terms and conditions set forth in this Agreement and the Exhibits attached hereto, all of Seller’s right, title and interest in and to the Option, the Option Agreement, and the beneficial interests in the LLC Interests.

ARTICLE 3 - PURCHASE PRICE

In consideration of the sale of the Option, the Option Agreement and Seller's beneficial interests in the LLC Interests to Buyer, Buyer shall pay to Seller an amount equal to the Net Purchase Price, as prorated and adjusted as set forth in Article 6, Section 7.2, or as otherwise provided under this Agreement and shall cause the Company to satisfy, in full, the Prudential Note immediately after the Closing.

3.1 Earnest Money Deposit.

3.1.1 Payment of Deposit. Provided Closing has not sooner occurred, upon expiration of the Due Diligence Period, Buyer shall make the Deposit in immediately available funds.

3.1.2 Applicable Terms; Failure to Make Deposit. Except as expressly otherwise set forth herein, the Deposit shall be applied against the Net Purchase Price on the Closing Date and shall otherwise be held and delivered by Escrow Agent in accordance with the provisions of Article 13. Notwithstanding any provision in this Agreement to the contrary, if Buyer fails to timely make the Deposit as provided herein, at Seller's option, Buyer shall be deemed to have elected to terminate this Agreement and, if Seller elects such option, the parties shall have no further rights or obligations hereunder except for obligations which expressly survive the termination of this Agreement.

3.2 Cash at Closing. On the Closing Date, Buyer shall (a) pay to Seller an amount equal to the balance of the Net Purchase Price in immediately available funds by wire transfer as more particularly set forth in Section 7.2, as prorated and adjusted as set forth in Article 6, Section 7.2, or as otherwise provided under this Agreement, and (b) cause the Escrow Agent to simultaneously pay the Deposit to Seller in immediately available funds by wire transfer as more particularly set forth in Section 7.2.

ARTICLE 4 - TITLE MATTERS

4.1 Title to Real Property. Seller and Buyer acknowledge that Seller has previously provided Buyer with the Title Commitment.

4.2 Title Defects.

4.2.1 Buyer's Objections to Title; Seller's Obligations and Rights.

(a) Prior to the end of the Due Diligence Period, Buyer shall have the right to object in writing to any title matters that appear on the Title Commitment, the Survey, and any supplemental title reports or updates to the Title Commitment (whether or not such matters constitute Permitted Exceptions). In addition, after the expiration of the Due Diligence Period, Buyer shall have the right to object in writing to any title matters that first appear on the update to the Survey heretofore ordered by Buyer and to any title matters which are not Permitted Exceptions and which affect the Company's title to the Real Property that may appear on any supplemental title reports or updates to the Title Commitment issued after the expiration of the Due Diligence Period so long as such objection is made by Buyer within five (5) Business Days after Buyer becomes aware of the same (but, in any event, prior to the Closing Date). Unless Buyer is entitled to and timely objects to such title matters, all such title matters shall be deemed to constitute additional Permitted Exceptions.

(b) If this Agreement is not terminated by Buyer in accordance with the provisions hereof, Seller or the Company shall, at Closing, Remove or cause to be Removed any Title Objections to the extent (and only to the extent) that the same constitute Required Removal Exceptions. In addition, Seller may elect (but shall not be obligated) to Remove or cause to be Removed any other Title Objections. To the extent that the same do not constitute Required Removal Exceptions, Seller shall promptly notify Buyer in writing after receipt of Buyer's notice of Title Objections (but, in any event, prior to the Closing Date) whether Seller elects to Remove the same (and the failure to provide such notice within five (5) Business Days after the date of Buyer's notice of Title Objections shall be deemed to constitute an election of Seller not to effect any such cure). If Seller elects not to Remove one or more Title Objections, then, within five (5) Business Days after Seller's election (but, in any event, prior to the Closing Date), Buyer may elect in writing to either (i) terminate this Agreement, in which event the Deposit shall be paid to Buyer and, thereafter, the parties shall have no further rights or obligations hereunder except for obligations which expressly survive the termination of this Agreement, or (ii) waive such Title Objections and proceed to Closing. Failure of Buyer to respond in writing within such period shall be deemed an election by Buyer to waive such Title Objections and proceed to Closing. Any such Title Objection so waived (or deemed waived) by Buyer shall be deemed to constitute a Permitted Exception and the Closing shall occur as herein provided without any reduction of or credit against the Purchase Price.

(c) If Seller is unable to Remove any Title Objection that it has previously elected to Remove prior to the Closing, Buyer may at Closing elect to either (a) terminate this Agreement, in which event the Deposit shall be paid to Buyer and, thereafter, the parties shall have no further rights or obligations hereunder except for obligations which expressly survive the termination of this Agreement, or (b) waive such Title Objection and the Closing shall occur as herein provided without any reduction of or credit against the Purchase Price.

(d) Seller shall be entitled to a reasonable adjournment of the Closing (not to exceed ten (10) days) for the purpose of the Removal of any Required Removal Exceptions or other Title Objections.

4.2.2 Discharge of Title Exceptions. If on the Closing Date there are any Required Removal Exceptions or any other Title Objections which Seller has elected in writing to pay and discharge, Seller may use any portion of the Purchase Price to satisfy the same, *provided* Seller shall cause the Title Company to Remove the same.

4.2.3 No New Exceptions. Except as may be required under the terms of the IBC Lease, from and after the date hereof, no Seller Party shall execute any deed, easement, restriction, covenant or other matter affecting title to the Property unless Buyer has received a copy thereof and has approved the same in writing, *provided, however*, that Seller shall promptly furnish Buyer with a copy of (and Buyer shall not have the right to approve) any deed, easement, restriction, covenant or other such matter which is required to be executed by the Company under the IBC Lease. If Buyer fails to object in writing to any other such proposed instrument within five (5) Business Days after receipt of the aforementioned notice, Buyer shall be deemed to have approved the proposed instrument. Buyer's consent shall not be unreasonably withheld or delayed with respect to any such instrument that is proposed prior to the end of the Due Diligence Period. Buyer, in its sole and absolute discretion, shall be entitled to grant or withhold its consent with respect to any such instrument that is proposed between the end of the Due Diligence Period and the Closing.

4.3 Title Insurance. At Closing, the Title Company shall issue the Owner's Title Policy to the Company, insuring that title to the Real Property is vested in the Company subject only to the Permitted Exceptions. Buyer shall be entitled to request that the Title Company provide such endorsements (or amendments) to the Owner's Title Policy as Buyer may reasonably require, *provided* that (a) other than the Non-Imputation Endorsement, such endorsements (or amendments) shall be at no cost to, and shall impose no additional liability on, Seller, or any Seller Party, (b) other than the Non-Imputation Endorsement, Buyer's obligations under this Agreement shall not be conditioned upon Buyer's ability to obtain such endorsements and, if Buyer is unable to obtain such endorsements, other than the Non-Imputation Endorsement, Buyer shall nevertheless be obligated to proceed to close the Transaction without reduction of or set off against the Purchase Price, and (c) the Closing shall not be delayed as a result of Buyer's request.

ARTICLE 5 - BUYER'S DUE DILIGENCE/CONDITION OF THE PROPERTY

5.1 Buyer's Due Diligence.

5.1.1 Access to Property. Subject to the terms of the IBC Lease, between the date hereof and the Closing Date Seller shall allow Buyer and Buyer's Representatives access to the Property upon reasonable prior notice at reasonable times *provided* (a) such access does not interfere with the operation of the Property or the rights of tenants; (b) Buyer shall not interfere with or, without the prior written consent of Seller, which consent shall not be unreasonably withheld, contact any tenant; and (c) Seller or its designated representative shall have the right to pre-approve and be present during any physical testing of the Property. In addition, Seller will make or cause to be made available to Buyer for copying, at Buyer's sole cost and expense, the property files of

Seller and the Company (other than those files containing confidential, proprietary or privileged materials). Buyer shall deliver promptly to Seller copies of all Buyer's Reports, excluding any such reports from Buyer's attorneys or which are otherwise confidential, proprietary or privileged (it being agreed that any title report, survey, environmental report or engineering report prepared by a third party is not to be excluded). Buyer shall immediately return the Property to the condition existing prior to any tests and inspections. Prior to such time as Buyer or any of Buyer's Representatives enter the Property, Buyer shall (i) obtain policies of general liability insurance which insure Buyer and Buyer's Representatives with liability insurance limits of not less than $1,000,000 combined single limit for personal injury and property damage and name Seller, the Company and the Company's property manager, if any, as additional insureds and which are with such insurance companies, provide such coverages and carry such other limits as Seller shall reasonably require, and (ii) provide Seller with certificates of insurance evidencing that Buyer has obtained the aforementioned policies of insurance.

5.1.2 Limit on Government Contacts. Notwithstanding any provision in this Agreement to the contrary, except in connection with the preparation of a so-called "Phase I" environmental report with respect to the Property, Buyer shall not contact any governmental official or representative regarding hazardous materials on or the environmental condition of the Property without Seller's prior written consent thereto, which consent shall not be unreasonably withheld or delayed. In addition, if Seller's consent is obtained by Buyer, Seller shall be entitled to receive at least three (3) Business Days prior written notice of the intended contact (in order to confirm issues proposed by the Buyer to be addressed in the intended contact) and to have a representative present when Buyer has any such contact with any governmental official or representative.

5.2 As-Is, Where-Is, With All Faults Sale. Buyer acknowledges and agrees as follows:

(a) During the Due Diligence Period, Buyer has conducted and shall continue to conduct, or has waived its right to conduct, such Due Diligence as Buyer has deemed or shall deem necessary or appropriate.

(b) On the Closing Date, the Property, which is being indirectly transferred to Buyer through a transfer of the Option and LLC Interests, is being transferred to Buyer (and Buyer shall accept possession of such Property), "AS IS, WHERE IS, WITH ALL FAULTS", with no right of setoff or reduction in the Purchase Price.

(c) Except for Seller's Warranties, none of the Seller Parties have or shall be deemed to have made any verbal or written representations, warranties, promises or guarantees (whether express, implied, statutory or otherwise) to Buyer with respect to the Property, any matter set forth, contained or addressed in the Documents (including, but not limited to, the accuracy and completeness thereof) or the results of Buyer's Due Diligence. Buyer specifically acknowledges that, except for Seller's Warranties, Buyer is not relying on (and Seller and each of the other Seller Parties does hereby disclaim and renounce) any representations or warranties of any kind or nature whatsoever, whether oral or written, express, implied, statutory or otherwise, from Seller or any other Seller Parties, as to: (1) the operation of the Property or the income potential, uses, or the merchantability, habitability or fitness of any portion of the Property for a particular purpose; (2) the physical condition of the Property or the condition or safety of the Property or any component thereof, including, but not limited to, plumbing, sewer, heating, ventilating and electrical systems, roofing, air conditioning, foundations, soils and geology, including Hazardous Materials, lot size, or suitability of the Property or any component thereof for a particular purpose; (3) the presence or absence, location or scope of any Hazardous Materials in, at, about or under the Property; (4) whether the appliances, if any, plumbing or utilities are in working order; (5) the habitability or suitability for occupancy of any structure and the quality of its construction; (6) whether the improvements are structurally sound, in good condition, or in compliance with applicable Laws; (7) the accuracy of any statements, calculations or conditions stated or set forth in Seller's books and records concerning the Property or set forth in any of Seller's offering materials with respect to the Property (Buyer having had the opportunity to inspect the Property and all such books and records); (8) the dimensions of the Property or the accuracy of any floor plans, square footage, lease abstracts, sketches, or revenue or expense projections related to the Property; (9) the operating performance, the income and expenses of the Property or the economic status of the Property; (10) the ability of Buyer to obtain any and all necessary governmental approvals or permits for Buyer's intended use and development of the Property; and (11) the leasing status of the Property or the intentions of any parties with respect to the negotiation and/or execution of any lease for any portion of the Property.

(d) Buyer shall independently confirm to its satisfaction all information that it considers material to its purchase of the Property or the Transaction.

In addition, Buyer expressly understands and acknowledges that it is possible that unknown Liabilities may exist with respect to the Property and that Buyer explicitly took that possibility into account in determining and agreeing to the Purchase Price, and that a portion of such consideration, having been bargained for between parties with the knowledge of the possibility of such unknown Liabilities shall be given in exchange for a full accord and satisfaction and discharge of all such Liabilities. Notwithstanding the foregoing, such acknowledgment is not intended to, and shall not be construed to, (i) effect any assumption of liability as to matters which are not expressly assumed by Buyer in the documents executed by the parties in connection with the Transaction, or (ii) affect or impair any rights or remedies that Buyer may have against Seller as a result of a breach of any of Seller's Warranties, including without limitation Buyer's right to indemnification as set forth in Section 9.4.5.

5.3 Termination of Agreement During Due Diligence Period. If Buyer, in its sole and absolute discretion, is not satisfied with the results of its Due Diligence during the Due Diligence Period, Buyer may terminate this Agreement by written notice to Seller at any time prior to 5:00 p.m. Eastern Time on the last day of the Due Diligence Period, and, in the event of such termination, neither Seller nor Buyer shall have any liability hereunder except for those obligations which expressly survive the termination of this Agreement and Buyer shall be entitled to the return of the Deposit. In the event Buyer fails to terminate this Agreement prior to

5:00 p.m. Eastern Time on the last day of the Due Diligence Period, Buyer shall be deemed to have waived its rights to terminate this Agreement in accordance with this Article 5. If after the expiration of the Due Diligence Period Buyer conducts further Due Diligence, Buyer acknowledges and agrees that Buyer shall have no further right to terminate this Agreement with respect to such further Due Diligence or otherwise in accordance with this Article 5 after the expiration of the Due Diligence Period).

5.4 Release.

(a) Buyer, for itself and its successors and assigns, hereby releases Seller from, and waives all claims and liability against Seller for or attributable to (1) any Liabilities relating to the release of or the presence, discovery or removal of any Hazardous Materials in, at, about or under the Property, or for, connected with or arising out of any and all claims or causes of action based upon, without limitation, (A) the Comprehensive Environmental Response, Compensation and Liability Act (codified in various sections of 26 U.S.C., 33 U.S.C., 42 U.S.C. and 42 U.S.C. Section 9601 *et seq.*) ("CERCLA"); (B) the Resource Conservation And Recovery Act (42 U.S.C. Section 6901 *et seq.*); (C) the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 *et seq.*); (D) the Toxic Substances Control Act (15 U.S.C. Section 2061 *et seq.*); (E) the Clean Water Act (33 U.S.C. Section 1251 *et seq.*); (F) the Clean Air Act (42 U.S.C. Section 7401 *et seq.*); (G) the Safe Drinking Water Act (21 U.S.C. Section 349, 42 U.S.C. Section 201 and Section 300 *et seq.*); (H) the National Environmental Policy Act (42 U.S.C. Section 4321 *et seq.*); (I) the Superfund Amendments and Reauthorization Act Of 1986 (codified in various sections of 10 U.S.C., 29 U.S.C., 33 U.S.C. and 42 U.S.C.); (J) Title III of the Superfund Amendment and Reauthorization Act (40 U.S.C. Section 1101 *et seq.*); (K) the Uranium Mill Tailings Radiation Control Act (42 U.S.C. Section 7901 *et seq.*); (L) the Occupational Safety & Health Act (29 U.S.C. Section 655 *et seq.*); (M) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. Section 136 *et seq.*); (N) the Noise Control Act (42 U.S.C. Section 4901 *et seq.*); (O) the Emergency Planning and Community Right to Know Act (42 U.S.C. Section 1100 *et seq*.) and any other federal or state based statutory, common law or regulatory causes of action for environmental contamination at, in or under the Real Property, and (2) all Liabilities with respect to the structural, physical or environmental condition of the Property; *provided, however*, that such release and waiver shall be inapplicable to any Liabilities (x) for breach of Seller's Warranties to the extent Seller's Warranties survive Closing, (y) for which Seller and Prudential provide indemnification pursuant to Section 9.4.5 of this Agreement, or (z) for which Seller, Prudential or the Company shall have acted with willful misconduct, gross negligence or a knowing violation of the Law at any time Seller or Prudential owned an interest, directly or indirectly, in the Company or the Property.

(b) For purposes of this Agreement, the term "Hazardous Material" shall mean any substance, chemical, waste or material that is or becomes regulated by any federal, state or local governmental authority because of its toxicity, infectiousness, radioactivity, explosiveness, ignitability, corrosiveness or reactivity, including, without limitation, asbestos or any substance containing more than 0.1 percent asbestos, the group of compounds known as polychlorinated biphenyls, flammable explosives, oil, petroleum or any refined petroleum product.

(c) The provisions of this Section 5.4 shall survive the Closing.

ARTICLE 6 - ADJUSTMENTS AND PRORATIONS

The following adjustments and prorations shall be made at Closing:

6.1 <u>Lease Rentals and Other Revenues.</u>

6.1.1 <u>Rents.</u> All collected Rents shall be prorated between Seller and Buyer as of the day prior to the Closing Date. Seller shall be entitled to all Rents attributable to any period to but not including the Closing Date. Buyer shall be entitled to all Rents attributable to any period on and after the Closing Date. Buyer and Seller acknowledge that the "<u>Basic Rent</u>" payable under the IBC Lease is payable in arrears on the last day of each month. Accordingly, in the event the installment of such Basic Rent for the month in which the Closing occurs has not been collected as of the Closing Date, such Basic Rent shall not be prorated at the time of Closing. After Closing, Buyer shall make a good faith effort to collect (or cause the Company to collect) such Basic Rent and shall tender (or cause the Company to tender) Seller's pro rata share of same upon receipt thereof (which obligation shall survive the Closing and not be merged therein).

6.1.2 <u>Other Revenues.</u> Revenues from Property operations that are actually collected shall be prorated between Buyer and Seller as of 12:01 a.m. on the Closing Date. Seller shall be entitled to all such revenues attributable to any period to but not including the Closing Date and Buyer shall be entitled to all such revenues attributable to any period on and after the Closing Date. After Closing, Buyer shall cause the Company to make a good faith effort to collect any such revenues not collected as of the Closing Date on Seller's behalf and to tender the same to Seller upon receipt (which obligation shall survive the Closing and not be merged therein). Except as set forth below, Buyer shall not have an exclusive right to collect such revenues and Seller hereby retains its rights to pursue claims against any parties for sums due with respect to periods prior to the Closing Date; *provided, however*, that Seller (i) shall be required to notify Buyer in writing of its intention to commence or pursue any such legal proceedings; (ii) shall only be permitted to commence or pursue any legal proceedings after the date which is six (6) months after Closing; and (iii) shall not be permitted to commence or pursue any legal proceedings against any party seeking termination of the underlying contract (but only collection of the past due amounts as an unsecured creditor of such party). The terms of the immediately preceding sentence shall survive the Closing and not be merged therein.

6.2 <u>Lease Expenses.</u> At Closing, Buyer shall reimburse Seller for the Reimbursable Lease Expenses to the extent required by the terms of <u>Article 14</u>.

6.3 [Reserved].

6.4 [Reserved].

6.5 <u>Closing Costs.</u> Buyer shall pay the following costs and expenses associated with the following: (a) all costs of Buyer's Due Diligence, including fees due its consultants and attorneys, (b) all lenders' fees related to any financing to be obtained by Buyer, (c) one-half of all escrow or closing charges, (d) the cost of the update of the Survey, (e) all premiums and charges of the Title Company for the Commitment and the Owner's Title Policy (including endorsements, other than the Non-Imputation Endorsement); and (f) one-half all transfer taxes, sales taxes, documentary stamp taxes and similar charges, if any, applicable to the transfer of the Option and/or the LLC Interests to Buyer, less $250,000. Seller shall pay the following costs and expenses associated with the Transaction: (i) the commission due Seller's Broker, (ii) all fees due its attorneys, (iii) all recording and filing charges if any, in connection with the instrument by which Seller conveys the Option and/or the LLC Interests, (iv) one-half of all escrow or closing charges, (v) one-half all transfer taxes, sales taxes, documentary stamp taxes and similar charges, if any, applicable to the transfer of the Option and/or the LLC Interests to Buyer (based on the "computed value" of the Property for purposes of the transfer taxes), plus $250,000, (vi) the cost of obtaining a Non-Imputation Endorsement to the Owner's Title Policy, and (vii) all costs incurred in connection with causing the Title Company to Remove any Required Removal Exceptions or to Remove any other Title Objections to the extent Seller specifically agrees in writing, at or prior to Closing, to cause Removal of such matter, it being understood for purposes of this sentence that nothing in this Agreement or any prior understanding or agreement of the parties shall be construed to obligate Seller to so Remove or agree to Remove any such matter other than any Required Removal Exceptions. The obligations of the parties under this Section 6.5 shall survive the Closing (and not be merged therein) or any earlier termination of this Agreement.

6.6 [Reserved].

6.7 Apportionment Credit. In the event the apportionments to be made at the Closing result in a credit balance (a) to Buyer, such sum shall be paid at the Closing by giving Buyer a credit against the Net Purchase Price in the amount of such credit balance, or (b) to Seller, Buyer shall pay the amount thereof to Seller at the Closing by wire transfer of immediately available funds to the account or accounts to be designated by Seller for the payment of the Net Purchase Price.

6.8 Delayed Adjustment; Delivery of Operating and Other Statements. If at any time following the Closing Date, the amount of an item listed in any section of this Article 6 shall prove to be incorrect (whether as a result of an error in calculation or a lack of complete and accurate information as of the Closing), the party in whose favor the error was made shall promptly pay to the other party the sum necessary to correct such error upon receipt of proof of such error, *provided* that such proof is delivered to the party from whom payment is requested on or before one (1) year after Closing (such period being referred to herein as the "Post Closing Adjustment Period"). In order to enable Seller to determine whether any such delayed adjustment is necessary, Buyer shall provide to Seller, on written request, current operating and financial statements (or such excerpts thereof sufficient to provide the information necessary for the determination of such adjustments) for the Property no later than the date one (1) month prior to the expiration of the Post-Closing Adjustment Period. The provisions of this Section 6.8 shall survive the Closing and not be merged therein.

ARTICLE 7 - CLOSING

Buyer and Seller hereby agree that the Transaction shall be consummated as follows:

7.1 **Closing Date.** Subject to Seller's right to extend the Closing as provided in this Agreement, Closing shall occur on the Closing Date. The parties shall conduct an escrow-style closing through the Title Company (or such other party selected by Buyer and Seller) so that it will not be necessary for any party to attend the Closing (Buyer and Seller shall have pre-Closings to finalize and sign all documents not later than the day prior to Closing, and deliver such items to the escrow agent). Seller and Buyer acknowledge that the Closing of the Transaction shall occur simultaneously with the closing under the Brea Purchase Agreement and the closing under the Option Exercise Agreement. Time is of the essence with respect to the Closing.

7.2 **Title Transfer and Payment of Purchase Price.** Provided all conditions precedent to Seller's obligations hereunder have been satisfied, Seller agrees to convey the Option, the Option Agreement and all its interests in the Company to Buyer, free and clear of all Liens, upon confirmation of receipt of the Net Purchase Price by the Escrow Agent as set forth below. Provided all conditions precedent to Buyer's obligations hereunder have been satisfied, and subject to a concurrent closing under the Option Exercise Agreement, Buyer agrees to pay the Net Purchase Price by timely delivering the same to the Escrow Agent no later than 12:00 noon Eastern Time on the Closing Date and causing the Escrow Agent to deposit the same in Seller's designated account by 2:00 p.m. Eastern Time on the Closing Date. In addition, *provided* that all conditions to Buyer's obligations hereunder have been satisfied and Buyer fails to deliver to the Escrow Agent the Net Purchase Price no later than 12:00 noon Eastern Time on the Closing Date, then for each full or partial day after 2:00 p.m. Eastern Time on the Closing Date that Seller has not received in its account the Net Purchase Price, Buyer shall pay to Seller at Closing (and as a condition thereto) the greater of (a) an amount equal to one (1) day's interest on the unpaid funds at the rate *per annum* equal to the "prime rate" as such rate is reported in the "Money Rates" section of THE WALL STREET JOURNAL, as published and distributed in New York, New York, in effect from time to time, and (b) an amount equal to the *per diem* proration for one (1) day. Further, *provided* that all conditions to Seller's obligations hereunder have been satisfied and Seller fails to deliver to the Escrow Agent the Seller's closing deliverables specified herein no later than 12:00 noon Eastern Time on the Closing Date, then for each full or partial day after 2:00 p.m. Eastern Time on the Closing Date that Buyer has not received the Option and the LLC Interests, Seller shall pay to Buyer at Closing (and as a condition thereto) the greater of (a) an amount equal to one (1) day's interest on the unpaid funds at the rate *per annum* equal to the "prime rate" as such rate is reported in the "Money Rates" section of THE WALL STREET JOURNAL, as published and distributed in New York, New York, in effect from time to time, and (b) an amount equal to the *per diem* proration for one (1) day.

7.3 **Seller's Closing Deliveries.** At the Closing, Seller shall deliver or cause to be delivered the following:

(a) **Assignment.** Assignment and Assumption of Option Agreement and Beneficial Interests in the form attached hereto as Exhibit D (the "Assignment").

(b) Updated Balance Sheet. A balance sheet for the Company dated as of the Closing Date (the " Closing Balance Sheet").

(c) Notice to Tenants. A single form letter in the form of **Exhibit H** attached hereto and incorporated herein by this reference, executed by Seller, duplicate copies of which shall be sent by Buyer after Closing to each tenant under the Leases.

(d) Non-Foreign Status Affidavit. A non-foreign status affidavit in the form of **Exhibit I** attached hereto and incorporated herein by this reference, as required by Section 1445 of the Internal Revenue Code, executed by Seller.

(e) Evidence of Authority. A certificate of an Assistant Secretary of Seller with respect to the authority to act on behalf of Seller of the individual executing on behalf of Seller all documents contemplated by this Agreement, in the form of **Exhibit J** attached hereto and incorporated herein by this reference.

(f) Closing Statement. A Closing Statement Agreement and escrow direction letter in the form of **Exhibit K** attached hereto and incorporated herein by this reference.

(g) Title Affidavit. A Vendor's Title Affidavit from the Company in the form of **Exhibit E** attached hereto and incorporated herein by this reference, executed by the Company.

(h) Legal Opinion. An opinion letter of counsel to Seller and Prudential, in the form of **Exhibit G** attached hereto and incorporated herein by this reference, addressed to Buyer dated the Closing Date and executed by such law firm.

(i) Other Documents. Such other documents as may be reasonably required by the Title Company or as may be agreed upon by Seller and Buyer to consummate the Transaction.

(j) Tax Returns. If applicable, duly completed and signed real estate transfer tax or sales tax returns.

(k) Keys and Original Documents. Keys to all locks on the Real Property in Seller's possession and originals or, if originals are not available, copies, of all of the Property Documents, to the extent not previously delivered to Buyer.

(l) Estoppel Letter. To the extent in Seller's possession, but in any event as a condition precedent to Buyer's obligation to close the Transaction, an executed estoppel certificate from the Required Tenant, which (i) shall be dated no earlier than November 16, 2003, and (ii) shall be substantially in the form of **Exhibit M** attached hereto and incorporated herein by this reference; *provided, however*, that if Required Tenant is required or permitted under the terms of the IBC Lease to provide less information or to otherwise make different statements in a certification of such nature than are set forth on **Exhibit M** attached hereto, then Buyer shall accept any modifications made to such estoppel certificate to the extent that such changes are consistent with the minimum requirements set forth in the IBC Lease.

(m) Seller's Certificate. A certificate of an officer of Seller certifying that all representations and warranties contained in Section 9.2.2 of this Agreement are true and correct as of the Closing Date in all material respects, that all representations and warranties contained in Sections 9.2.3 and 9.2.4 of this Agreement are true and correct as of the Closing Date, and that Seller has performed, complied and fulfilled all of the covenants, agreements, obligations and conditions required by this Agreement to be performed, complied or fulfilled by Seller on or prior to the Closing Date.

(n) Prudential's Certificate. A certificate of an officer of Prudential certifying that all representations and warranties contained in Section 9.3 of this Agreement are true and correct as of the Closing Date.

The items to be delivered by Seller in accordance with the terms of this Section 7.3 shall be delivered to Escrow Agent no later than 5:00 p.m. Eastern Time on the last Business Day prior to the Closing Date or by overnight delivery for early AM delivery on the Closing Date, except that the items in the paragraph entitled "Keys and Original Documents" and any tenant estoppel certificates shall be delivered by Seller outside of escrow on the Closing Date.

7.4 Buyer Closing Deliveries. At the Closing, Buyer shall deliver or cause to be delivered the following:

(a) Net Purchase Price. The Net Purchase Price, as adjusted for apportionments and other adjustments required under this Agreement, plus any other amounts required to be paid by Buyer at Closing.

(b) [Reserved.]

(c) Assignment. The Assignment executed and acknowledged by Buyer.

(d) Evidence of Authority. Documentation to establish to Seller's reasonable satisfaction the due authorization of Buyer's acquisition of the Option, Option Agreement, and the LLC Interests and Buyer's execution of this Agreement and the documents required to be delivered by Buyer pursuant to this Agreement and the consummation of the Transaction.

(e) Closing Statement. A Closing Statement Agreement and escrow direction letter in the form of **Exhibit K** attached hereto and incorporated herein by this reference.

(f) Other Documents. Such other documents as may be reasonably required by the Title Company or may be agreed upon by Seller and Buyer to consummate the Transaction.

(g) Tax Returns. If applicable, duly completed and signed real estate transfer tax or sales tax returns.

(h) Buyer's Certificate. A certificate of an officer of Buyer certifying that all representations and warranties contained in Section 9.1 of this Agreement are true and correct in all material respects as of the Closing Date, and that Buyer has performed, complied and fulfilled all of the covenants, agreements, obligations and conditions required by this Agreement to be performed, complied or fulfilled by Buyer on or prior to the Closing Date.

The Net Purchase Price shall be paid in accordance with the terms of Section 7.2 hereof and the items to be delivered by Buyer in accordance with the terms of Subsections (b) and following of this Section 7.4 shall be delivered to Escrow Agent no later than 5:00 p.m. Eastern Time on the last Business Day prior to the Closing Date or by overnight delivery for early AM delivery on the Closing Date.

ARTICLE 8 - CONDITIONS TO CLOSING

8.1 Conditions to Seller's Obligations. Seller's obligation to close the Transaction is conditioned on all of the following, any or all of which may be waived by Seller by an express written waiver, at its sole option:

(a) Prudential Note. Consent to the Transaction shall have been received from Prudential as required pursuant to the Prudential Note and Seller shall be satisfied that the Buyer shall cause the Company to satisfy the Prudential Note in full immediately after the Closing.

(b) Representations True. All representations and warranties made by Buyer in this Agreement shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date except to the extent they expressly relate to an earlier date.

(c) Buyer's Financial Condition. No petition has been filed by or against Buyer under the Federal Bankruptcy Code or any similar state or federal Law, whether now or hereafter existing.

(d) Buyer's Deliveries Complete. Buyer shall have delivered the funds required hereunder and all of the documents to be executed by Buyer set forth in Section 7.4 and shall have performed all other covenants, undertakings and obligations, and complied with all conditions required by this Agreement, to be performed or complied with by Buyer at or prior to the Closing.

8.2 Conditions to Buyer's Obligations. Buyer's obligation to close the Transaction is conditioned on all of the following, any or all of which may be expressly waived by Buyer in writing, at its sole option:

(a) Representations of Seller True. (i) All representations and warranties made by Seller in Section 9.2.1 and Section 9.2.2 of this Agreement, as the same may be amended as provided in Section 9.4, shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date except to the extent that they expressly relate to an earlier date; and (ii) all representations and warranties made by Seller and Prudential in Sections 9.2.3 and 9.2.4 of this Agreement shall be true and correct on and as of the Closing Date, as if made on and as of such date except to the extent that they expressly relate to an earlier date;

(b) Title Conditions Satisfied. At the time of the Closing, title to the Property shall be as provided in Article 4 of this Agreement;

(c) Seller's Deliveries Complete. Seller shall have delivered all of the documents and other items required pursuant to Section 7.3 and shall have performed all other covenants, undertakings and obligations, and complied with all conditions required by this Agreement, to be performed or complied with by Seller at or prior to the Closing; and

(d) Prudential Representations True. All representations and warranties made by Prudential in Section 9.3 of this Agreement and in the Option Exercise Agreement shall be true and correct in all material respects on and as of the Closing Date, as if made and as of such date except to the extent that they expressly relate to an earlier date;

(e) Prudential Conveyance of LLC Interests. The simultaneous transfer of legal title to the LCC Interests from Prudential to Buyer free and clear of all Liens, pursuant to an assignment instrument from Prudential in form reasonably acceptable to Buyer, and release of the Option Exercise Agreement from Escrow;

(f) Financial Condition. No petition has been filed by or against Seller, the Company or Prudential under the Federal Bankruptcy Code or any similar state or federal Law, whether now or hereafter existing;

(g) Prudential Note. Consent to the Transaction shall have been received from Prudential as required pursuant to the Prudential Note;

(h) Brea Closing. The consummation of the purchase and sale of the real property under the Brea Purchase Agreement shall have occurred; and

(i) Closing Balance Sheet. The Closing Balance Sheet has been delivered and is acceptable to Buyer (which shall be deemed acceptable *provided* that the assets include all of the Property and there are no liabilities other than the Prudential Note and Capital Stock and Franchise Taxes accrued but not yet payable).

8.3 Waiver of Failure of Conditions Precedent. At any time or times on or before the date specified for the satisfaction of any condition, Seller or Buyer may elect in writing to waive the benefit of any such condition set forth in Section 8.1 or Section 8.2, respectively. By closing the Transaction, Seller and Buyer shall be conclusively deemed to have waived the benefit of any remaining unfulfilled conditions set forth in Section 8.1 and Section 8.2, respectively. In the event any of the conditions set forth in Section 8.1 or Section 8.2 are neither waived nor fulfilled, Seller or Buyer (as appropriate) may exercise such rights and remedies, if any, that such party may have pursuant to the terms of Article 11 hereof.

8.4 Approvals not a Condition to Buyer's Performance. Subject to Buyer's right to terminate this Agreement prior to the expiration of the Due Diligence Period in accordance with the terms of Article 5 hereof, Buyer acknowledges and agrees that its obligation to perform under this Agreement is not contingent upon Buyer's ability to obtain any (a) governmental or quasi-governmental approval of changes or modifications in use or zoning, or (b) modification of any existing land use restriction, or (c) consents to assignments of any service contracts, management agreements or other agreements which Buyer requests, or (d) endorsements to the Owner's Title Policy (other than the Non-Imputation Endorsement).

ARTICLE 9 - REPRESENTATIONS AND WARRANTIES

9.1 Buyer's Representations. Buyer represents and warrants to, and covenants with, Seller as follows:

9.1.1 Buyer's Authorization. Buyer (and as used in this Section 9.1.1, the term Buyer includes any general partners or managing members of Buyer) (a) is duly organized (or formed), validly existing and in good standing under the Laws of its State of organization and, as and to the extent required by Laws for this Transaction, the State in which the Property is located, (b) is authorized to consummate the Transaction and fulfill all of its obligations hereunder and under all documents contemplated hereunder to be executed by Buyer, and (c) has all necessary power to execute and deliver this Agreement and all documents contemplated hereunder to be executed by Buyer, and to perform all of its obligations hereunder and thereunder. This Agreement and all documents contemplated hereunder to be executed by Buyer have been duly authorized by all requisite partnership, corporate or other required action on the part of Buyer and are the valid and legally binding obligation of Buyer, enforceable in accordance with their respective terms. Neither the execution and delivery of this Agreement and all documents contemplated hereunder to be executed by Buyer, nor the performance of the obligations of Buyer hereunder or thereunder will result in the violation of any Law or any provision of the organizational documents of Buyer or will conflict with any order or decree of any court or governmental instrumentality of any nature by which Buyer is bound.

9.1.2 Buyer's Financial Condition. No petition has been filed by or against Buyer under the Federal Bankruptcy Code or any similar state or federal Law.

9.1.3 Investment Intent. Buyer acknowledges that the Option and LLC Interests have been offered and will be sold to Buyer pursuant to an exemption from registration under the Securities Act and all applicable state securities laws. Buyer is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act and is purchasing the Option and the LLC Interests for investment purposes and has no present intent to distribute, resell, pledge or otherwise dispose of the Option (other than the exercise thereof) and the LLC Interests. Buyer has had the opportunity to review such documents and to ask such questions of Seller as Buyer has deemed pertinent to its decision to purchase the Option and the LLC Interests. Buyer is fully capable of assessing the risks associated with ownership of the LLC Interests.

9.2 Seller's Representations. Seller represents and warrants to Buyer as follows:

9.2.1 Seller's Authorization. Seller (and as used in this Section 9.2.1, the term Seller includes any general partners or managing members of Seller) (a) is duly organized (or formed), validly existing and in good standing under the Laws of its State of organization and as and to the extent required by law the State in which the Property is located, (b) is authorized to consummate the Transaction and fulfill all of its obligations hereunder and under all documents contemplated hereunder to be executed by Seller, and (c) has all necessary power to execute and deliver this Agreement and all documents contemplated hereunder to be executed by Seller **,** and to perform all of its obligations hereunder and thereunder. This Agreement and all documents contemplated hereunder to be executed by Seller have been duly authorized by all requisite partnership, corporate or other required action on the part of Seller and are the valid and legally binding obligation of Seller **,** enforceable in accordance with their respective terms. Neither the execution and delivery of this Agreement and all documents contemplated hereunder to be executed by Seller, nor the performance of the obligations of Seller hereunder or thereunder will result in the violation of any Law or any provision of the organizational documents of Seller or will conflict with any order or decree of any court or governmental instrumentality of any nature by which Seller is bound.

9.2.2 Seller's Representations with respect to the Property. To Seller's Knowledge:

(a) Except as listed in **Exhibit O** attached hereto and incorporated herein by this reference, neither Seller nor the Company has received any written notice of any current or pending litigation (including, but not limited to, suits, legal proceedings, legal actions, which shall include, but not be limited to, condemnation actions and eminent domain proceedings) against Seller or the Company with respect to the Property or against the Property which would, if determined adversely, adversely affect the Property.

(b) As of the date of this Agreement, neither Seller nor the Company has entered into any service, supply, maintenance, repair, employment, management, broker, commission, warranty, guaranty or utility contracts, subcontracts or agreements which will be binding upon Buyer or the Company after the Closing other than the Contracts listed in **Exhibit B** attached hereto. The Company is not in default of any Contract to which it is a party.

(c) Except for defaults cured on or before the date hereof, neither Seller nor the Company has received any written notice of default under the terms of any of the Contracts except as listed in **Exhibit O** attached hereto.

(d) As of the date of this Agreement, the only tenants of the Property are the tenants listed in **Exhibit P** attached hereto and incorporated herein by this reference.

(e) Except for violations cured or remedied on or before the date hereof and except as listed in **Exhibit O** attached hereto, as of the date of this Agreement, neither Seller nor the Company has received any written notice from any governmental authority with respect to the violation of, or with respect to any existing or pending investigation or inquiry or any remedial actions under, any applicable law, statute, ordinance, rule, regulation or order pertaining to health or the environment or regulating use of the Property which has not been cured by Seller.

(f) As of the date of this Agreement, except as set forth on **Exhibit O** attached hereto and except for defaults cured on or before the date hereof, neither Seller nor the Company has (i) received any written notice from any tenant of the Property asserting or alleging that the Company is in default under such tenant's Lease, nor (ii) sent to any tenant of the Property any written notice alleging or asserting that such tenant is in default under such tenant's Lease.

(g) **[Reserved]**

(h) There are no employment, collective bargaining, or similar agreements or arrangements between Seller and any of its employees or others which will be binding on Buyer.

9.2.3 Representations of Seller and Prudential with respect to the Option and the LLC Interests . Seller and Prudential hereby jointly and severally represent and warrant to Buyer as follows:

(a) Ownership of the Option. Seller has good and marketable title to the Option, the Option Agreement, and all equitable beneficial right, title and interest in and to the LLC Interests, free and clear of any Liens, restrictions and claims of every kind and nature whatsoever, and such good title to the Option, Option Agreement and equitable beneficial right, title, and interest to the LLC Interests shall be transferred to Buyer hereunder free and clear of all Liens, restrictions and claims of every kind and nature whatsoever.

(b) LLC Agreement. The LLC Agreement is legal, valid and binding, enforceable in accordance with its terms, and is in full force and effect and has not been amended, supplemented or otherwise modified. Seller has delivered to Buyer a true and complete copy of the LLC Agreement.

(c) Option Agreement. The Option Agreement is legal, valid and binding, enforceable in accordance with its terms, and is in full force and effect and has not been amended, supplemented or otherwise modified. Seller has delivered to Buyer a true and complete copy of the Option Agreement.

(d) Capitalization Agreement. The Capitalization Agreement is legal, valid and binding, enforceable in accordance with its terms, and is in full force and effect and has not been amended, supplemented or otherwise modified. Seller has delivered to Buyer a true and complete copy of the Capitalization Agreement.

(e) No Voting Agreement. Seller is not party to any voting trust, proxy or other voting agreement with respect to the Option, the Option Agreement or the LLC Interests.

9.2.4 Representations of Seller and Prudential With Respect to the Company. Seller and Prudential hereby jointly and severally represent and warrant to Buyer as follows:

(a) Authorization and Good Standing. The Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority to own and operate its properties and to carry on the business conducted by it as now conducted. The Company is duly qualified or licensed and in good standing to do business as a foreign entity in each jurisdiction in which such qualification is required.

(b) Consents and Approvals; No Violations. No filing with, and no permit, authorization, consent or approval of, any Governmental Authority or any other Person other than Prudential (which consent of Prudential is set forth below in this Agreement) is required to be obtained by the Company for Seller's execution and delivery of this Agreement or any Closing Document and the consummation of the transactions contemplated by this Agreement. Neither the execution and delivery of this Agreement and the Closing Documents by Seller nor the consummation by Seller of the transactions contemplated hereby nor compliance by Seller with any of the provisions hereof will (i) conflict with or result in any breach of any provision of the organizational documents of the Company; (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any indenture, license, Contract, or other instrument or obligation to which the Company is a party or by which the Company or its properties or assets may be bound; (iii) violate or conflict with any order, judgment, writ, injunction, decree, statute, rule or regulation applicable to the Company or its properties or assets, or (iv) result in the creation of any Lien upon the Company or any assets of the Company.

(c) Ownership of the Company. No one other than Seller and Prudential owns any legal or beneficial interests in the Company, and subject only to the Option and the Option Agreement, the LLC Interests are owned free and clear of all Liens (including any restrictions on the right to vote, assign or otherwise transfer such legal and beneficial ownership of the LLC Interests). Such LLC Interests represent all the member or ownership interests in the Company, and other than the Option and the Option Agreement, there are no rights, options, convertible or exchangeable instruments or interests or commitments, agreements, arrangements or undertakings of any kind to which Seller or the Company is a party or by which Seller or the Company is bound obligating Seller or the Company to issue, deliver, sell or create, or cause to be issued, delivered, sold or created, any present or future legal or beneficial interests in the Company or obligating the Company or Seller to issue, grant, extend or enter into any such right, option, convertible or exchangeable instrument or interest or commitment, agreement, arrangement or undertaking.

(d) Tax Matters. (i) The Company has complied with all Laws relating to the payment and withholding of Taxes and has withheld and paid over to the proper Governmental Authorities all amounts required to be so withheld and paid over under applicable Laws. (ii) The Company has been at all times throughout its existence, and as of the Closing Date will be, classified for federal income tax purposes under Treasury Regulation Section 301.7701-3(b) as a single member limited liability company disregarded as an entity separate from its owner and pursuant to any corresponding provision of state and local income tax Laws (including, without limitation, the Philadelphia business privilege tax but excluding the Pennsylvania Capital Stock and Franchise Tax). The Company is not and has never been a member of an "affiliated group" (within the meaning of Section 1504(a) of the Code) filing a consolidated federal income Tax Return or a member of any consolidated, unitary, combined or similar group pursuant to corresponding state, local or foreign law. The Company has no liability for Taxes of any Person under Treasury Regulation Section 1.1502-6 (and corresponding provisions of state, local or foreign law). (iii) Except as set forth on **Exhibit Q**, the Company has timely filed all Tax Returns that it was required to file. All such Tax Returns were correct and complete in all material respects and all Taxes (whether or not shown on any Tax Return) owed by the Company have been paid. The Company is not the beneficiary of any extension of time within which to file any such Tax Return. No agreement, waiver or other document or arrangement extending or having the effect of extending the period for assessment or collection of Taxes (including, but not limited to, any applicable statute of limitation), has been executed or filed with the Internal Revenue Service or any other taxing authority by or on behalf of the Company and no power of attorney with respect to any Tax matter of the Company is currently in force. No claim is pending or threatened by any Governmental Authority in any jurisdiction where the Company does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. (iv) Except as set forth on **Exhibit Q**, there are no audits, assessments, levies, administrative proceedings, disputes or claims concerning any liability for Taxes of the Company that have been claimed, raised or to the Seller's knowledge threatened by any Governmental Authority. Except as set forth on **Exhibit Q**, Seller has delivered to Buyer correct and complete copies of all federal, state and local income (including, without limitation, Philadelphia business privilege) and other Tax Returns of the Company. Except as set forth on **Exhibit Q**, there have been no income tax examination reports or statements of deficiencies assessed against or with respect to the Company, by any Governmental Authority. The Company has not made any payments, is not obligated to make any payments, and is not a party to any agreement that under certain circumstances could obligate it to make any payments, that will not be deductible under Section 280G of the Code. The Company is not a party to, is not bound by and does not have any obligation under any tax sharing arrangement, tax indemnification agreement or similar contract or arrangement.

(e) Indebtedness. The Company is not a party to any line of credit, loan agreement or other financing arrangement or Indebtedness of any nature, whether with banks, financial institutions or other Persons, other than as evidenced by the Prudential Note. Except for the Prudential Note, the Company does not have any Indebtedness outstanding nor has it given any guaranty, indemnity, comfort letter or other assurance of payment or security of any nature for, or otherwise agreed to or may become directly or contingently liable for, any obligation of any other Person.

(f) Financial Statements. Seller has delivered to Buyer the financial statements of the Company for the years ended December 31, 2001 and 2002 (the "Company Financial Statements") and the nine month period ended September 30, 2003. The Company Financial Statements are true, complete and correct and prepared in conformity with the practices consistently applied by the Company and fairly present the financial condition of the Company as of the date thereof. The Company has no liabilities (whether absolute, accrued, fixed, contingent, matured, unmatured, determined, determinable or otherwise) which were not reflected or reserved against in the Company Financial Statements, except for liabilities arising under or resulting from this Agreement.

(g) Employees. The Company does not currently have and has never had any employees (whether on a full-time, part-time, or temporary basis). The Company is not a party to, nor has it ever maintained, sponsored, participated in, administered, contributed to, been required to contribute to, or been a party to or otherwise responsible for, any Employee Benefit Arrangement. There are no complaints, charges or claims against the Company pending or threatened which could be brought or filed with any Governmental Authority, arbitrator or court based on, arising out of, in connection with or otherwise relating to the employment or termination of employment by the Company of any individual. The Company does not have any liability, actual or contingent, either individually or on a joint and several basis, arising under ERISA. No Person serving as a manager, officer, director or any other similar capacity of the Company is entitled to any form of compensation or benefit from the Company.

(h) Bankruptcy. Seller and the Company are each solvent, and no petition in bankruptcy or any petition or answer seeking any assignment for the benefit of creditors, the appointment of a receiver or trustee, liquidation, dissolution or similar relief under the United States Bankruptcy Code or any similar state law has been filed by or against the Company or Seller. Neither Seller nor the Company has made any general assignment of its property for the benefit of its creditors. No proceeding has been instituted for the dissolution or liquidation of Seller or the Company.

(i) Title to Assets. (i) The Company has good and marketable title to all of the Personal Property and the Real Property free and clear of all Liens (*provided however*, with respect to title to the Real Property Seller and Prudential represent and warrant only that, except for the Permitted Exceptions, the Company has not granted or created or consented to the creation of any Lien upon the title to the Real Property, other than the mortgage securing the Prudential Note, which shall be satisfied at Closing), and (ii) the Property constitutes all assets necessary for the conduct of the business of the Company in accordance with past practice.

(j) Other Activities. The Company (i) has not engaged since its formation, and does not engage in, any other business or activity other than the ownership of its interest in the Property; (ii) does not hold, directly or indirectly any ownership interests (legal or equitable) in any real or personal property other than its interest in the Property; and (iii) is not a shareholder partner, member or owner of an interest in any other Person.

(k) Liabilities. Except as disclosed to Buyer in this Agreement including on the Company Financial Statements and the Closing Balance Sheet, the Company has no liabilities, including, without limitation, any contingent liabilities, other than those arising under the Leases, the Prudential Note and all documents executed in connection therewith and those arising solely by reason of acquisition and ownership of the Property such as covenants, conditions and restrictions which burden the Property.

(l) Litigation. Neither Seller nor the Company has been served with any litigation or administrative proceeding with respect to the Company or the Property, and there is no pending or threatened litigation, arbitration, mediation or administrative proceedings against the Company or the Property. Except as disclosed on **Exhibit Q**, neither Seller nor the Company is a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or other governmental entity with respect to the Company or the Property, and there is no action, suit or proceeding with respect to the Company or the Property initiated by Seller or the Company currently pending.

(m) No Other Agreements. Other than the Leases, the Contracts, and the Permitted Exceptions, the Company has not entered into or assumed any other leases, service contracts, management agreements, or other contracts or agreements, oral or written, that grant to any Person whomsoever any right, title, interest or benefit in or to all or any part of the Property, any rights to acquire all or any part of the Property or any rights relating to the use, operation, management, maintenance, or repair of all or any part of the Property. The Leases and the Contracts are in full force and effect and there has been no material amendment, termination or waiver of any right of the Company under any such agreement which will be binding on the Company after the Closing.

(n) Ordinary Course of the Business. The Company has operated its business in the ordinary course, and since the acquisition of the Property by the Company the books, accounts and records of the Company have been maintained in the usual, regular and ordinary manner on a consistent basis.

(o) Permits and Licenses. There has been no material amendment, termination or waiver of any right of the Company under any governmental license, permit or authorization issued to the Company, and the governmental licenses, permits and authorizations of the Company, if any, are in full force and effect, *provided* that this representation shall not be deemed given with respect to any of the foregoing as they may relate to the Property and for which the Required Tenant has responsibility.

(p) Absence of Certain Payments. None of the Company, or any officer, manager, agent or other Person acting on behalf of the Company, has directly or indirectly, made contributions, gifts, or payments relating to any political activity or solicitation of business which was prohibited by law or, on behalf of the Company, made any direct or indirect unlawful payment to any governmental official or employee or established or maintained any unlawful or unreported funds. None of the Company, or any officer, manager, agent or other Person acting on behalf of the Company, has accepted or received any unlawful contribution, payment, gift, entertainment or expenditure.

9.2.5 Designated Employees. The Designated Employees include those individuals who have been primarily responsible for the asset management of the Property on behalf of Seller for the two (2) year period immediately prior to the date hereof (or, if shorter, the period of ownership thereof) and who are currently employed by Seller.

9.3 Representations of Prudential.

9.3.1 Prudential's Authorization. Prudential (a) is duly organized, validly existing and in good standing under the Laws of its State of organization and, as and to the extent required by Laws for this Transaction, the State in which the Property is located, (b) is authorized to consummate the Transaction and fulfill all of its obligations hereunder and under all documents contemplated hereunder to be executed by Prudential, and (c) has all necessary power to execute and deliver this Agreement and all documents contemplated hereunder to be executed by Prudential , and to perform all of its obligations hereunder and thereunder. This Agreement and all documents contemplated hereunder to be executed by Prudential have been duly authorized by all requisite corporate action on the part of Prudential and are the valid and legally binding obligation of Prudential , enforceable in accordance with their respective terms. Neither the execution and delivery of this Agreement and all documents contemplated hereunder to be executed by Prudential, nor the performance of the obligations of Prudential hereunder or thereunder will result in the violation of any Law or any provision of the organizational documents of Prudential or will conflict with any order or decree of any court or governmental instrumentality of any nature by which Prudential is bound.

9.3.2 Prudential's Financial Condition. No petition has been filed by or against Prudential under the Federal Bankruptcy Code or any similar state or federal Law.

9.4 General Provisions.

9.4.1 No Representation As to Leases. Seller does not represent or warrant that any particular lease or leases will be in force or effect on the Closing Date or that the tenants will have performed their obligations thereunder.

9.4.2 Seller's Property Warranties Deemed Modified. To the extent that Buyer knows or is deemed to know prior to the expiration of the Due Diligence Period that Seller's Property Warranties are inaccurate, untrue or incorrect in any way, such Seller's Property Warranties shall be deemed modified to reflect Buyer's knowledge or deemed knowledge, as the case may be.

9.4.3 Notice of Breach; Seller's Right to Cure. If after the expiration of the Due Diligence Period but prior to the Closing, Buyer or any Buyer's Representative obtains actual knowledge that any of Seller's Warranties are untrue, inaccurate or incorrect in any material respect, Buyer shall give Seller written notice thereof within five (5) Business Days of obtaining such knowledge (but, in any event, prior to the Closing). If at or prior to the Closing, Seller obtains actual knowledge that any of Seller's Warranties are untrue, inaccurate or incorrect in any material respect, Seller shall give Buyer written notice thereof within five (5) Business Days of obtaining such knowledge (but, in any event, prior to the Closing). In either such event, Seller shall have the right to cure such misrepresentation or breach and shall be entitled to a reasonable adjournment of the Closing (not to exceed ten (10) days) for the purpose of such cure. If Seller is unable to so cure any misrepresentation or breach, then Buyer, as its sole remedy for any and all such materially untrue, inaccurate or incorrect representations or warranties, shall elect either (a) to waive such misrepresentations or breaches of representations and warranties and consummate the Transaction without any reduction of or credit against the Purchase Price, or (b) to terminate this Agreement by written notice given to Seller on the Closing Date, in which event this Agreement shall be terminated, the Deposit shall be returned to Buyer and, thereafter, neither party shall have any further rights or obligations hereunder except as provided in any section hereof that by its terms expressly provides that it survives any termination of this Agreement. If any of Seller's Warranties are untrue, inaccurate or incorrect but are not, in the aggregate, untrue, inaccurate or incorrect in any material respect, Buyer shall be deemed to waive such misrepresentation or breach of warranty, and Buyer shall be required to consummate the Transaction without any reduction of or credit against the Purchase Price. The untruth, inaccuracy or incorrectness of Seller's Property Warranties shall be deemed material only if Buyer's aggregate damages resulting from the untruth, inaccuracy or incorrectness of Seller's Property Warranties are reasonably estimated to exceed $50,000.00. The untruth, inaccuracy or incorrectness of any of Seller's Entity Warranties or any of Prudential's Warranties shall be deemed material.

9.4.4 Survival; Limitation on Seller's Liability. Except for the statements in the FIRPTA Affidavit to be delivered at Closing (as to which the parties executing such documents shall be and remain liable in accordance with the terms thereof), the Seller's Property Warranties shall survive the Closing and not be merged therein for a period of twelve (12) months and Seller shall only be liable to Buyer hereunder for a breach of Seller's Property Warranties made herein or in any of the documents executed by Seller at the Closing with respect to which a claim is made by Buyer against Seller on or before twelve (12) months after the date of the Closing. Seller's Entity Warranties and Prudential's Warranties shall survive the Closing and not be merged therein for the period of the applicable statute of limitations, *provided* that the warranties in Sections 9.2.3(a) and 9.2.4(c) hereof shall survive indefinitely, and Seller and Prudential shall only be liable to Buyer hereunder for a breach of Seller's Entity Warranties, other than Sections 9.2.3(a) or 9.2.4(c), made herein or in any of the documents executed by Seller at the Closing with respect to which a claim is made by Buyer against Seller or Prudential on or before the expiration of the applicable statute of limitations after the date of the Closing. Anything in this Agreement to the contrary notwithstanding, the maximum aggregate liability of Seller for breaches of Seller's Warranties shall be limited to the extent set forth in Section 15.15 hereof. Notwithstanding the foregoing, however, if the Closing occurs, Buyer hereby expressly waives, relinquishes and releases any right or remedy available to it at law, in equity, under this Agreement or otherwise to make a claim against Seller for Liabilities that Buyer may incur, or to rescind this Agreement and the Transaction, as the result of any of Seller's Warranties being untrue, inaccurate or incorrect if (a) Buyer actually knew (or, in the case of Seller's Property Warranties, actually knew or is deemed to know) that such representation or warranty was untrue, inaccurate or incorrect at the time of the Closing, or (b) Buyer's damages as a result of such representations or warranties being untrue, inaccurate or incorrect are reasonably estimated to aggregate less than $50,000.00, *provided* that such $50,000 threshold shall exclude damages from breaches of Seller's Entity Warranties, for which Buyer is entitled to recover without regard to any threshold. Notwithstanding anything in this Agreement to the contrary Seller shall not be liable for any punitive or consequential damages.

9.4.5 Seller's and Prudential's Indemnification Obligations.

(a) Subject to the other provisions of this Article 9, from and after the Closing, Seller and Prudential jointly and severally shall indemnify and hold harmless Buyer and its affiliates and its and their respective officers, directors, direct or indirect owners, partners and agents (the " Buyer Indemnified Parties"), from and against any Liabilities (including, without limitation, reasonable attorneys' fees and litigation costs), as incurred, including those incurred indirectly through the ownership of the Company and those incurred directly by the Company, to the extent they relate to, arise out of or are the result of (i) the breach or inaccuracy in any of Seller's Entity Warranties or breach by Seller of any of its covenants set forth in Section 10.2 herein, (ii) any personal or bodily injury or death or property damage (other than damage to the Property itself) occurring prior to the Closing at the Property, or (iii) any other third party claims against any Buyer Indemnified Party or the Company based on any act or omission or other event occurring prior to the Closing, for which Buyer would not have been liable or incurred or suffered loss, directly or indirectly, if Buyer had only purchased the Property and not the LLC Interests in the Company. In connection with the foregoing, Buyer acknowledges and agrees that its right to assert any claim for Liabilities for breach of Seller's Entity Warranties pursuant to this Section 9.4.5(a) is limited to the survival period for the applicable representation and warranty, as provided in Section 9.4.4.

(b) Seller and Prudential jointly and severally shall indemnify and hold harmless the Buyer Indemnified Parties and the Company from and against any and all Taxes that are imposed on or borne by any Buyer Indemnified Party or the Company (directly or indirectly) as well as all costs (including, without limitation, reasonable attorneys' fees and litigation costs) suffered or incurred by any Buyer Indemnified Party or the Company in investigation, defense, litigation or settlement of any claim for Taxes attributable to the Company, or Seller's or Prudential's direct or indirect interest in the Company, for all periods ending on or prior to the Closing Date and for any period beginning before and ending after the Closing Date, for the portion of such period ending on the Closing Date, including without limitation, arising from any matter listed on **Exhibit Q** or as a result of the entering into of the Option Agreement and grant of the Option and rights to cash flow and distributions or other transfers of rights or interests of the Company to Seller.

(c) Seller and Prudential jointly and severally shall indemnify and hold harmless the Buyer Indemnified Parties and the Company from and against any and all transfer and similar Taxes that are imposed on or borne by any Buyer Indemnified Party or the Company (directly or indirectly) as well as all costs (including, without limitation, reasonable attorneys' fees and litigation costs) suffered or incurred by any Buyer Indemnified Party or the Company in investigation, defense, litigation or settlement of any claim for such transfer or similar Taxes arising out of or from the

Buyer's acquisition of the Option, the Option Agreement and the legal and beneficial title to the LLC Interests, and the exercise of the Option not provided for as Buyer's responsibility on the Closing Statement Agreement.

(d) Prudential acknowledges and agrees that the Buyer would not enter into this Agreement without Prudential becoming a party hereto for purposes of this Article 9 and that as the parent of the Seller it will derive substantial indirect benefits from this Agreement.

(e) Seller and Prudential jointly and severally agree to pay the Buyer Indemnified Parties' and the Company's costs (including, without limitation, reasonable attorneys' fees and litigation costs) in any action or proceeding to enforce the provisions of this Section 9.4.5, *provided* that such parties are successful in any action with respect to the applicability of this Section 9.4.5.

(f) The Company shall use good faith efforts to pursue insurance coverage provided under the IBC Lease that may be available to it as an additional named insured with respect to any liabilities for which indemnification may be available under Section 9.4.5(a)(ii), provided however that the Seller's and Prudential's indemnification obligations hereunder shall not be contingent or conditioned on such efforts by the Company, the provision of such insurance or the collection of any insurance proceeds. Seller's and Prudential's indemnification obligations with respect to matters indemnified under Section 9.4.5(a)(ii) and (iii) shall be net of any insurance amounts actually received by the Company from insurance coverage provided by the Required Tenant under the IBC Lease.

9.4.6 Claims. (a) If a Buyer Indemnified Party intends to seek indemnification against a third party claim pursuant to this Article 9, such Buyer Indemnified Party shall promptly notify Seller or Prudential, in writing, of such claim describing such claim in reasonable detail, *provided*, that the failure to provide such notice shall not affect the obligations of the Seller and Prudential hereunder unless and only to the extent they are actually prejudiced thereby. Seller or Prudential shall have thirty (30) days after receipt of such notice to decide whether it will undertake, conduct and control, through counsel of its own choosing and at its own expense, the settlement or defense thereof, and if it so decides, the Buyer Indemnified Party shall cooperate with it in connection therewith, *provided*, that the Buyer Indemnified Party may participate in such settlement or defense through counsel chosen by it, and *provided further*, that the reasonable fees and expenses of such counsel shall be borne by the Seller and Prudential. The Seller (and Prudential) shall have the right to settle or compromise any action which it determines to undertake, conduct and control as aforesaid, *provided*, that it first obtain the consent of the Buyer Indemnified Party(ies) which consent shall not be unreasonably withheld, delayed or conditioned. As long as the Seller or Prudential is contesting any such claim in good faith, the Buyer Indemnified Party shall not pay or settle any such claim without the consent of the Seller or Prudential (which consent shall not be unreasonably withheld or delayed).

(b) The Seller Indemnified Party, Prudential and the Buyer Indemnified Party shall cooperate fully in all aspects of any investigation, defense, pretrial activities, trial, compromise, settlement or discharge of any claim in respect of which indemnity is sought pursuant to this Article 9, including, but not limited to, by providing the other party with reasonable access to employees and officers (including as witnesses) and other information.

9.4.7 Survival. The provisions of Sections 9.4.3 through this Section 9.4.7 shall survive the Closing.

ARTICLE 10 - COVENANTS

10.1 Buyer's Covenants. Buyer hereby covenants as follows:

10.1.1 Confidentiality. Buyer acknowledges that any information heretofore or hereafter furnished to Buyer with respect to the Property has been and will be so furnished on the condition that Buyer maintain the confidentiality thereof. Accordingly, and subject to the exceptions set forth below (including as set forth in Section 10.3.1), Buyer shall hold, and shall cause Buyer's Representatives to hold, in strict confidence, and Buyer shall not disclose, and shall prohibit Buyer's Representatives from disclosing, to any other person without the prior written consent of Seller until the Closing shall have been consummated, (a) the terms of the Agreement, (b) any of the information in respect of the Property delivered to or for the benefit of Buyer whether by any Buyer's Representatives or by Seller or any of the Seller Parties, including, but not limited to, any information heretofore or hereafter obtained by Buyer or any Buyer's Representatives in connection with its Due Diligence, and (c) the identity of Seller, and, if applicable, the identity of any direct or indirect owner of any beneficial interest in Seller. In the event the Closing does not occur or this Agreement is terminated, Buyer, upon written request of Seller, shall promptly return to Seller all copies of documents containing any of such information provided by Seller or any of its agents, representatives or employees without retaining any copy thereof or extract therefrom. Notwithstanding anything to the contrary hereinabove set forth, Buyer may disclose such information (a) on a need-to-know basis to its employees, members of professional firms serving it or potential lenders, (b) as any governmental agency may require in order to comply with applicable Laws, and (c) to the extent that such information is a matter of public record. The provisions of this Subsection 10.1.1 shall survive any termination of this Agreement.

10.1.2 Buyer's Indemnity. Buyer hereby agrees to indemnify, defend, and hold Seller and each of the other Seller Parties free and harmless from and against any and all Liabilities (including reasonable attorneys' fees, expenses and disbursements) to the extent caused by the acts or omissions of Buyer or any of Buyer's Representatives arising out of or resulting from (a) the breach of the terms of Subsection 10.1.1 or (b) the entry on the Real Property and/or the conduct of any Due Diligence by Buyer or any of Buyer's Representatives at any time prior to the Closing; *provided, however*, that Buyer's obligations under this clause (b) shall not apply to the mere discovery of an pre-existing environmental or physical condition at the Property. The foregoing indemnity shall survive the Closing (and not be merged therein) or any earlier termination of this Agreement.

10.1.3 **Change in Name.** No later than five (5) days after the Closing Date Buyer shall file amendments to the Company's Certificate of Formation and Application for Registration with the Delaware Secretary of State and the Secretary of the Commonwealth of Pennsylvania, respectively, to omit the word "Pru" from the name of the Company.

10.2 **Seller's Covenants.** Seller hereby covenants as follows:

10.2.1 **Service Contracts.**

Subject to the terms of the IBC Lease, without Buyer's prior consent, which consent shall not be unreasonably withheld or delayed, between the date hereof and the Closing Date Seller shall not permit the Company to extend, renew, replace or modify any Contract or enter into any new service contract or agreement unless such Contract, service contract or agreement (as so extended, renewed, replaced or modified) can be terminated by the owner of the Property without penalty on not more than thirty (30) days' notice. Seller shall provide Buyer not less than three (3) Business Days' prior written notice to provide its consent to any such contract, extension, renewal, replacement or modification. If Buyer fails to object in writing to any such proposed action within three (3) Business Days after receipt of the aforementioned notice, Buyer shall be deemed to have approved the proposed action. Buyer's consent shall not be unreasonably withheld or delayed with respect to any such transaction that is proposed prior to the end of the Due Diligence Period. Buyer, in its sole and absolute discretion, shall be entitled to grant or withhold its consent with respect to any such transaction that is proposed between the end of the Due Diligence Period and the Closing. This Section 10.2.1 shall in no way limit the rights the Required Tenant may have under the IBC Lease, and the exercise of any such rights shall not be deemed to be a violation by Seller of the provisions of this Section.

10.2.2 **Rents.** Neither Seller nor the the Company shall accept any payment of rent under the IBC Lease more than thirty (30) days in advance of the due date.

10.2.3 **Further Encumbrances.** Except with Buyer's prior written consent, neither Seller nor the Company shall grant or otherwise create or consent to the creation of any easement, restriction, lien, assessment or encumbrance respecting the Property or any of the LLC Interests.

10.2.4 **Ordinary Course of Business.** Seller shall cause the Company to carry on its business and operate the Property in the ordinary course of business consistent with past practice and shall use its commercially reasonable efforts to preserve intact the Company and its business relationships, and Seller shall not permit the Company to undertake any business activity other than the ownership of the Property or enter into any other contracts or agreements or assume or incur any additional obligation or indebtedness, and Seller shall cause the Company to perform and discharge all of the duties and obligations and comply with the covenants and agreements of the landlord or lessor under the IBC Lease and any other lease at the Property in the manner and within the time limits required thereunder. In addition, from the date hereof until Closing, Seller shall not permit the Company or any of its managers, representatives or agents to:

(i) issue or agree to issue any additional membership or supporting interests or securities, rights or options exercisable or convertible into membership interests;

(ii) merge or consolidate with any other Person or acquire any assets outside of the normal operation of the Property;

(iii) sell, lease, license or otherwise dispose of any assets or property;

(iv) fail to continue to properly maintain, insure, and protect the Property consistent with past practice and in accordance with the Leases;

(v) cancel any debts owed to the Company or waive any claims or rights of the Company;

(vi) agree or commit to do any of the foregoing.

10.2.5 **Employees.** Seller shall not allow the Company to: (i) enter into any agreement with any person, labor union, or association regarding the employment of persons for the Company, (ii) institute or adopt any Employee Benefit Arrangement, (iii) hire any persons as employees or independent contractors, or (iv) enter into any agreement or Employee Benefit Arrangement with any person serving as an officer, manager, director, member or in any other similar capacity of the Company.

10.2.6 **No Action.** Neither Seller nor the Company will knowingly take, or agree or commit to take, any action that would make any representation or warranty of Seller hereunder inaccurate in any respect at or prior to the Closing Date.

10.2.7 **Cooperation with Buyers, Auditors and SEC Requirements.** Seller or Prudential shall provide to Buyer (at Buyer's expense) copies of, or shall provide Buyer access to, such factual information as may be reasonably requested by Buyer, and in the possession or control of Seller, Prudential, or its property manager (if any) or accountants, to enable Buyer (and/or Wells Operating Partnership, L.P.) to file its or their Form 8-K, if, as and when such filing may be required by the Securities and Exchange Commission (" SEC"). At Buyer's sole cost and expense, Seller or Prudential shall allow Buyer's auditor (Ernst & Young LLP or any successor auditor selected by Buyer) to conduct an audit of the income statements of the Property for 2001, 2002 and 2003 (to the date of Closing), and shall cooperate (at no cost to Seller or Prudential) with Buyer's auditor in the conduct of such audit. In addition, Seller (and Prudential) agree to provide to Buyer's auditor a letter of representation in the form attached hereto as **Exhibit F** and by this reference made a part hereof (the "Representation Letter"), and, if requested by such auditor, historical financial statements for the Property, including income and balance sheet data for the Property, whether required before or after Closing. Without limiting the foregoing, (i) Buyer or its designated independent or other auditor may audit Seller's or Prudential's operating statements of the Property at Buyer's expense; and Seller and Prudential shall provide such documentation as Buyer or its auditor may reasonably request in order to complete such audit, and (ii) Seller and Prudential shall furnish to Buyer such financial and other information with respect to the Company and the Property as may be reasonably required by Buyer to make any required filings with the SEC or other governmental authority; *provided, however*, that the foregoing obligations shall be limited to providing such information or documentation as may be in the possession of, or reasonably obtainable by, Seller, its property manager or accountants, or Prudential, at no cost to Seller or Prudential, and in the format that Seller or Prudential (or its property manager or accountants) have maintained such information.

10.3 Mutual Covenants.

10.3.1 Publicity. Seller and Buyer each hereby covenant and agree that (a) prior to the Closing neither Seller nor Buyer shall issue any Release (as hereinafter defined) with respect to the Transaction without the prior consent of the other, except to the extent required by applicable Law, and (b) after the Closing, any Release issued by either Seller or Buyer shall be subject to the review and approval of both parties (which approval shall not be unreasonably withheld or delayed), except to the extent required by applicable Law. If either Seller or Buyer is required by applicable Law to issue a Release, such party shall use reasonable efforts prior to the issuance of such Release to deliver a copy of the proposed Release to the other party for its review. As used herein, the term "Release" shall mean any press release or tombstone or other advertisement or public statement with respect to the Transaction or this Agreement.

10.3.2 Brokers. Seller and Buyer expressly acknowledge that Seller's Broker has acted as the exclusive broker with respect to the Transaction and with respect to this Agreement. Seller shall pay any brokerage commission due to Seller's Broker in accordance with the separate agreement between Seller and Seller's Broker. Seller agrees to hold Buyer harmless and indemnify Buyer from and against any and all Liabilities (including reasonable attorneys' fees, expenses and disbursements) suffered or incurred by Buyer as a result of any claims by Seller's Broker or any other party claiming to have represented Seller as broker in connection with the Transaction. Buyer agrees to hold Seller harmless and indemnify Seller from and against any and all Liabilities (including reasonable attorneys' fees, expenses and disbursements) suffered or incurred by Seller as a result of any claims by any party (other than Seller's Broker) claiming to have represented Buyer as broker in connection with the Transaction.

10.3.3 Tax Protests, Tax Refunds and Credits. Subject to the rights of the Required Tenant under the IBC Lease, Seller shall have the right to continue and to control the progress of and to make all decisions with respect to the contest of (including the submission and pursuit of any refund claims) any Taxes due and payable during the Closing Tax Year and all prior Tax Years, *provided* that the Company and Buyer are held harmless and fully indemnified with respect thereto pursuant to the procedure set forth in

Section 9.4.6. Subject to the rights of the Required Tenant under the IBC Lease, Buyer shall have the right to control the progress of and to make all decisions with respect to the contest of Taxes due and payable during all Tax Years subsequent to the Closing Tax Year. Seller shall prepare and file in a timely manner all appropriate Tax Returns of the Company, if any, and other information for the period beginning prior to the Closing Date and ending on or after the Closing Date in the same manner as such Tax Returns and other information heretofore have been prepared, except for changes required by changes in applicable Law or changes in fact and shall pay the portion of such Taxes shown on such Tax Returns which relate to the period beginning prior to the Closing Date and ending on and through the Closing Date. Buyer shall pay the portion of such Taxes shown on such Tax Returns which relate to the period after the Closing Date. Taxes for such tax periods that begin before and end after the Closing Date shall be apportioned between Buyer and Seller on the basis of an "interim closing of the books." In the case of Taxes other than Taxes based upon or related to income, such Taxes for the period prior to the Closing shall be deemed to be the amount of such Taxes multiplied by a fraction the numerator of which is the number of days in the period ending on the Closing Date and the denominator of which is the number of days in the tax period. Seller shall pay to Buyer its proportionate share of such Taxes no later than three (3) days prior to the due date and Buyer shall cause the Company to pay all of such Taxes to the relevant taxing authority. Buyer shall cooperate with Seller in the preparation and filing of such Tax Returns and Seller shall provide a copy thereof along with the work papers related thereto to the Buyer for its comment and approval at least thirty (30) days prior to the filing thereof. To the extent any items are not covered by past practices, such Tax Returns shall be prepared in accordance with reasonable tax accounting practices selected by Buyer.

The Seller and Buyer shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees, members, agents, auditors and representatives reasonably to cooperate, in preparing and filing all Tax Returns (including amended returns and claims for refund), including maintaining and making available to each other all records necessary in connection with Taxes and in resolving all disputes and audits with respect to all taxable periods relating to Taxes. After the date hereof, the Seller and Buyer shall provide each other and their respective agents and representatives timely access and reasonable assistance and cooperation during normal business hours in making tax information relating to the Company and copies thereof relating to taxable periods of the Company available to each other and their respective agents and representatives, including access for the timely filing of short period returns. Seller and Buyer agree that each of them shall preserve and keep all pertinent books of account, papers and records relating to the Company held by Buyer or Seller either until the statute of limitations to which they relate has expired by lapse of time (but not more than seven (7) years) or by the terms of an agreement for extension of time or until such date as the parties hereto shall have otherwise agreed and ending on or before the date hereof.

Any refunds and credits of Taxes of the Company with respect to (i) any taxable period ending on or before the Closing Date shall be for the account of Seller and shall be paid to Seller within five business days after the Buyer receives such refund or utilizes such credit, and (ii) any taxable period beginning after the Closing Date shall be for the account of the Buyer, and if received or utilized by the Seller or any of their Affiliates shall be paid by the Seller to the Buyer within five business days after the Seller or any of its Affiliates receives such refund or utilizes such credit and (iii) except as provided in the next sentence, any period which includes (but does not begin or end) on the Closing Date (the "Straddle Period") shall be apportioned between the Seller and the Buyer on the basis of an "interim closing of the books." In the case of a refund or credit attributable to any Taxes that are imposed on a periodic basis and are attributable to the Straddle Period, other than Taxes based upon or related to income, the refund or credit of such Taxes of the Company for the period prior to the Closing shall be deemed to be the amount of such refund or credit for the Straddle Period multiplied by a fraction the numerator of which is the number of days in the Straddle Period ending on the Closing Date and the denominator of which is the number of days in the Straddle Period.

10.3.4 **Preservation of Records.** Seller and Buyer agree that each of them shall preserve and keep the records held by it relating to the business of the Company for a period of three years after the Closing Date, and shall make such records available to the other party as may be reasonably required, at reasonable times and upon reasonable notice.

10.4 **Survival.** The provisions of Section 10.2.2 through 10.2.7 and Section 10.3 shall survive the Closing (and not be merged therein) or earlier termination of this Agreement.

ARTICLE 11 – FAILURE OF CONDITIONS

11.1 **To Seller's Obligations.** If, on or before the Closing Date, (i) Buyer is in default of any of its obligations hereunder, or (ii) any of Buyer's representations or warranties are untrue in any material respect, or (iii) the Closing otherwise fails to occur by reason of Buyer's failure or refusal to perform its obligations hereunder in a prompt and timely manner, and such circumstance in (i), (ii) or (iii) continues for five (5) days after written notice from Seller to Buyer, which written notice shall detail such default, untruth or failure, as applicable, then Seller may elect to (a) terminate this Agreement by written notice to Buyer; or (b) waive the condition and proceed to close the Transaction. If this Agreement is so terminated, then Seller shall be entitled to the Deposit as liquidated damages, and thereafter neither party to this Agreement shall have any further rights or obligations hereunder other than any arising under any section herein which expressly provides that it survives the termination of this Agreement.

If, on or before the Closing Date, (i) Wells Brea is in default of any of its obligations under the Brea Purchase Agreement, or (ii) any of Wells Brea's representations or warranties set forth in the Brea Purchase Agreement are untrue in any material respect, or (iii) the Closing under the Brea Purchase Agreement otherwise fails to occur by reason of Wells Brea's failure or refusal to perform its obligations thereunder in a prompt and timely manner, and such circumstance in (i), (ii) or (iii) continues for five (5) days after written notice from Seller to Wells Brea, which written notice shall detail such default, untruth or failure, as applicable, then Seller may elect to (a) terminate this Agreement by written notice to Buyer; *provided* that Seller concurrently terminates the Brea Purchase Agreement; or (b) waive the condition and proceed to close the Transaction. If this Agreement is so terminated, then Seller shall be entitled to the Deposit as liquidated damages, and thereafter neither party to this Agreement shall have any further rights or obligations hereunder other than any arising under any provision herein which expressly provides that it survives the termination of this Agreement.

11.2 **<u>To Buyer's Obligations</u>.** If, at the Closing, (i) Seller is in default of any of its obligations hereunder, or (ii) any of Seller's representations or warranties are untrue in any material respect, or (iii) the Closing otherwise fails to occur by reason of Seller's failure or refusal to perform its obligations hereunder in a prompt and timely manner, or (iv) Prudential is in default of any of its obligations under the Option Exercise Agreement or (v) any of Prudential's representations or warranties set forth in the Option Exercise Agreement and such circumstance in (i), (ii), (iii), (iv) or (v) continues for five (5) days after written notice from Buyer to Seller, which written notice shall detail such default, untruth or failure, as applicable, Buyer shall have the right, to elect, as its sole and exclusive remedy, to (a) terminate this Agreement by written notice to Seller promptly after which the Deposit shall be returned to Buyer, or (b) waive the condition and proceed to close the Transaction, or (c) seek specific performance of this Agreement by Seller. As a condition precedent to Buyer exercising any right it may have to bring an action for specific performance hereunder, Buyer must commence such an action within ninety (90) days after the occurrence of Seller's default. Buyer agrees that its failure to timely commence such an action for specific performance within such ninety (90) day period shall be deemed a waiver by it of its right to commence an action for specific performance as well as a waiver by it of any right it may have to file or record a notice of *lis pendens* or notice of pendency of action or similar notice against any portion of the Property.

If, at the Closing, (i) Seller is in default of any of its obligations under the Brea Purchase Agreement, or (ii) any of Seller's representations or warranties set forth in the Brea Purchase Agreement are untrue in any material respect, or (iii) the Closing under the Brea Purchase Agreement otherwise fails to occur by reason of Seller's failure or refusal to perform its obligations thereunder in a prompt and timely manner, or (iv) Prudential is in default of any of its obligations under the Option Exercise Agreement, or (v) any of Prudential's representations or warranties set forth in the Option Exercise Agreement are untrue in any material respect, and such circumstance in (i), (ii), (iii), (iv) or (v) continues for five (5) days after written notice from Buyer to Seller, which written notice shall detail such default, untruth or failure, as applicable, Buyer shall have the right, to elect, as its sole and exclusive remedy, to (a) terminate this Agreement by written notice to Seller, *provided* that in the case of the circumstances described in clauses (i), (ii) or (iii) above, Buyer concurrently terminates the Brea Purchase Agreement, promptly after which the Deposit shall be returned to Buyer, or (b) waive the condition and proceed to close the Transaction, or (c) seek specific performance of this Agreement by Seller. As a condition precedent to Buyer exercising any right it may have to bring an action for specific performance hereunder, Buyer must commence such an action within ninety (90) days after the occurrence of Seller's default. Buyer agrees that its failure to timely commence such an action for specific performance within such ninety (90) day period shall be deemed a waiver by it of its right to commence an action for specific performance as well as a waiver by it of any right it may have to file or record a notice of *lis pendens* or notice of pendency of action or similar notice against any portion of the Property.

11.3 Termination of the Brea Purchase Agreement. If the Brea Purchase Agreement is terminated by either Wells Brea or Seller (except in the case of a termination resulting from Seller's default under the Brea Purchase Agreement or from exercise by Bank of America, N.A. of its right of first refusal to purchase the property described in the Brea Purchase Agreement), Seller may elect to terminate this Agreement by providing Buyer with written notice of such election to terminate, promptly after which the Deposit shall be returned to Buyer. If the Brea Purchase Agreement is terminated by either Wells Brea or Seller (except in the case of a termination resulting from Wells Brea's default under the Brea Purchase Agreement), Buyer may elect to terminate this Agreement by providing Seller with written notice of such election to terminate, promptly after which the Deposit shall be returned to Buyer.

ARTICLE 12 – CONDEMNATION/CASUALTY

12.1 Right to Terminate. If, after the date hereof, (a) any portion of the Property is taken by condemnation or eminent domain (or is the subject of a pending taking which has not yet been consummated), or (b) any portion of the Property is damaged or destroyed (excluding routine wear and tear), Seller shall notify Buyer in writing of such fact promptly after obtaining knowledge thereof. If the Property is the subject of a Major Casualty/Condemnation that occurs after the date hereof, Buyer shall have the right to terminate this Agreement by giving written notice to Seller no later than ten (10) Business Days after the giving of Seller's notice, and the Closing Date shall be extended, if necessary, to provide sufficient time for Buyer to make such election. The failure by Buyer to so elect in writing to terminate this Agreement within such ten (10) Business Day period shall be deemed an election not to terminate this Agreement. If this Agreement is terminated pursuant to this Section 12.1, the Deposit shall be returned to Buyer and, thereafter, this Agreement shall terminate and neither party to this Agreement shall have any further rights or obligations hereunder other than any arising under any section herein which expressly provides that it shall survive the termination of this Agreement.

12.2 Allocation of Proceeds and Awards. If a condemnation or casualty occurs after the date hereof and this Agreement is not terminated as permitted pursuant to the terms of Section 12.1, then this Agreement shall remain in full force and effect, Buyer shall acquire the Option upon the terms and conditions set forth herein and at the Closing, subject to the terms of the IBC Lease:

(a) if the awards or proceeds, as the case may be, have been paid to the Company prior to Closing, such award or proceeds on account of such condemnation or casualty shall remain as property of the Company less an amount equal to the Seller-Allocated Amounts which may be distributed to Seller; and

(b) to the extent that such award or proceeds have not been paid to the Company prior to Closing, if a casualty has occurred and such casualty is an insured casualty, Buyer shall receive a credit at Closing equal to the Company's deductible with respect to such casualty, less an amount equal to the Seller-Allocated Amounts, *provided, however,* that within three (3) Business Days after receipt of such awards or proceeds, Buyer shall pay to Seller an amount equal to the Seller-Allocated Amounts not previously paid to Seller.

12.3 Waiver. The provisions of this Article 12 supersede the provisions of any applicable statutory or decisional law with respect to the subject matter of this Article 12.

ARTICLE 13 – ESCROW

The Deposit and any other sums (including, without limitation, any interest earned thereon) which the parties agree shall be held in escrow (herein collectively called the "Escrow Deposits") and any other documents to be held in escrow (the "Escrow Documents"), shall be held by the Escrow Agent, in trust, and disposed of only in accordance with the following provisions:

13.1 Deposit. The Escrow Agent shall invest the Escrow Deposits in government insured interest-bearing instruments reasonably satisfactory to both Buyer and Seller, shall not commingle the Escrow Deposits with any funds of the Escrow Agent or others, and shall promptly provide Buyer and Seller with confirmation of the investments made.

13.2 Delivery. If the Closing occurs, the Escrow Agent shall deliver the Escrow Deposits to, or upon the instructions of, Seller on the Closing Date. The Escrow Agent shall deliver the Escrow Documents in accordance with the instructions received by Buyer and Seller on the Closing Date.

13.3 Failure of Closing. If for any reason the Closing does not occur, the Escrow Agent shall deliver the Escrow Deposits to Seller or Buyer only upon receipt of a written demand therefor from such party, subject to the following provisions of this Section 13.3. If for any reason the Closing does not occur and either party makes a written demand upon the Escrow Agent for payment of the Escrow Deposits, the Escrow Agent shall give written notice to the other party of such demand. If the Escrow Agent does not receive a written objection from the other party to the proposed payment within ten (10) days after the giving of such notice, the Escrow Agent is hereby authorized to make such payment. If the Escrow Agent does receive such written objection within such period, the Escrow Agent shall continue to hold such amount until otherwise directed by written instructions signed by Seller and Buyer or a final judgment of a court.

13.4 Stakeholder. The parties acknowledge that the Escrow Agent is acting solely as a stakeholder at their request and for their convenience, that the Escrow Agent shall not be deemed to be the agent of either of the parties, and that the Escrow Agent shall not be liable to either of the parties for any action or omission on its part taken or made in good faith, and not in disregard of this Agreement, but shall be liable for its negligent acts and for any Liabilities (including reasonable attorneys' fees, expenses and disbursements) incurred by Seller or Buyer resulting from the Escrow Agent's mistake of law respecting the Escrow Agent's scope or nature of its duties. Seller and Buyer shall jointly and severally indemnify and hold the Escrow Agent harmless from and against all Liabilities (including reasonable attorneys' fees, expenses and disbursements) incurred in connection with the performance of the Escrow Agent's duties hereunder, except with respect to actions or omissions taken or made by the Escrow Agent in bad faith, in disregard of this Agreement or involving negligence on the part of the Escrow Agent.

13.5 Taxes. Buyer shall pay any income taxes on any interest earned on the Escrow Deposits. Buyer represents and warrants to the Escrow Agent that its taxpayer identification number is 20-0484575.

13.6 Execution By Escrow Agent. The Escrow Agent has executed this Agreement in the place indicated on the signature page hereof in order to confirm that the Escrow Agent has received and shall hold the Escrow Deposits, in escrow, and shall disburse the Escrow Deposits pursuant to the provisions of this Article 13.

ARTICLE 14 – LEASE EXPENSES

14.1 New Leases; Lease Modifications. After the date of this Agreement, except as may be permitted by the terms of this Section 14.1, Seller shall not, without Buyer's prior written consent permit the Company to, (a) enter into a New Lease; (b) modify or amend any Lease (except pursuant to the exercise by a tenant of a renewal, extension or expansion option or other right contained in such tenant's lease); or (c) consent to any assignment or sublease in connection with any Lease. Seller shall furnish Buyer with a written notice of the proposed action which shall contain information regarding the proposed action that is reasonably necessary to enable Buyer to make informed decisions with respect to the advisability of the proposed action. If Buyer fails to object in writing to any such proposed action within five (5) Business Days after receipt of the aforementioned information, Buyer shall be deemed to have approved the proposed action. Buyer's consent shall not be unreasonably withheld or delayed with respect to any such transaction that is proposed prior to the end of the Due Diligence Period. Buyer, in its sole and absolute discretion, shall be entitled to grant or withhold its consent with respect to any such transaction that is proposed between the end of the Due Diligence Period and the Closing. Notwithstanding the foregoing, if any Lease requires that the landlord's consent be given under the applicable circumstances, then Buyer shall be deemed *ipso facto* to have approved such action; and if any Lease requires that the landlord's consent not be unreasonably withheld under the applicable circumstances or is otherwise subject to certain limits or conditions, then Buyer shall be deemed to be subject to the same limits and conditions in connection with Buyer's consent. Any notice from Buyer rejecting the proposed action shall include a description of the reasons for Buyer's rejection. Seller shall deliver to Buyer a true and complete copy of each such New Lease, renewal or extension agreement, modification, or amendment, as the case may be, promptly after the execution and delivery thereof.

14.2 Lease Enforcement. The Company shall have the right, but not the obligation (except to the extent that the Company's failure to act shall constitute a waiver of such rights or remedies), to enforce the rights and remedies of the landlord under any Lease, by summary proceedings or otherwise (including, without limitation, the right to remove any tenant), and to apply all or any portion of any security deposits then held by the Company toward any loss or damage incurred by the Company by reason of any defaults by tenants, and the exercise of any such rights or remedies shall not affect the obligations of Buyer under this Agreement in any manner or entitle Buyer to a reduction in, or credit or allowance against, the Purchase Price or give rise to any other claim on the part of Buyer.

14.3 Lease Expenses. At Closing, Buyer shall reimburse Seller for any and all Reimbursable Lease Expenses to the extent that the same have been paid by the Company prior to Closing. In addition, at Closing, Buyer shall assume the Company's obligations to pay, when due (whether on a stated due date or accelerated) any Reimbursable Lease Expenses unpaid as of the Closing, and Buyer hereby agrees to indemnify and hold Seller harmless from and against any and all Liabilities (including reasonable attorneys' fees, expenses and disbursements) with respect to such Reimbursable Lease Expenses which remain unpaid for any reason at the time of Closing, which obligations of Buyer shall survive the Closing and shall not be merged therein. Each party shall make available to the other all records, bills, vouchers and other data in such party's control verifying Reimbursable Lease Expenses and the payment thereof.

ARTICLE 15 – MISCELLANEOUS

15.1 Buyer's Assignment. Buyer shall not assign this Agreement or its rights hereunder to any individual or entity without the prior written consent of Seller, which consent Seller may grant or withhold in its sole discretion, and any such assignment shall be null and void *ab initio*, *provided, however*, Buyer may assign its rights under this Agreement to an affiliate without the consent of Seller, to Wells Real Estate Investment Trust, Inc. ("Wells Trust") or Wells Capital, Inc., or any entity controlled by or under common control with Buyer, Wells Trust or Wells Capital, Inc. In the event of any permitted assignment by Buyer, any assignee shall assume any and all obligations and liabilities of Buyer under this Agreement but, notwithstanding such assumption, Buyer shall continue to be liable hereunder.

15.2 Designation Agreement. Section 6045(e) of the United States Internal Revenue Code and the regulations promulgated thereunder (herein collectively called the "Reporting Requirements") require an information return to be made to the United States Internal Revenue Service, and a statement to be furnished to Seller, in connection with the Transaction. Escrow Agent shall be the "Reporting Person" as hereinafter provided; Escrow Agent is either (i) the person responsible for closing the transaction (as described in the Reporting Requirements) or (ii) the disbursing title or escrow company that is most significant in terms of gross proceeds disbursed in connection with the transaction (as described in the Reporting Requirements). Accordingly:

(a) Escrow Agent is hereby designated as the "Reporting Person" (as defined in the Reporting Requirements) for the Transaction. Escrow Agent shall perform all duties that are required by the Reporting Requirements to be performed by the Reporting Person for the Transaction.

(b) Seller and Buyer shall furnish to Escrow Agent, in a timely manner, any information requested by Escrow Agent and necessary for Escrow Agent to perform its duties as Reporting Person for the Transaction.

(c) Escrow Agent hereby requests Seller to furnish to Escrow Agent Seller's correct taxpayer identification number. Seller acknowledges that any failure by Seller to provide Escrow Agent with Seller's correct taxpayer identification number may subject Seller to civil or criminal penalties imposed by law. Accordingly, Seller hereby certifies to Escrow Agent, under penalties of perjury that Seller's correct taxpayer identification number is 22-1856768.

(d) Each of the parties hereto shall retain this Agreement for a period of four (4) years following the calendar year during which Closing occurs.

15.3 Survival/Merger. Except for the provisions of this Agreement which are explicitly stated to survive the Closing, (a) none of the terms of this Agreement shall survive the Closing, and (b) the delivery of the Assignment and any other documents and instruments by Seller and the acceptance thereof by Buyer shall effect a merger, and be deemed the full performance and discharge of every obligation on the part of Buyer and Seller to be performed hereunder.

15.4 Integration; Waiver. This Agreement, together with the Exhibits hereto, embodies and constitutes the entire understanding between the parties with respect to the Transaction and all prior agreements, understandings, representations and statements, oral or written, are merged into this Agreement. Neither this Agreement nor any provision hereof may be waived, modified, amended, discharged or terminated except by an instrument signed by the party against whom the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such instrument. No waiver by either party hereto of any failure or refusal by the other party to comply with its obligations hereunder shall be deemed a waiver of any other or subsequent failure or refusal to so comply.

15.5 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State in which the Property is located.

15.6 Captions Not Binding; Exhibits. The captions in this Agreement are inserted for reference only and in no way define, describe or limit the scope or intent of this Agreement or of any of the provisions hereof. All Exhibits attached hereto shall be incorporated by reference as if set out herein in full.

15.7 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

15.8 Severability. If any term or provision of this Agreement or the application thereof to any persons or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

15.9 Notices. Any notice, request, demand, consent, approval and other communications under this Agreement shall be in writing, and shall be deemed duly given or made at the time and on the date when received by facsimile (*provided* that the sender of such communication shall orally confirm receipt thereof by the appropriate parties and send a copy of such communication to the appropriate parties within one (1) Business Day of such facsimile) or when personally delivered as shown on a receipt therefor (which shall include delivery by a nationally recognized overnight delivery service), to the address for each party set forth below. Any party, by written notice to the other in the manner herein provided, may designate an address different from that set forth below.

If to Buyer:

Wells 1901 Market Business Trust
c/o Wells Capital, Inc.
6200 The Corners Parkway, Suite 250
Norcross, GA 30092
Attention: Jeff Gilder
Telephone No.: 770.243.8445
Telecopy No.: 770.243.8510

with a copy to:

Troutman Sanders, LLP
600 Peachtree Street NE, Suite 5200
Atlanta, GA 30308-2216
Attention: John W. Moore
Telephone No.: 404.885.3188
Telecopy No.: 404.962.6638

If to Seller:

PIC REALTY CORPORATION
Arbor Circle South, 8 Campus Drive
Parsippany, New Jersey 07054
Attention: Allen J. Green
Telephone No.: 973.734.1414
Telecopy No.: 973.734.1472

with a copy to:

PIC REALTY CORPORATION
PAMG-RE Law Department
c/o PAMG-RE Law Department
Arbor Circle South, 8 Campus Drive
Parsippany, New Jersey 07054
Attention: Law Department (Gregory J. Radke)
Telephone No.: 973.734.1420
Telecopy No.: 973.683.1788

with a copy to:

McCarter & English, LLP
Four Gateway Center
100 Mulberry Street
Newark, New Jersey 07102
Attention: Susan M. Mello
Telephone No.: 973.639.6959
Telecopy No.: 973.624.7070

If to Prudential:	The Prudential Insurance Company of America 213 Washington Street, 8th Floor Newark, NJ 07102 Attention: Alan Fu Telephone No.: 973.367.1941 Telecopy No.: 973.802.8180
with a copy to:	McCarter & English, LLP Four Gateway Center 100 Mulberry Street Newark, New Jersey 07102 Attention: Susan M. Mello Telephone No.: 973.639.6959 Telecopy No.: 973.624.7070

15.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be an original and all of which counterparts taken together shall constitute one and the same agreement.

15.11 No Recordation. Seller and Buyer each agrees that neither this Agreement nor any memorandum or notice hereof shall be recorded and Buyer agrees (a) not to file any notice of pendency or other instrument (other than a judgment) against the Property or any portion thereof in connection herewith and (b) to indemnify Seller against all Liabilities (including reasonable attorneys' fees, expenses and disbursements) incurred by Seller by reason of the filing by Buyer of such notice of pendency or other instrument. Notwithstanding the foregoing, if the same is permitted pursuant to applicable Laws, Buyer shall be entitled to record a notice of lis pendens if Buyer is entitled to seek (and is actually seeking) specific performance of this Agreement by Seller in accordance with the terms of Section 11.2 hereof.

15.12 Additional Agreements; Further Assurances. Subject to the terms and conditions herein provided, each of the parties hereto shall execute and deliver such documents as the other party shall reasonably request in order to consummate and make effective the Transaction; *provided, however*, that the execution and delivery of such documents by such party shall not result in any additional liability or cost to such party.

15.13 Construction. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendment hereof or Exhibit hereto.

15.14 Consent of Prudential. As holder of legal title to the LLC Interests, Prudential hereby consents to the transactions contemplated by this Agreement.

15.15 Maximum Aggregate Liability. Notwithstanding any provision to the contrary contained in this Agreement or any documents executed by Seller pursuant hereto or in connection herewith, but subject to this Section 15.15, the maximum aggregate liability of Seller and the Seller Parties, and the maximum aggregate amount which may be awarded to and collected by Buyer, in connection with the Transaction, the Property, under this Agreement and under any and all documents executed pursuant hereto or in connection herewith (including, without limitation, in connection with the breach of any of Seller's Property Warranties for which a claim is timely made by Buyer) shall not exceed Three Million and no/100 Dollars ($3,000,000.00). Notwithstanding the foregoing, the foregoing limitation on liability shall not apply with respect to a breach of any of Seller's Entity Warranties or with respect to matters for which Buyer is entitled to indemnification under Section 9.4.5. The provisions of this section shall survive the Closing (and not be merged therein) or any earlier termination of this Agreement.

15.16 Time of The Essence. Time is of the essence with respect to this Agreement.

15.17 Waiver of Jury Trial. EACH PARTY HEREBY WAIVES TRIAL BY JURY IN ANY PROCEEDINGS BROUGHT BY THE OTHER PARTY IN CONNECTION WITH ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE TRANSACTION, THIS AGREEMENT, THE PROPERTY OR THE RELATIONSHIP OF BUYER AND SELLER HEREUNDER. THE PROVISIONS OF THIS SECTION SHALL SURVIVE THE CLOSING (AND NOT BE MERGED THEREIN) OR ANY EARLIER TERMINATION OF THIS AGREEMENT.

15.18 Facsimile Signatures. Signatures to this Agreement transmitted by telecopy shall be valid and effective to bind the party so signing. Each party agrees to promptly deliver an execution original to this Agreement with its actual signature to the other party, but a failure to do so shall not affect the enforceability of this Agreement, it being expressly agreed that each party to this Agreement shall be bound by its own telecopied signature and shall accept the telecopied signature of the other party to this Agreement.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be duly executed on its behalf on the day and year first above written.

SELLER:

PIC REALTY CORPORATION,
a Delaware corporation

By: /s/ Peter L. Ruggiero

Name: Peter L. Ruggiero
Title: Vice President

PRUDENTIAL:

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation

By: /s/ Peter L. Ruggiero

Name: Peter L. Ruggiero
Title: Vice President

BUYER:

WELLS 1901 MARKET BUSINESS TRUST,
a Delaware business trust

By: /s/ Douglas P. Williams

Name: Douglas P. Williams
Title: Trustee

The Company

PRU 1901 MARKET LLC, a Delaware limited liability company

By: **The Prudential Insurance Company of America,** a New Jersey corporation

By: /s/ Peter L. Ruggiero

Name: Peter L. Ruggiero
Title: Vice President

The undersigned has executed this Agreement solely to confirm its agreement to (i) hold the Escrow Deposits in escrow in accordance with the provisions hereof and (ii) comply with the provisions of Article 13 and Section 15.2.

Deborah S. Goldman, Underwriting Counsel
First American Title Insurance Company
Two Penn Center Plaza, Suite 1910
Philadelphia, Pa. 19102
(215) 568-9524
dgoldman@firstam.com

ESCROW AGENT:

FIRST AMERICAN TITLE INSURANCE COMPANY

By: /s/ Deborah S. Goldman

Name: Deborah S. Goldman

Title:

Date: December 18, 2003

EXHIBIT 10.127

AMENDED AND RESTATED PROMISSORY NOTE FROM WELLS 1901 MARKET, LLC TO WELLS OPERATING PARTNERSHIP, L.P. RELATING TO 1901 MARKET STREET PHILADELPHIA BUILDING

AMENDED AND RESTATED
PROMISSORY NOTE

RECITALS

WHEREAS, on December 18, 2003, WELLS 1901 MARKET, LLC, a Delaware limited liability company ("Maker"), acquired all of the limited liability company interests in a Delaware limited liability company owning commercial real property located at 1901 Market Street, Philadelphia, Pennsylvania (the "LLC Interest"); and

WHEREAS, in connection with the acquisition of the LLC Interest, Maker borrowed One Hundred and Sixty Million Dollars ($160,000,000.00) from WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Holder"), and Maker issued a promissory note in favor of Holder (the "Original Note") reflecting the terms of Maker's indebtedness to Holder; and

WHEREAS, in order to match more accurately the cash-flow stream received from Maker's ownership of the LLC Interest with Maker's payment obligations under the Original Note, Maker and Holder are now desirous of amending the terms of the Original Note, and to modify certain other terms of the Original Note.

NOW, THEREFORE, the Original Note is hereby amended and restated in its entirety to read as follows:

$160,000,000.00

Atlanta, Georgia
December 18, 2003

FOR VALUE RECEIVED, WELLS 1901 MARKET LLC, a Delaware limited liability company ("Maker"), having its principal office at 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092, promises to pay to WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Holder"), having its principal office at 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092, or order, without offset, at its principal office in Norcross, Georgia, or at such other place as may be designated in writing by Holder, the principal sum of ONE HUNDRED AND SIXTY MILLION AND NO/100 DOLLARS ($160,000,000.00), in lawful money of the United States of America, together with interest thereon at the rate ("Interest Rate") of seven percent (7%) per annum, payable as follows:

(a) interest in the approximate amount of One Million Five Hundred Twenty-Four Thousand, Four Hundred Forty-Four and 39/100 Dollars ($1,524,444.39) shall be due and payable on February 5, 2004;

(b) thereafter, monthly payments ("Payments") of interest only in the amount of Nine Hundred Thirty-Three Thousand Three Hundred Thirty-Three and 33/100 Dollars ($933,333.33) shall be made, commencing on the fifth (5th) day of March, 2004, and payable on the fifth (5th) day of each and every month thereafter until and including December 5, 2013; and

(c) on December 18, 2013 (the "Maturity Date"), Maker shall pay to Holder a "balloon payment" consisting of the entire unpaid principal balance of this Note, together with all interest then accrued thereon pursuant to this Note and any other obligations ("Obligations") then unpaid pursuant to this Note or that certain Pledge of Membership Interest dated concurrently herewith entered into by Wells 1901 Market Business Trust, the sole member of Maker, and Holder (the "Loan Instruments").

Holder shall apply each Payment, when received, first to the Obligations, which are then due and payable, but only if so elected by Holder in its sole and absolute discretion, and then to the payment of accrued interest on the outstanding principal balance hereof. All other interest payments required hereunder shall be computed on the basis of a 360 day year comprised of twelve (12) 30 day months.

This Note is secured by a pledge of the sole membership interest in Maker (the "Collateral"), dated as of the date hereof, from Wells 1901 Market Business Trust, a Delaware statutory trust which is the sole member of Maker, to Holder. The terms and provisions of the Loan Instruments, other than this Note, are hereby fully incorporated into this Note by reference.

From and after the earlier to occur of an Event of Default (as hereinafter defined) or the Maturity Date, the aggregate amount of the Obligations shall automatically bear interest at an annual rate ("Increased Rate") equal to the Interest Rate plus ten percentage points (10%), unless compliance with applicable law requires a lesser interest rate, in which event the aggregate amount of the Obligations shall bear interest at the maximum rate permitted by law.

The failure to make any Payment within five business days of the due date thereof (which, together with any default under any of the Loan Instruments, shall each constitute for purposes of this Note, an "Event of Default") will result in loss and additional expense to Holder in servicing the Obligations, handling such delinquent payments and meeting its other financial obligations. Accordingly, upon the occurrence of any such failure, Maker shall pay, without regard to any grace or cure period, a late charge ("Late Charge") of ten percent (10%) of each such overdue Payment, unless such Late Charge is waived n writing by Holder. Maker agrees that (a) the exact amount of such loss and additional expense is extremely difficult, if not impossible to determine, (b) the Late Charge is a reasonable estimate of such loss and expense and therefore does not constitute a penalty, and (c) in addition to, and not in lieu of, the exercise of any other remedies to which Holder may be entitled, Holder may collect from Maker all Late Charges for the purpose of defraying such loss and expense, unless applicable law requires a lesser such charge, in which event Holder may collect from Maker a Late Charge at the maximum rate permitted by applicable law.

Maker may prepay the outstanding principal balance of this Note (in whole but not in part), together with accrued interest thereon to the date of prepayment and any other outstanding Obligations, provided that Maker gives Holder not less than 15 days prior written notice of

Maker's intention to make such prepayment, and provided further that, in addition to paying the entire outstanding principal balance of this Note, all accrued interest thereon and any other outstanding Obligations, Maker pays to Holder the Make-Whole Amount, as defined below, if applicable. Any prepayment notice given by Maker shall be deemed null and void if the prepayment covered by such notice is not made within 30 days of the date specified in Maker's prepayment notice as the designated date for prepayment.

The "Make-Whole Amount" with respect to any prepayment that occurs before December 18, 2004, shall be an amount equal to five percent (5%) of the principal balance of the Note at the time of such prepayment. The "Make Whole Amount" with respect to any prepayment that occurs from and after December 18, 2004 but prior to December 18, 2005 shall be an amount equal to four percent (4%) of the principal balance of the Note at the time of such prepayment. The "Make Whole Amount" with respect to any prepayment that occurs from and after December 18, 2005 but prior to December 18, 2006 shall be an amount equal to three percent (3%) of the principal balance of the Note at the time of such prepayment. The "Make-Whole Amount" with respect to any prepayment that occurs from and after December 18, 2006 but prior to December 18, 2007 shall be an amount equal to two percent (2%) of the principal balance of the Note at the time of such prepayment. The "Make Whole Amount" with respect to any prepayment that occurs from and after December 18, 2007 but prior to December 18, 2008, shall be an amount equal to one percent (1%) of the principal balance of the Note at the time of any prepayment. The "Make Whole Amount" with respect to any prepayment that occurs from and after December 18, 2008 shall be zero.

If the outstanding principal balance of this Note or any portion thereof shall become due and payable or shall be paid as a result of (a) an Event of Default (which Event of Default shall be conclusively deemed to be a willful default made for the purpose of avoiding payment of the Make-Whole Amount), or (b) the exercise by Maker or any other person of any right of redemption or the taking by Maker or any other person of any other action to prevent a foreclosure of the Collateral then Maker shall pay to Holder the Make-Whole Amount computed, as provided in the preceding paragraph, on the date of such Event of Default, exercise, or action, as applicable.

From and after the existence of an Event of Default, Holder, at its option, may declare all Obligations to be immediately due and payable, then or thereafter, as Holder may elect, regardless of the stated Maturity Date of this Note.

If Holder collects all or any part of the Obligations by an action, at law or in equity, or in any bankruptcy, receivership or other court proceeding (whether at the trial or appellate level), or if this Note is placed in the hands of attorney(s) for collection, Maker shall pay, in addition to the principal and interest due or deemed to be due, whether by acceleration or otherwise, and in addition to the Make-Whole Amount, if applicable, (a) all costs, including, without limitation, attorneys' fees in the amount of fifteen percent (15%) of the outstanding principal and interest due on the Note and expense, of collecting or attempting to collect all amounts due pursuant to this Note and all other Obligations of enforcing or attempting to enforce Holder's rights and remedies pursuant to the Loan Instruments and of protecting the Collateral, (b) all Late Charges due pursuant to this Note, and (c) interest, at the Increased Rate, computed on the amount of the Obligations.

The failure by Holder to exercise any right, power, privilege, remedy or option as to maturity, foreclosure or otherwise, provided in any Loan Instrument or otherwise available at law or in equity (each a “Remedy” and collectively, “Remedies”) before or after any Event of Default, in any one or more instances, or the acceptance by Holder of any partial payment or partial performance, shall not constitute a waiver of any default or any Remedy, each of which shall remain continuously in force, until waived in writing by Holder. Holder, at its option, may rescind, in writing, any acceleration of this Note, but the tender and acceptance of partial payment or partial performance alone shall not rescind or in any other way affect any acceleration of this Note or the exercise by Holder of any of its Remedies.

Maker and Holder intend to comply strictly with all usury laws now or hereafter in force in the State of Georgia, and all interest payable pursuant to this Note or any other Loan Instrument shall be reduced to the maximum amount which is not in excess of the maximum non-usurious rate of interest applicable to this Note or any other Loan Instrument (“Legal Rate”) allowed under the usury laws of the State of Georgia, as now or hereafter construed by the courts having jurisdiction over such matters. If the aggregate of all interest (whether designated as interest, Late Charges, Make-Whole Amount or otherwise) contracted for, chargeable or receivable pursuant to this Note or any other Loan Instrument, whether upon regular payment or acceleration or otherwise, exceeds the Legal Rate, it shall conclusively be deemed a mutual mistake. Such excess shall be canceled automatically, and, if theretofore paid, shall, at the option of Holder, either be rebated to Maker or credited in reduction of the outstanding principal balance of this Note, or, if this Note has been repaid, such excess shall be rebated to Maker. In the event of a conflict between the provision of this paragraph and the provisions of any other portion of this Note or any other Loan Instrument, the provisions of this paragraph shall control.

Maker waives all requirements for presentment, protest, notice of protest, notice of dishonor, notice of acceleration, demand for payment and diligence in collection of this Note or the Loan Instruments, and any and all other notices and matters of a like nature. Without notice to Maker and without discharging Maker’s liability hereunder, Maker consents to any extension of time (whether one or more) of payment of this Note, release of all or any part of the security for the payment of this Note or release of any Person liable for payment of this Note.

This Note may be changed only by an agreement, in writing, signed by Maker and Holder. Maker waives and renounces all homestead exemption rights as to the Obligations or any renewal or extension thereof. No failure or delay on the part of Holder in exercising any Remedy pursuant to this Note or any Loan Instrument, and no course of dealing between Maker and-Holder, shall operate as a waiver of any Remedy, nor shall any single or partial exercise of any Remedy preclude any other or further exercise thereof or the exercise of any other Remedy. All Remedies expressly provided for in the Loan Instruments are cumulative, and are not exclusive of any rights, powers, privileges or remedies which Holder would otherwise have at law or equity. No notice to or demand on Maker in any case shall entitle Maker to any other or further notice or demand in similar or other circumstances, nor shall any such notice or demand constitute a waiver of the right of Holder to take any other or further action in any circumstances without notice or demand.

If an Event of Default has occurred (and regardless of whether or not it has been cured), Holder may exercise any and all Remedies, and shall have full recourse against Maker which shall be personally liable for the payment of the Obligations in full.

If any payment required hereunder or under any other Loan Instrument becomes due on a Saturday, Sunday, or legal holiday, then such payment shall be due and payable on the immediately following business day.

“Maker” and “Holder” shall be deemed to include the respective legal representatives, successors and assigns of Maker and Holder.

Time is of the essence with respect to each and every provision hereof.

This Note shall be governed by, and construed and enforced in accordance with the laws of the State of Georgia, other than such laws with respect to conflicts of laws.

In the event of any inconsistencies between the terms of this Note and the terms of any other Loan Instruments, the terms of this Note shall prevail.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Maker has executed this Note under seal on the date first written above.

Signed, sealed and delivered in the presence of:

/s/ Martha Cory

Unofficial Witness

L. A. Wolek

Notary Public

My commission expires:

(NOTARY SEAL)

MAKER:

WELLS 1901 MARKET, LLC, a Delaware limited liability company

Wells 1901 Market Business Trust
A Delaware statutory trust
as its Sole Member

By: /s/ Douglas P. Williams

Douglas P. Williams, Trustee

This Amended and Restated Promissory Note is hereby acknowledged and agreed to, to be effective as of December 18, 2003, by:

HOLDER:

WELLS OPERATING PARTNERSHIP, L.P.
a Delaware limited partnership

By: Wells Real Estate Investment Trust, Inc.
a Maryland corporation
Its General Partner

By: /s/ Douglas P. Williams

Douglas P. Williams,
Executive Vice President

EXHIBIT 10.128

INDEPENDENCE BLUE CROSS AGREEMENT OF LEASE FOR 1901 MARKET STREET PHILADELPHIA BUILDING

AGREEMENT OF LEASE

between

PRU 1901 MARKET LLC, Landlord

and

INDEPENDENCE BLUE CROSS, Tenant

for

1901 MARKET STREET

Philadelphia, Pennsylvania

Dated as of November 18, 1998

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AGREEMENT OF LEASE

THIS IS AN AGREEMENT OF LEASE (hereinafter " Lease") made as of the 18th day of November, 1998, by and between Pru 1901 Market LLC, a Delaware limited liability company (herein called " Landlord") and INDEPENDENCE BLUE CROSS, a Pennsylvania not for profit corporation (herein called "Tenant").

BACKGROUND

A. Landlord desires to lease to Tenant the Premises identified in this Lease under the terms and conditions herein set forth.

B. Tenant desires to lease and accept from Landlord the Premises identified in this Lease under the terms and conditions herein set forth.

AGREEMENTS

IN CONSIDERATION of the Background, and the mutual covenants and agreements herein set forth, and other good, valuable and sufficient consideration received, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Definitions.

Additional Rent. The term "Additional Rent" or "additional rent" shall mean all sums payable under this Lease for any purpose, whether or not such sums are expressly designated as "Additional Rent" or "additional rent" or would otherwise be considered rent, other than Minimum Rent.

Affiliate. The term "Affiliate" of any Person shall mean any other Person directly or indirectly controlling, controlled by or under common control with, such Person. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlling," "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through ownership of voting securities, by contract or otherwise.

Appraisal Procedure. The term "Appraisal Procedure" shall mean the following described process. In the event Landlord and Tenant fail to agree on a determination of the Market Rental Rate under Section 3.3 of this Lease, or the Fair Market Value or the increase in Fair Market Value under Section 6.5 of this Lease (each of the foregoing being herein called the "Disputed Matter") within the time period provided for Landlord and Tenant to attempt to agree on the Disputed Matter, then within fifteen (15) days following the close of such period, Landlord and Tenant shall each designate an appraiser which is a member of the Appraisal Institute (or the then current equivalent organization of appraisers) with at least ten (10) years' experience in the appraisal of commercial office buildings in the Market Street West Corridor of Philadelphia, Pennsylvania, comparable in quality to the Building (herein an "MAI appraiser" or "appraiser"). If there are insufficient transactions in comparable buildings in the Market Street West Corridor of Philadelphia, Pennsylvania to determine the Disputed Matter, then the market survey area shall be expanded to be all of center city Philadelphia, Pennsylvania. Such designation of an appraiser shall be made by each party giving written notice of its choice to the other. In the event that both parties choose the same appraiser, then such appraiser shall unilaterally determine the Disputed Matter. If either party fails to timely designate an appraiser, the appraiser designated by the other party shall make the determination of the Disputed Matter. Within thirty (30) days following the selection of the appraiser or appraisers, each of Landlord and Tenant shall be entitled to deliver to the appraiser or appraisers such information as either of them deems relevant to the determination of the Disputed Matter. Within twenty-one (21) days following such thirty (30) day period, the appraiser or appraisers shall deliver to Landlord and Tenant a determination of the Disputed Matter, accompanied by such report or background information as the appraiser or appraisers deems appropriate; provided however, that if the two appraisers designated by Landlord and Tenant are unable to agree as to the Disputed Matter, then on or before the last day of such twenty-one (21) day period such appraisers shall deliver notice of their lack of unanimity to Landlord and Tenant, which notice shall also designate a third appraiser satisfactory to both of such appraisers (provided, that if such appraisers cannot agree on a third appraiser, they shall request the head of the local chapter of MAI appraisers to designate such third appraiser, and if the head of the local chapter fails to designate the third appraiser within thirty (30) days after request, either party may apply to a court of competent jurisdiction to designate such third appraiser). In such event, the two original appraisers plus the third appraiser so designated shall review all information previously delivered or deemed relevant by them with respect to the determination of the Disputed Matter and shall, within fourteen (14) days following the designation of the third appraiser deliver to Landlord and Tenant their determination of the Disputed Matter, accompanied by such report or background information as the panel of appraisers deems appropriate; provided, however, that in the event that the members of such panel cannot unanimously agree on the Disputed Matter, the Disputed Matter shall be the average of the respective determinations of the members of the panel, excluding from such computation, however, any determination which differs from the average of the two determinations which are the closest to each other by ten percent or more. Each party shall bear the cost and expense of the appraiser designated by it, and the cost and expense of the third appraiser, if any (or of the single appraiser if the parties select only one appraiser as described above), shall be shared equally by the parties.

Basic Term. The term “Basic Term” shall have the meaning ascribed thereto in Section 3.1 of this Lease.

Building. The term “Building” shall mean the building situate on the Land, and all other improvements, structures, installations, facilities or fixtures constructed or situate on the Land, including, without in any manner limiting the generality of the foregoing, all components thereof, such as any and all signs, elevators, ducts, motors, compressors, antennas, and the heating, ventilating, air conditioning, plumbing, sprinkling, drainage, gas and electrical systems now or hereafter attached thereto and forming a part thereof; provided, however, that the term “Building” shall not include Excluded Fixtures (as hereinafter defined).

Business Day. The term “Business Day” or “business day” shall mean Monday through Friday, except federal bank holidays. All references to a period of days in this Lease shall be deemed to refer to calendar days unless the term “Business Day” or “business day” is used.

Competitor. The term “Competitor” shall mean a Person that is a healthcare insurer, health maintenance organization or preferred provider organization, or an Affiliate of any such Person, if such Affiliate is primarily engaged (i.e. derives more than fifty percent (50%) of its revenues on a consolidated basis) in the business of healthcare insurance, health maintenance programs or preferred provider programs; provided, however, that for purposes of this Lease, neither The Prudential Insurance Company of America nor any of its Affiliates shall be a Competitor.

Default. The term “Default” shall mean any event or condition which, with the passage of time, the giving of notice or both would constitute an Event of Default.

Environmental Default. The term “Environmental Default” shall have the meaning ascribed thereto in Section 8.3.2 of this Lease.

Environmental Laws. The term “Environmental Laws” shall have the meaning ascribed thereto in Section 8.3.4(b) of this Lease.

ERISA. The term “ERISA” shall have the meaning ascribed thereto in Section 8.5 of this Lease.

Excluded Fixtures. The term “Excluded Fixtures” shall mean fixtures utilized or to be utilized by Tenant or any subtenant or licensee of Tenant in connection with such entity’s business operations within the Premises, notwithstanding that any such Excluded Fixtures, by virtue of their attachment to the Premises, may technically constitute part of the Land or the Building under generally applicable laws. Without limiting the generality of the foregoing, Landlord and Tenant agree that Excluded Fixtures include (a) all items listed on **Exhibit C** attached to this Lease, as such items may be modified, supplemented or replaced with items having a like or similar function during the Term, (b) all audio-visual and projection equipment, security systems and equipment, data systems and components thereof, Liebert units and demountable walls and partitions (and the doors and jambs forming a part thereof) from time to time contained within the Premises, as well as all of Tenant’s signage on the exterior of the Building, and (c) any elements or components of any Permitted Alterations or Major Improvements (as such terms are defined in Section 6 below) installed by Tenant during the Term which are both (i) substantially of the same type or function as those items described above and (ii) designated by Tenant to constitute Excluded Fixtures in a written notice to Landlord at or about the time of Tenant’s installation thereof. Notwithstanding the foregoing, the term “Excluded Fixtures” shall not include computer and communications risers within the Building.

Fair Market Value. The term “Fair Market Value” for purposes of Section 6.5 of this Lease shall mean the fair market value of the Premises that would be obtained in an arm’s length transaction between an informed and willing buyer (other than a lessee currently in possession) and an informed and willing seller, under no compulsion, respectively, to buy or sell, and neither of which is related to Landlord or Tenant, for the purchase of the Premises taking into account Tenant’s rights (including renewal rights) and obligations under the Lease. Fair Market Value shall be calculated as the value for the use of the Premises to be purchased in place.

Hazardous Substances. The term “Hazardous Substances” shall have the meaning ascribed thereto in Section 8.3.4(a) of this Lease.

Improvements. The term “Improvements” shall have the meaning ascribed thereto in Section 6.3.1 of this Lease.

Investment Grade. The term “Investment Grade” shall mean a rating of Baa2 from Moody and a rating of BBB from Standard & Poor’s without taking into account any credit or liquidity support.

Land. The term “Land” shall mean the parcel or parcels of land on portions of which the Building is situate, including all adjacent roadways, rights-of-way and alleys to the extent Landlord has an interest therein, all oil, gas and other mineral rights and all easements and other rights appurtenant to such real property, being commonly known as 1901 Market Street, Philadelphia, Pennsylvania, and being legally described on **Exhibit A** attached hereto and made a part hereof.

Landlord. The term “Landlord” shall mean that entity named on page 1 of this Lease and any subsequent owner of such Landlord’s interest in the Premises, as well as their respective heirs, personal representatives, successors and assigns, all subject to the provisions of Section 9.6 and Section 23 hereof.

Landlord Parties. The term “Landlord Parties” shall have the meaning ascribed thereto in Section 5.1 of this Lease.

Lease Commencement Date. The term “Lease Commencement Date” shall have the meaning ascribed thereto in Section 3.1 of this Lease.

Lease Interest Rate. The term “Lease Interest Rate” shall mean the lesser of (A) the greater of (i) the Prime Rate in effect from time to time plus two and one-half percent (2.5%), or (ii) the default rate charged to Landlord by Landlord’s mortgagees, solely if and to the extent that Landlord has become obligated to pay such default rate during the period in question by reason of Tenant’s nonpayment of any sum owing under this Lease, or (B) the maximum amount or rate that Landlord may lawfully charge Tenant in the circumstances if such a maximum exits.

Major Improvements. The term “Major Improvements” shall have the meaning ascribed thereto in Section 6.2 of this Lease.

Market Rental Rate. The term “Market Rental Rate” shall have the meaning ascribed thereto in Section 3.3 of this Lease.

Minimum Rent. The term “Minimum Rent” shall have the meaning ascribed thereto in Section 4. 1 of this Lease.

NAIC Capital Adequacy Ratio. The term “NAIC Capital Adequacy Ratio” shall mean the comparison of Total Adjusted Capital to Risk Based Capital as determined in accordance with the methodology established by the National Association of Insurance Commissioners (NAIC).

Permitted Alterations. The term “Permitted Alterations” shall have the meaning ascribed thereto in Section 6.1 of this Lease.

Person. The term “Person” shall mean an individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, nonincorporated organization or government or agency or political subdivision thereof.

Permitted Use. The term “Permitted Use” shall mean, with respect to the Office Space, use for any lawful office purposes consistent with use as a first class commercial office building (including, without limitation, use for service areas attendant to such uses, such as, without limitation, mail rooms, computer rooms, photocopy centers and cafeterias), and shall mean, with respect to the Garage Space, any lawful use as a parking garage, and for no other purposes.

Premises. The term “Premises” shall mean the Land, the Building, all other improvements located upon the Land and all items of personal property conveyed to Landlord on the Lease Commencement Date, as such items of personal property may be modified, supplemented or replaced with items having a like or similar function during the Term by Tenant; provided, however, that for purposes of Sections 2.2 (Use), 4.5 (Use and Occupancy Tax and Miscellaneous Taxes), 4.8 (Net Rent), 5 (Taxes; Utilities), 6.3 (Manner of Construction), 6.6 (Utilities), 7 (Care of Premises), 8 (Other Covenants of Tenant), 12 (Indemnity) and 13 (Insurance) of this Lease, the term ‘Premises” shall also include Excluded Fixtures.

Prime Rate. The term “Prime Rate” shall mean the reference rate of interest as announced by Citibank, New York or its successor; if such reference rate is discontinued or no longer quoted, then such comparable rate as Landlord reasonably designates by notice to Tenant.

Renewal Term. The term “Renewal Term” shall have the meaning ascribed thereto in Section 3.2 of this Lease.

Service. The term “Service” shall have the meaning ascribed thereto in Section 5.6 of this Lease.

Taxes. The term “Taxes” shall have the meaning ascribed thereto in Section 5.1 of this Lease.

Term. The term “Term” shall have the meaning ascribed thereto in Sections 3.1 and 3.2 of this Lease.

Termination Date. The term “Termination Date” shall have the meaning ascribed thereto in Section 3.1 of this Lease.

Unallocated Reserves. The term “Unallocated Reserves” shall mean the excess of assets over liabilities of the Tenant, determined in accordance with Generally Accepted Accounting Principles.

2. Premises; Use.

2.1 Premises. Landlord, for the Term (as hereinafter defined) and subject to the provisions and conditions hereof, leases to Tenant, and Tenant hereby leases and rents from Landlord, the Premises.

2.2 Use. Tenant shall not use or occupy, or permit or suffer to be used or occupied, the Premises or any part thereof, other than for the Permitted Use.

2.3 Tenant's Acceptance. Concurrently with the execution of this Lease, Tenant has conveyed fee title to the Premises to Landlord. Tenant is fully knowledgeable of the state of title and physical condition of the Premises because of its prior ownership and continuing occupancy. In addition, Landlord has made the Premises available for Tenant's inspection and testing, and Tenant has heretofore inspected and tested same to the extent and as often as Tenant deemed necessary. Tenant hereby leases the Premises, and accepts them, "as is," in their present title and condition with all faults, as a result of Tenant's prior knowledge and whatever inspecting and testing Tenant deemed necessary, and not as a result of or in reliance upon any representation or warranty of any nature whatsoever by Landlord, or any employee or agent of Landlord. Landlord HAS NOT MADE AND SHALL NOT BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AND SHALL NOT BE DEEMED TO HAVE ANY LIABILITY WHATSOEVER AS TO THE VALUE, HABITABILITY, CONDITION, DESIGN, OPERATION OR FITNESS FOR USE OF THE PREMISES (OR ANY PART THEREOF), OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PREMISES (OR ANY PART THEREOF) AND LANDLORD SHALL NOT BE LIABLE FOR ANY LATENT, HIDDEN OR PATENT DEFECT THEREIN OR THE FAILURE OF THE PREMISES, OR ANY PART THEREOF, TO COMPLY WITH ANY APPLICABLE LAWS AND REGULATIONS. The provisions of this Section 2.3 have been negotiated and, except to the extent otherwise expressly stated, the foregoing provisions are intended to be a complete exclusion and negation of any representations or warranties by Landlord, express or implied, with respect to the Premises, that may arise pursuant to any law now or hereafter in effect, or otherwise.

3. Term.

3.1 Basic Term. The basic term of this Lease (the "Basic Term" shall commence on the date hereof (the "Lease Commencement Date" and shall continue until November 1, 2023 (the "Termination Date"), unless renewed or sooner terminated in accordance with the terms and conditions herein set forth.

3.2 Renewal Options. Provided no Event of Default exists hereunder at the time of notice and renewal, Tenant shall have the right to extend the Basic Term of this Lease for four (4) successive five (5) year renewal terms (each a "Renewal Term"), which right shall be exercisable in each instance by Tenant giving written notice thereof to Landlord at least two (2) years and five (5) months prior to the expiration of the then current Term. Each Renewal Term shall be on the same terms and provisions set forth in this Lease, except that Minimum Rent (defined in Section 4.1) shall be the Market Rental Rate established in accordance with Section

3.3 below. The word "Term" as used in this Lease shall include the Basic Term and each Renewal Term which becomes effective under this Section 3.2. At Tenant's option, at or about the commencement of each Renewal Term, Landlord and Tenant shall execute and record in the Philadelphia Department of Records at Tenant's expense a memorandum in statutory form confirming the Term of this Lease.

3.3 Market Rental Rate. If Tenant properly elects to extend the Term of this Lease for a Renewal Term in accordance with Section 3.2 above, Minimum Rent for such Renewal Term shall be the then current Market Rental Rate, determined as follows: For purposes hereof " Market Rental Rate" shall be the appraised fair market rental value of the Premises as constituted as of the commencement of such Renewal Term, assuming the Premises are then in the condition required by this Lease, taking into account the location and condition of the Building as compared to comparable high rise office buildings in the Market Street West Corridor of Philadelphia, Pennsylvania for a five (5) year term entered into at or about the commencement of the Renewal Term by a landlord not compelled to lease (and who has had a reasonable time to locate an acceptable tenant) and a tenant not compelled to rent, and appropriately adjusted (i) to reflect the fact that Landlord is not incurring the cost of any brokers' commissions, loss of rental income due to vacancy of the Premises or construction allowances, "free rent" or other tenant inducements in connection with the renewal, (ii) to reflect the fact that Tenant is continuing to lease and possess the entire Building, and (iii) to take into account the "triple net" nature of this Lease; provided that in all cases Minimum Rent for any Renewal Term shall be greater than zero. During the first thirty (30) days following Tenant's notice to Landlord electing to extend the Term for a given period, Landlord and Tenant shall confer reasonably and in good faith to attempt to agree upon the Market Rental Rate for the Renewal Term in question, and in the absence of such agreement, Market Rental Rate shall be established by the Appraisal Procedure. Notwithstanding anything to the contrary elsewhere in this Section 3, within fourteen (14) days after receipt of notice of the Market Rental Rate established by the Appraisal Procedure pursuant to the terms of this Section 3.3, Tenant may elect, by delivering written notice to Landlord, to rescind Tenant's option to extend the Term for the Renewal Term in question, in which event Tenant's exercise of its renewal option pursuant to Section 3.2 shall be null and void and the Term shall end absolutely and without right of further renewal as of the last day of the then current Term. If Tenant fails to rescind Tenant's option to extend within such fourteen (14) day period, Tenant shall be deemed to have accepted the determination of Market Rental Rate.

4. Rent.

4.1 Minimum Rent. Annual minimum rent for the Premises ("Minimum Rent") for the Basic Term shall be as set forth on the rent schedule attached hereto as **Exhibit B** and made a part of this Lease. All Minimum Rent shall be payable in monthly installments in arrears in the amounts and on the dates scheduled in **Exhibit B** without demand, deduction or set-off, in the manner described in Section 4.9 hereof or, if requested by Landlord in a written notice to Tenant delivered in accordance with Section 18 of this Lease, at Landlord's notice address set forth in Section 18 below, or at such other address as Landlord may designate for the payment of Rent by written notice to Tenant delivered in accordance with said Section 18.

4.2 Partial Month. Minimum Rent from the Lease Commencement Date until the first day of December, 1998 shall be prorated (on the basis of a thirty (30) day month) and shall be payable in arrears on December 1, 1998.

4.3 Rent Acceptance. If Landlord, at any time or times, shall accept Minimum Rent or any other sum due to it hereunder after the same shall become due and payable, such acceptance shall not excuse delay upon subsequent occasions, or constitute, or be construed as, a waiver of any of Landlord's rights hereunder.

4.4 Partial Payment. No payment by Tenant or receipt by Landlord of a lesser amount than the correct Minimum Rent or Additional Rent due hereunder shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed to effect or evidence an accord and satisfaction and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any other remedy in this Lease or at law provided.

4.5 Use and Occupancy Tax and Miscellaneous Taxes. Tenant shall pay as Additional Rent, prior to delinquency, all taxes assessed against or levied upon the Premises, Tenant's use, occupancy or leasing of the Premises or upon the fixtures, furnishings, equipment and all personal property of Tenant located in the Premises. In addition, Tenant shall pay as Additional Rent all Philadelphia School District Business Use and Occupancy Tax applicable to Tenant and the Premises (if any) within the time required by the City of Philadelphia and the gross receipts portion of the Business Privilege Tax imposed by the City of Philadelphia or any other gross receipts tax imposed by any governmental agency on Landlord.

4.6 Additional Rent. Tenant shall pay to Landlord, or to whomever shall be entitled thereto, any and all Additional Rent when due. All sums payable by Tenant under this Lease, whether or not stated to be rent, Minimum Rent or Additional Rent or otherwise denominated (hereinafter collectively referred to as "Rent"), shall be collectible by Landlord as Rent and in the event of a default in payment thereof Landlord shall have the same rights and remedies as for a failure to pay Minimum Rent (without prejudice to any other right or remedy available therefor).

4.7 Interest on Late Payments; Late Charge. If any payment of Rent (including. without limitation, all Minimum Rent and all Additional Rent) or any part thereof to be made by Tenant to Landlord pursuant to the terms of this Lease shall become overdue, Tenant shall pay Landlord interest on the unpaid portion thereof from the date such payment or part thereof was due until payment thereof to Landlord, at the Lease interest Rate. Nothing herein or in the imposition or acceptance of such interest by Landlord shall be construed as a waiver of any rights of Landlord arising out of any Default of Tenant; the right to collect interest is separate and apart from any rights or remedies of Landlord relating to any Default by Tenant. In addition to the foregoing and not in lieu thereof, if Minimum Rent is not paid within three (3) business days after Tenants receipt of Landlord's notice to Tenant that it is due and unpaid, then Tenant shall also pay a late charge equal to the greater of (i) 2% of such late Minimum Rent or (ii) any late charge actually imposed on Landlord by Landlord's mortgagee by reason of Tenant's late payment. Any late charge paid by Tenant hereunder shall be credited against interest owing under the first sentence of this Section 4.7.

4.8 Net Rent. It is intended that the provisions of this Lease shall require Tenant to pay all costs and expenses attributable to the Premises during the Term, including without limitation, all real estate taxes, special and general assessments, insurance premiums, utilities and maintenance and repair costs and expenses. It is intended that (a) Landlord shall incur no cost or expense with respect to the Premises during the Term, and (b) the Minimum Rent shall be an absolute net return to Landlord and Landlord's mortgagees throughout the Term of this Lease, without abatement, offset or deduction and free of all expenses, charges, diminution and other deductions whatsoever.

4.9 Manner of Payment. Tenant shall pay Rent due Landlord under this Lease by electronic funds transfer from Tenant's depository. Tenant shall direct the depository to transmit such payments on or before their respective due dates to an account designated by Landlord in writing. All costs of the electronic funds transfers shall be paid by Tenant.

5. Taxes; Utilities.

5.1 Taxes Payable by Tenant. Subject to Section 4.5 and Section 5.5 hereof, Tenant shall pay when due and indemnify, defend (with counsel reasonably satisfactory to Landlord) and hold harmless Landlord, Landlord's mortgagees and their respective agents, employees, officers, directors, Affiliates, shareholders, members and partners (the " Landlord Parties" from and against all taxes, general and special assessments, excises, levies, license and permit fees and other governmental charges, general or special, ordinary or extraordinary, unforeseen or foreseen, of any kind and nature whatsoever (including without limitation all penalties and interest thereon) which at any time during the Term may be assessed, levied, imposed upon, or grow or become due and payable out of or in respect of, the Premises or any part thereof, or which Landlord is required to pay as a substitute for one or more of the taxes required by this Lease to be paid by Tenant (all of the foregoing are sometimes herein collectively called " Taxes"). Landlord agrees to execute such documentation as Tenant may reasonably request in order to cause taxing authorities to issue tax bills directly to Tenant.

5.2 Installment Payment. If, by law, any Tax, at the option of the taxpayer, may be paid in installments, Tenant may exercise the option to pay the same in installments and, in such event, Tenant shall pay such installments arid all interest which shall accrue on the unpaid balance of such Tax as it becomes due. In addition, all installments of any such Tax and all interest thereon which are payable after the end of the Term shall be deposited, prior to the end of the Term, by Tenant with Landlord for such payment; provided, that to the extent that the Tax being so paid in installments applies to any period after the end of the Term, the amount so deposited with Landlord shall be prorated to exclude payment of any portion of such Tax applicable to the period following the end of the Term.

5.3 Proration. Any Tax assessed on the basis of a fiscal or tax period of the relevant taxing authority, a part of which period is included within the Term and a part of which falls after the Term, shall be prorated between Landlord and Tenant so that Tenant shall pay such portion of said Tax as applies to the Term, and Landlord shall pay such portion of said tax as applies to the period after the expiration of the Term.

5.4 Contests. So long as (x) no Event of Default shall have occurred and be continuing and (y) such contest does not create any material risk of the sale, loss or forfeiture of the Premises or any other material adverse effect upon Landlord, Tenant shall have the right to contest, at Tenant's expense, the amount or validity, in whole or in part, of any Tax, by appropriate proceedings diligently conducted by Tenant in good faith, without prior payment of such Tax, unless failure to pay would operate as a bar to such contest or interfere materially with the prosecution thereof, in either of which latter events Tenant shall pay the Tax prior to contesting same. Upon the termination of such proceedings, Tenant shall pay such amount of any such Tax or part thereof as is finally determined in such proceedings, the payment of which, pursuant to the foregoing provisions of this Section, shall have been deferred during the prosecution of such proceedings, together with all costs, fees, interest, penalties and other liabilities in connection therewith. If the Term of this Lease shall be terminated or expire during the course of such proceedings, and if Tenant, pursuant to the foregoing provisions, shall have deferred payment of the contested Tax, then Tenant may elect, prior to such termination or expiration of the Term, in its sole discretion either (i) to deposit into escrow with a bank or financial institution reasonably acceptable to Landlord the full amount of the contested Tax and all interest and penalties attributable to such deferred payment, and proceed to the conclusion of the contest, or (ii) to duly terminate such proceedings and pay to the appropriate taxing authorities the full amount of such Tax and all interest and penalties attributable to such deferred payment. Upon request by Tenant and at Tenant's sole cost and expense, Landlord, subject to the reasonable approval of Landlord's counsel, shall execute and deliver any and all documents and take any and all such other action as may be necessary to permit Tenant to bring such proceedings in Tenant's name or by Tenant on behalf of Landlord and otherwise shall facilitate the conduct of such proceedings by Tenant. Any refunds of Taxes paid by Tenant resulting from such contest by Tenant and attributable to any period occurring prior to or during the Term shall be payable to Tenant, even if received after the end of the Term.

5.5 Taxes Not Payable by Tenant. Nothing herein contained shall be construed to require Tenant to pay (a) any federal, state or local net income tax (including the net income portion of the Business Privilege Tax imposed by the City of Philadelphia) assessed on or in respect of the general income of Landlord or the Landlord Parties or (b) any federal, state or local corporation or other franchise, license, mercantile, business privilege or similar tax (except the gross receipts portion thereof) assessed against or payable by Landlord or the Landlord Parties.

5.6 Evidence of Payment; Compliance. Tenant shall furnish to Landlord and Landlord's mortgagee of which Landlord has given Tenant notice for inspection within ten days after the date when any Tax would become delinquent, a photocopy of the official receipt of the appropriate taxing authority, or, in lieu thereof, other proof reasonably satisfactory to Landlord evidencing payment of such Tax. Tenant shall be responsible for compliance with all Taxes for which it is responsible hereunder. If any such Taxes are required to be filed in the name of Landlord or Landlord mortgagee, then Tenant shall prepare such return and deliver it to Landlord and to a single entity designated by Landlord to service such matters (the "Service") and Landlord's mortgagee, for review and signature at least 30 days before the due date thereof. If Tenant shall timely deliver any such return to Landlord but Landlord shall fail to deliver the duly executed return to Tenant at least one (1) Business Day prior to the due date of such return, then Landlord shall pay to Tenant within thirty (30) days after billing any interest or penalty assessed as a result of the late filing of such return and attributable to the period commencing on the date on which the return was required to be filed and ending on the date which is one (1) business day after Tenant receives such return, properly executed, from the Service.

5.7 Forwarding of Bills. Landlord shall, promptly upon receipt of a bill for any Tax, or notice of assessment or reassessment, or notice of increase, or other change therein, forward the same to Tenant. Tenant may make arrangements with the taxing authorities for the transmission of bills and notices simultaneously to Landlord and Tenant.

5.8 Utility Charges. Tenant shall pay as Additional Rent hereunder to the person entitled thereto, before any interest or penalty shall accrue thereon, all water and sewer rentals and charges and all charges for gas, electricity, telephone and communication services and other utility services used, rendered or consumed upon the Premises during the Term. Promptly after payment thereof, Tenant shall provide Landlord with receipted copies of all water and sewer bills.

6. Improvements.

6.1 Permitted Alterations. Tenant may, at its expense and without Landlord's consent make alterations, additions or improvements to the Premises, or install or add Excluded Fixtures to the Premises which do not (a) decrease the value, utility, useful life or residual value of the Premises (the value and residual value of the Premises for purposes hereof shall be determined as unencumbered by this Lease) and (b) cost more than $4,500,000.00 to complete either as a single project or as a series of related projects ("Permitted Alterations"); provided, however, that as to each Permitted Alteration costing more than $500,000.00 to complete, Tenant shall give Landlord notice thereof and, upon Landlord's request, shall submit to Landlord such plans, specifications and other materials as Landlord may reasonably request detailing the nature and scope of the Permitted Alteration; and provided further, however, that Tenant may install furniture and office equipment in the Premises, regardless of the cost thereof, without notice to or approval by Landlord, unless such furniture and office equipment materially and adversely affect the heating, ventilating, air-conditioning, plumbing, electrical or communication systems in the Building or the structural components of the Building.

6.2 Major Improvements. Tenant shall not construct any alterations, additions or improvements to the Premises which are not Permitted Alterations (collectively, "Major Improvements") unless and until, in each instance, Tenant shall have submitted to Landlord such plans, specifications and other materials as have been submitted for permitting or as Landlord may reasonably request, and Landlord shall have approved the same, which approval Landlord agrees not to unreasonably withhold, condition or delay so long as such Major Improvement does not decrease the value, utility, remaining useful life or residual value of the Premises (the value and residual value of the Premises for purposes hereof shall be determined as unencumbered by this Lease). Without limiting the generality of the foregoing, whenever Tenant shall submit plans and/or specifications respecting a Major Improvement to Landlord for review and approval, Landlord shall give Tenant written notice either approving same or disapproving same and stating in reasonable detail the reasons for any disapproval within thirty (30) days after Landlord's receipt thereof. If Landlord notifies Tenant within ten (10) Business Days after receipt of all plans and specifications of its need for additional time to complete such review and approval, then the period for such review and approval shall be extended to sixty (60) days. Tenant agrees to pay to Landlord as Additional Rent hereunder all of Landlord's reasonable out-of-pocket costs and expenses in connection with its approval right over any Major Improvement including, but not limited to, Landlord's review of plans, specifications or other materials provided to Landlord by Tenant.

6.3 Manner of Construction.

6.3.1 All Permitted Alterations and Major Improvements (collectively, " Improvements") hereafter constructed upon the Premises shall be constructed by Tenant, without expense to Landlord, in a good and workmanlike manner, employing new materials, and in compliance with Landlord-approved plans and specifications therefor (if approval is required) and all applicable permits, laws, ordinances and regulations and orders, rules and regulations of all governmental authorities having jurisdiction over the Premises and the Board of Fire Insurance Underwriters or any other body exercising similar functions, and in compliance with the terms and conditions of this Lease.

6.3.2 Prior to the commencement of construction of any Permitted Alterations or Major Improvement, Tenant shall duly file a waiver of mechanics' liens covering all contractors, subcontractors, materialmen and other persons who might be entitled to file a mechanics' lien.

6.3.3 If such Improvement is a Major Improvement and Tenant's credit rating is less than Investment Grade at the lime such Improvement is proposed, then prior to commencement of work for such Major Improvement Tenant shall deliver to Landlord such security as Landlord may reasonably request to assure completion of such Major Improvement and payment of all costs and expenses in connection therewith.

6.4 Title to Improvements.

6.4.1 Except to the extent otherwise expressly provided herein, upon the completion of construction of each Permitted Alteration or Major Improvement, such Permitted Alteration or Major Improvement shall automatically be deemed included within the Premises for purposes of this Lease. Title to nonseverable Improvements, Improvements required by law or the insurance required to be maintained hereunder, improvements financed by Landlord or Improvements replacing existing Improvements shall vest with Landlord when made and title to any other improvements shall remain in Tenant during the Term of this Lease. Notwithstanding the foregoing, title to all portions of Permitted Alterations or Major Improvements which constitute Excluded Fixtures shall remain in Tenant during the Term of this Lease.

6.4.2 Notwithstanding the foregoing, upon any termination of this Lease or termination of Tenant's right of possession of the Premises, possession of and title to the Improvements not previously vested in Landlord, in the condition in which Tenant is obliged to maintain the Improvements pursuant to the provisions of this Lease and title to any Excluded Fixtures which Landlord has not requested be removed from the Premises and which Tenant has elected not to so remove, shall automatically pass to, vest in and belong to Landlord without further action on the part of either party, without cost or charge to Landlord.

6.5 End of Base Term Major Improvements.

6.5.1 In the event that during the last five (5) years of the Base Term, Tenant desires to make Major Improvements to the Premises, either voluntarily or in order to comply with Tenant's obligations under Sections 7.2, 7.3, 8.1, 8.3 and 17.1 of this Lease, Tenant may, concurrently with Tenant's request for Landlord's approval of such Major Improvements under Section 6.2 of this Lease, request that Landlord reimburse Tenant for the cost of such Major Improvements, which request for reimbursement shall be supported by such reasonable documentary evidence as Landlord may request supporting the fact that such Major Improvements (a) upon completion, will increase the Fair Market Value of the Premises over the Fair Market Value of the Premises without such Major Improvements, (b) upon the scheduled termination date of the Base Term, will continue to increase the Fair Market Value of the Premises over the Fair Market Value of the Premises without such Major Improvements and (c) do not decrease the utility or useful life of the Premises. At the time of such request for approval and reimbursement, Tenant shall also provide Landlord reasonable evidence that Tenant's credit rating is Investment Grade or better.

6.5.2 Notwithstanding anything to the contrary contained in Section 6.2 hereof, Landlord shall have the right to withhold its approval of Major Improvements described in Section 6.5.1 in its sole and absolute discretion; provided, however that if Landlord withholds its approval of such Major Improvements, Landlord shall be deemed to have waived any right to claim that Tenant has failed to comply with the terms of this Lease by reason of not making such Major Improvements; provided, however, that if such Major Improvements are required in order for Tenant to comply with Section 7.3 hereof, or to prevent the Premises from being manifestly unsafe, Landlord shall not unreasonably condition, delay or withhold its approval and Tenant shall make such Major Improvements at its sole cost and expense even if Landlord does not agree to reimburse Tenant therefor.

6.5.3 In the event Landlord approves Major Improvements and Tenant's request for reimbursement under Section 6.5.1, such Major Improvements shall be completed in accordance with Section 6.3 hereof. If Landlord has approved Tenant's request for reimbursement, upon completion of such Major Improvements, Landlord shall promptly reimburse Tenant an amount (the "Reimbursement") equal to the lesser of (a) the cost of such Major Improvements, which cost shall be evidenced by documentation reasonably satisfactory to Landlord, and (b) the increase in the Fair Market Value of the Premises (as described in Section 6.5.1(a) hereof) as agreed by Landlord and Tenant within thirty (30) days after completion of such Major Improvements or, in the absence of such agreement, as determined by the Appraisal Procedure.

6.5.4 On the date on which Landlord makes the Reimbursement to Tenant, Minimum Rent for the remainder of the Base Term shall be increased by an amount equal to (a) Landlord's Recovery (as hereinafter defined) plus (b) Landlord's Return (as hereinafter defined) on the portion of the Reimbursement which is not repaid to Landlord through Landlord's Recovery. "Landlord's Recovery" for the remainder of the Base Term after the Reimbursement shall be calculated as follows:

$$re = \frac{a - rv}{rlp}$$

where:

re	=	Landlord's Recovery
a	=	amount of the Reimbursement
rv	=	estimated remaining increase in the Fair Market Value of the Premises on the date of expiration of the Base Term as a result of such Major Improvement, as agreed by Landlord and Tenant or as determined by the Appraisal Procedure, if Landlord and Tenant are unable to agree; and
rlp	=	the number of scheduled Minimum Rent payments remaining in the Base Term from and after the Reimbursement.

"Landlord's Return" on the portion of the Reimbursement not repaid to Landlord through Landlord's Recovery shall mean a reasonable rate of return on investment typical of similar financing transactions. Landlord shall be deemed to have recovered portions of the Reimbursement as it receives Minimum Rent payments from and after the Reimbursement.

6.5.5 The increase in the Fair Market Value of the Premises as a result of Major Improvements under this Section 6.5 shall be taken into consideration in determining the Market Rental Rate during any Renewal Term.

6.5.6 The obligation of Landlord to reimburse Tenant for Major Improvements under Section 6.5.3 of this Lease shall be enforceable by Tenant only by an action for damages, and the failure of Landlord to pay the Reimbursement shall not affect the nature of this Lease as described in Section 4.8 or Section 24, or the obligations of Tenant under this Lease, including, without limitation, the obligation of Tenant to pay Rent.

6.6 Utilities. Tenant may contract directly with all providers of utilities for the provision of utilities services to the Premises, the bills for all of which utilities shall be sent directly to Tenant by each respective provider and paid by Tenant directly to the provider in a timely fashion. Landlord hereby grants to Tenant with respect to utilities serving the Premises, the exclusive tight, privilege and easement, at Tenant's sole cost and expense, to install, maintain, repair and replace utility lines, pipes and conduits on and under the Premises which do not reduce the capacity thereof and which do not decrease the value, utility, useful life or residual value of the Premises. Landlord agrees not to unreasonably withhold, condition or delay its grant to public or private utilities or public service corporations, for the purpose of serving the Premises, rights of way or easements upon the Premises for lines or conduits for telephone, electricity, water, sanitary or storm sewers, and for other utilities and municipal or special district services, provided that same do not encumber the Premises in any unreasonable respect or materially interfere with or adversely affect in any manner the operation of the Premises or the reasonable use thereof and which do not reduce the capacity thereof and which do not decrease the value, utility, useful life or residual value of the Premises.

7. Care of Premises. Tenant agrees that it shall comply with the following requirements:

7.1 Access to Landlord.

7.1.1 Landlord and its authorized representatives may, at Landlord's sole cost and expense, upon reasonable advance notice under the circumstances, but not more frequently than once every twelve (12) months, except (a) in the case of an emergency, (b) in the event Landlord has a reasonable basis to believe that Tenant is in default of its obligation under this Lease or (c) in connection with a potential sale or financing of the Premises, inspect, perform a risk assessment or audit (which may require multiple site visits) of the Premises other than any areas where proprietary or confidential information of Tenant is retained in the ordinary course of business; provided that if Landlord has a good faith reason to inspect such an area of the Premises, Tenant will use reasonable efforts to remove any such proprietary or confidential information from such area during such inspection. Landlord and its authorized representatives may also inspect, at Landlord's expense, the books and records of Tenant relating directly and primarily to the Premises, and to make copies and abstracts therefrom, but only after material related to matters other than the Premises shall have been redacted therefrom. Tenant shall furnish to Landlord statements accurate in all material respects regarding the condition and state of repair of the Premises, all at such times and as often as may be reasonably requested. No inspection shall unreasonably interfere with Tenants operations or the operations of any other occupant of the Premises. Landlord shall have no duty to make any such inspection or inquiry and Landlord shall not incur any liability or obligation by reason of making any such inspection or inquiry unless and to the extent Landlord or its authorized representative cause damage to the Premises or any property of Tenant or any other person during the course of such inspection if such damage is not covered by the insurance required to be maintained by Tenant under Section 12.2 of this Lease. Tenant shall promptly provide Landlord with copies of any communications received by Tenant from any governmental authority relating to violation of laws applicable to the Premises; and

7.1.2 In addition to Landlord's rights to inspect the Premises under Section 7.1.1 hereof, Tenant shall give Landlord access to the Premises at all reasonable times, upon reasonable prior notice under the circumstances and subject to compliance with Tenant's reasonable security requirements (except that no prior notice shall be required in an emergency), to enable Landlord to show the Premises to prospective mortgagees, assignees and purchasers and to others having a legitimate interest therein (and to prospective tenants of the Premises as well during the two (2) year period prior to expiration of the Term if Tenant has not elected to renew).

7.1.3 At any time that an Event of Default (as hereinafter defined) shall have occurred and be continuing, or a notice, complaint, order or finding of violation or non-compliance with or liability under environmental laws shall have been issued with respect to the Premises, and once during the last twelve months of the Base Term or any Renewal Term, Landlord, after not less than five (5) Business Days' prior written notice to Tenant, may cause to be performed an environmental audit or risk assessment of the Premises, or any portion thereof, and the then uses thereof. One audit or assessment may require multiple visits and testing procedures. Such an environmental audit or assessment shall be performed by a reputable, regionally recognized environmental consultant selected by Landlord and shall include a review of the uses of the Premises and an assessment of the possibility of violation or non-compliance of the same with environmental laws. Except in the case of an emergency, (a) the environmental audit shall be conducted during normal business hours and the environmental consultant shall use its reasonable efforts not to unreasonably interfere with the operations of Tenant and any subtenants, and (b) prior to commencing any such audit or assessment the environmental consultant shall deliver to Tenant evidence of reasonably adequate public liability insurance and an entry agreement in substantially the form of **Exhibit D** hereof. All reasonable costs and expenses actually incurred by Landlord in connection with such environmental audits or assessments shall be paid by Tenant within thirty (30) days after Tenant's receipt of a reasonably detailed invoice for such services, if the audit or assessment is made as a result of an Event of Default or if an Environmental Default (as defined in Section 8.3.2 hereof) is revealed thereby. In all other cases, such costs shall be borne by Landlord.

7.2 Condition.

7.2.1 Tenant at its sole cost and expense shall maintain the Premises and each and every portion thereof and all fixtures and appurtenances thereto including, but not limited to, all structural elements, the heating, ventilating, air-conditioning, elevator, plumbing and electrical systems, roof, pavements, windows, ceilings, partitions, doors, lighting fixtures, switches, floor coverings, and improvements in good order, condition and repair during the Term of this Lease consistent with other office buildings of similar age in the Market Street West Corridor of Philadelphia, Pennsylvania. All repairs, replacements and alterations made by Tenant shall be at least sufficient to maintain, and otherwise Tenant shall maintain, the Premises in as good condition and repair as were the Premises at the beginning of the Term, reasonable wear and tear and casualty damage which is not Tenant's obligation to repair excepted. Tenant shall not overload the electrical system serving the Premises or damage or deface the Premises nor commit any waste thereon. In addition, Tenant shall also at all times remove all unreasonable accumulations of dirt, rubbish, waste, and refuse from the Premises.

7.2.2 Landlord shall not be required to furnish any services or facilities or to make any repairs in or to the Premises. Tenant hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Premises.

7.2.3 Landlord shall have the right to make repairs required by this Lease upon notice after Tenant's failure to do so has become an Event of Default or in the case of an emergency in which Landlord reasonably concludes that such repair is necessary due to an immediate threat to the safety of the Building, its occupants, or nearby property or persons.

7.2.4 Tenant shall keep reasonably detailed books and records in accordance with generally accepted accounting principles, consistently applied, respecting all costs and expenses incurred by Tenant pursuant to this Section 7.2 or pursuant to Section 7.3, below, during the Term which are properly characterized as capital in nature ("Capital Costs")

7.3 Compliance with Laws.

7.3.1 Tenant, at Tenant's sole cost and expense, shall conform to, comply with and take any and all action necessary to avoid or eliminate any violation of all present and future laws, statutes, ordinances, orders, rules, regulations or requirements of any federal, state or municipal government, agency, department, commission, board or officer having jurisdiction, foreseen or unforeseen, ordinary or extraordinary, which shall be applicable to the Premises, or any part thereof, or to the use or manner of use thereof by any of the occupants thereof, or which shall be necessary in order for the Premises to comply with the requirements of any insurance company providing insurance pursuant to Article 13 of this Lease.

7.3.2 Without limiting the generality of Section 7.3.1 hereof, Tenant shall, at its sole cost and expense, within ninety (90) days after the Lease Commencement Date, implement and complete such measures as are necessary to cure all violations of applicable codes described in City of Philadelphia Department of Licenses and Inspections Certification Statement No. 53588 dated October 28, 1998. Upon completion of such cure, Tenant shall cause the Department of Licenses and Inspections to reinspect the Premises and to issue to Tenant a Certification Statement that there are no uncorrected code violations at the Premises, a copy of which Certification shall be promptly delivered to Landlord.

7.3.3 Without limiting the generality of Section 7.3.1 hereof, Tenant shall, at its sole cost and expense, cause the 3,000 gallon emergency generator underground storage tank to be removed from the Premises or otherwise cause such underground storage tank to be in compliance with the requirements of Pennsylvania Act 32 (P.L. 169) of 1989, the State Storage Tank and Spill Prevention Act and 25 PA. Code Chapter 245, Subchapter E, Technical Standards for Underground Storage Tanks. Tenant acknowledges and agrees that as between Landlord and Tenant, Tenant shall bear the sole responsibility, liability and risk with respect to such underground storage tank and its compliance or noncompliance with applicable laws pursuant to Section 8 hereof.

7.4 Permits. Tenant shall procure and maintain all certificates, permits, licenses and authorizations required for the Premises and each part thereof, and any use of the Premises then being made, and for the lawful and proper conduct, operation and maintenance thereof.

7.5 Contest by Tenant. So long as no Event of Default shall have occurred and be continuing, Tenant shall have the right to contest, by appropriate proceedings diligently conducted in good faith, in the name of Tenant or Landlord or in the names of both of them, without cost or expense to Landlord, the validity or application of any law, ordinance, order, rule, regulation or requirement of the nature referred to in this Article, provided that such contest or the delay in conformance to or compliance with the same, attendant upon and pending the prosecution of such proceedings, shall not involve (i) a material risk of foreclosure, sale, forfeiture or loss of, or imposition of any lien on, any part of the Premises, (ii) a material risk of extending the ultimate imposition of such law, ordinance, order, rule, regulation or other requirement beyond the Term, (iii) a material risk of any material civil liability being imposed on or any risk of criminal liability being imposed on, Landlord, the Premises or Landlord's mortgagees (unless, with respect to civil liability, there shall have been furnished indemnification reasonably satisfactory to each such party), (iv) a material risk of any material adjustment of, or material interference with, the use, possession or disposition of the Premises or (v) a material risk of reduction of the value, utility or remaining useful life (except to an immaterial extent) of the Premises. Tenant shall provide Landlord with notice of any contest of the type described above in detail sufficient to enable Landlord to ascertain whether such contest may have any material adverse effect of the types described in clauses (i) through (v) above. Upon request by Tenant and at Tenant's expense, Landlord shall execute and deliver any and all such documents or instruments and shall take any and all such other action as shall be legally necessary or proper to permit Tenant so to contest the validity or application of any such law, ordinance, order, rule, regulation or requirement, or to facilitate the conduct of such contest by Tenant.

8. Other Covenants of Tenant.

8.1 Prohibited Uses. Tenant will not make or permit to be made any use of the Premises or any part thereof which would violate any covenants, conditions and restrictions of record or any of the covenants, agreements, terms, provisions and conditions of this Lease or which directly or indirectly is forbidden by law, ordinance or governmental regulation or which may be dangerous to life, limb or property.

8.2 Mechanics' Liens. Tenant shall not suffer or permit any mechanic's lien or other lien to be filed against the Premises or the interest of Landlord or Tenant in the Premises by reason of work, services or materials supplied to Tenant, the Premises, or any part thereof. If any such lien shall be filed at any time, Tenant shall promptly, and, so long as there is no risk of forfeiture of title to the Premises, in any event within sixty (60) days after the filing thereof, cause the same to be discharged of record, provided, so long as there is no risk of forfeiture of title to the Premises, if Tenant shall within such sixty (60) day period bond such lien with a responsible surety company reasonably acceptable to Landlord, Tenant may thereafter contest the amount or validity of any such lien by appropriate proceedings, diligently prosecuted so long as such proceedings do not create any material risk of sale, forfeiture or loss of the Premises, and such contest shall defer for its duration Tenant's duty hereunder to discharge the same. Upon request by Tenant and at Tenant's expense, Landlord shall execute and deliver any and all such documents or instruments, and shall take any and all such other action as shall be necessary or proper to permit Tenant to bring such proceedings in Tenant's or Landlord's name, or in the names of both of them, or otherwise to facilitate the conduct of such proceedings by Tenant.

8.3 Hazardous Substances.

8.3.1 Tenant's Representations. Warranties and Covenants.

(a) Representation and Warranty Tenant represents, warrants and covenants that (i) it will not bring, generate, treat, store, use, dispose or permit the release of Hazardous Substances (as hereinafter defined) at the Premises, (ii) it shall at all times comply with all Environmental Laws (as hereinafter defined), including obtaining and complying with all necessary permits under Environmental Laws and shall cause the Premises to so comply, (iii) Tenant will keep the Premises free of any lien imposed pursuant to any Environmental Laws and (iv) Tenant shall not install any underground storage tanks or above ground storage tanks without prior written disclosure to and prior written consent of Landlord. Notwithstanding the foregoing, Landlord acknowledges that Tenant's use and occupancy of the Premises shall entail the use and storage upon the Premises of certain materials and substances which are Hazardous Substances but which are commonly employed in the use and operation of commercial office properties such as the Premises (such as, without limitation, cleaning solvents and typewriter correction fluid) and Landlord agrees that Tenant shall not be deemed in breach of the foregoing representation and warranty by reason of the presence or use upon the Premises of such substances, so long as Tenant uses, stores and disposes thereof in accordance with applicable Environmental Laws.

(b) Termination, Cancellation, Surrender. At the expiration or earlier termination of this Lease, Tenant shall surrender the Premises to Landlord free of any Environmental Defaults (defined below) and in compliance with all Environmental Laws.

8.3.2 Environmental Defaults.

(a) The generation, treatment, storage, use, disposal, presence. release, spill or discharge of a Hazardous Substance under, within or from the Premises in violation of Environmental Laws or any other violation of any Environmental Laws relating to the Premises, or any breach of any of Tenant's environmental representations, warranties and covenants shall constitute an "Environmental Default".

(b) Tenant shall give to Landlord immediate verbal and follow up written notice of any Environmental Default, and Tenant covenants to promptly investigate, clean up and otherwise remediate any Environmental Default at Tenant's sole cost and expense; such investigation, clean up and remediation to be performed in accordance with all Environmental Laws and to Landlord's reasonable satisfaction. In the event Tenant fails to promptly undertake such investigation, clean up and remediation of any Environmental Default in accordance with all Environmental Laws, then Landlord may, upon at least ten (10) days prior written notice to Tenant (except no prior notice shall be required in case of an emergency), enter the Premises and commence to do so, the cost of which shall be reimbursed by Tenant to Landlord as Additional Rent hereunder within thirty (30) days following Tenant's receipt of Landlord's bill therefor.

8.3.3 Indemnification. In addition to and without limiting Tenant's indemnity under Section 12.1 hereof, Tenant shall indemnify, defend (with counsel reasonably approved by Landlord) and hold the Landlord Parties harmless from and against any and all claims, judgments, damages, penalties, fines, liabilities, losses, suits, administrative proceedings, costs and expenses of any kind or nature, known or unknown, contingent or otherwise, which arise out of or are in any way related to an Environmental Default (including, but not limited to, diminution of value of the Premises, reasonable attorney, consultant, laboratory and expert fees and costs of remediation).

8.3.4 Definitions.

(a) "Hazardous Substances" means, (i) asbestos and any asbestos containing material and any substance that is then defined or listed in, or otherwise classified pursuant to, any Environmental Laws or any applicable laws or regulations as a "hazardous substance", "Hazardous Material", "hazardous waste," "infectious waste", "toxic substance", "toxic pollutant" or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, or Toxicity Characteristic Leaching Procedure (TCLP) toxicity, (ii) any petroleum and drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources and (iii) petroleum products, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive material (including any source, special nuclear, or by-product material), and medical waste.

(b) "Environmental Laws" collectively means and includes all present and future laws and any amendments thereto (whether common law, statute, rule, order, regulation or otherwise), permits, and other requirements or guidelines of governmental authorities applicable to the Premises and relating to the environment, health and safety and environmental conditions or to any Hazardous Substance (including, without limitation, CERCLA, 42 U.S.C. §9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §6901, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. §5101, et seq., the Federal Water Pollution Control Act, 33 U.S.C. §1251, et seq., the Clean Air Act, 33 U.S.C. §7401, et seq., the Clean Air Act, 42 U.SC. §41, et seq., the Toxic Substances Control Act. 15 U.S.C. §2601-2629, the Safe Drinking Water Act, 42 U.S.C. §300f-300j, the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. §1101, et seq., and any so-called "Super Fund" or "Super Lien" law, any law requiring the filing of reports and notices relating to hazardous substances, environmental laws administered by the Environmental Protection Agency, and any similar state and local laws and regulations, all amendments thereto and all regulations, orders, decisions, and decrees now or hereafter promulgated thereunder concerning the environment, industrial hygiene or public health or safety).

8.4 Merger. Tenant will not enter into any transaction of merger or consolidation or any commitment with respect thereto without Landlord's prior written consent, except in situations which meet all of the following criteria: (i) no Event of Default has occurred and is continuing under this Lease and the transaction will not cause an Event of Default under this Lease; (ii) the resulting corporation is organized and existing under the laws of the United States of America or any state or the District of Columbia; (iii) the transaction has received approval of the Pennsylvania Insurance Department; (iv) the resulting corporation is engaged in a line of business that is substantially similar or complementary to Tenant's business; (v) the resulting corporation will have and maintain Unallocated Reserves sufficient to pay claims and administrative expenses for 1.5 months, and maintain an NAIC Capital Adequacy Ratio in excess of Company Action Level (as defined by NAIC); and (vi) the resulting corporation will execute and deliver to Landlord an agreement in form and substance reasonably acceptable to Landlord in which the resulting corporation assumes the due and punctual performance of each and every covenant and condition of Tenant contained in this Lease.

8.5 ERISA.

8.5.1 Tenant represents and warrants to Landlord that, as of the date of this Lease and throughout the Term of this Lease:

(a) the assets of the Tenant do not constitute "plan assets" within the meaning of 29 C.F.R. § 2510.3-101 because one or more of the following circumstances is true:

(i) Equity interests in Tenant are publicly offered securities within the meaning of 29 C.F.R. § 2510.3-101(b)(2);

(ii) Less than 25 percent of all equity interests in Tenant are held by "benefit plan investors" within the meaning of 29 C.F.R. § 2510.3-101(f)(2); or

(iii) Tenant qualifies as an "operating company", "venture capital operating company" or a "real estate operating company" within the meaning of 29 C.F.R. §2510.3-101(c), (d) or (e).

(b) As of the date of this Lease and throughout the Term of this Lease: (i) Tenant will not be a "governmental plan" within the meaning of § 3(32) of the Employee Retirement Income Security Act of 1974 ("ERISA"); and (ii) transactions by Tenant (or by Tenant's direct or indirect owners, subsidiaries or affiliates) in connection with this Lease or the Premises will not be subject to state statutes regulating investments of and fiduciary obligations with respect to governmental plans ("State Investment Statutes").

8.5.2 Tenant shall deliver to Landlord certifications or evidence from time to time during the Term of this Lease, as reasonably requested by Landlord in its sole discretion, that Tenant's representations and warranties pursuant to this Section 8.5 remain true.

8.5.3 Tenant shall indemnify, defend and hold the Landlord Parties harmless from and against all loss, cost, damage and expense (including, without limitation, reasonable attorney's fees and costs incurred in the investigation, defense and settlement of claims and losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Landlord's sole discretion) that the Landlord Parties may incur as a result of a default under Section 8.5.1 or 8.5.2 above. This indemnity shall survive any termination, satisfaction or foreclosure of this Lease.

8.5.4 (a) Anything in Section 9 hereof (Assignment or Sublease) or elsewhere in this Lease to the contrary notwithstanding, no sale, encumbrance, assignment or transfer of any direct or indirect interest in the Tenant or in the Premises (including, without limitation, a subleasehold interest) shall be permitted which would negate Tenant's representations in this Section 8.5 or cause this Lease (or any exercise of Landlord's rights under this Lease) to constitute a violation of any provision of ERISA or any State Investment Statutes, as determined in Landlord's sole discretion.

(b) Anything in this Lease to the contrary notwithstanding, upon consummation of a sale, assignment or transfer of any direct or indirect interest in the Tenant or in the Premises (including, without limitation, a subleasehold interest, or the placing of any lien or encumbrance on the Premises), Tenant shall obtain from the proposed transferee or lienholder a representation to Landlord in form and substance satisfactory to Landlord that this Section 8.5 will be true after the transfer or would be true following a foreclosure of such lien, and further provided that any proposed lienholder agrees that any direct or indirect transfer of its lien or any interest therein will be governed by this Section 8.5.

9. Subletting and Assigning.

9.1 General Restriction.

9.1.1 Except as provided in Section 9.1.2 below, Tenant shall not assign this Lease or sublet all or any portion or portions of the Premises without first obtaining Landlord's prior written consent thereto, which consent shall not be unreasonably withheld provided that all of the following conditions precedent are satisfied: (i) the business and operations of the proposed assignee or subtenant are consistent with the Class A character of the Building, (ii) the proposed assignee or subtenant intends to use the Premises for a Permitted Use, (iii) the proposed assignee or subtenant does not intend to use, store, generate or transport Hazardous Substances within the Building in violation of Tenant's covenant contained in Section 8.3.1(a) above, (iv) no such assignee shall have the right to extend the term of this Lease unless Tenant remains primarily liable under this Lease, and no such sublessee shall have the right to extend the term of its sublease beyond the Basic Term or any Renewal Term, unless Tenant shall have extended the Term for the applicable Renewal Term, and (v) all of the conditions described in Section 9.1.3 hereof are satisfied. Tenant shall give Landlord written notice of any proposed assignment or subletting requiring Landlord's consent, together with a statement of the essential terms of the assignment or subletting, and Landlord shall give Tenant notice within ten (10) business days following receipt of such request, either approving or denying the requested assignment or sublet and stating in reasonable detail the reasons for any denial.

9.1.2 Notwithstanding the foregoing, Tenant shall have the right to assign this Lease or sublet all or any portion of the Premises without Landlord's prior written consent to (i) any organization resulting by merger or consolidation with Tenant or (ii) any organization succeeding to all or substantially all of the business and assets of Tenant (including by acquisition of stock sufficient to permit the acquiring entity to consolidate its financial statements or tax returns with those of Tenant for tax purposes) or (iii) any majority owned subsidiary of Tenant or (iv) any Affiliate of Tenant, provided that (x) Tenant notifies Landlord and Landlord's mortgagee at least 15 days prior to any assignment or sublease and provides Landlord and Landlord's mortgagee with a copy of such assignment or sublease at such person's request and (y) all of the conditions described in Section 9.1.3 hereof are satisfied.

9.1.3 Any assignment of this Lease or subletting of all or any portion of the Premises under either Section 9.1 .1 and 9.1.2 hereof, whether or not Landlord's prior consent thereto is required, shall be subject to the satisfaction of the following additional conditions precedent:

(a) at the time of such assignment or subletting no Event of Default shall have occurred and be continuing under this Lease;

(b) all obligations of Tenant under this Lease shall continue in full force and effect as obligations of a principal and not of a guarantor or surety, as though no assignment or sublease had been made;

(c) any assignment or sublease shall be subject and subordinate to this Lease and shall not contain terms inconsistent with this Lease, and if this Lease shall be terminated during the term of any assignment or sublease, Landlord shall have the right to (i) treat the assignment or sublease as canceled and repossess the subject space by any lawful means, or (ii) require such assignee to assume or sublessee to attorn to and recognize Landlord as its landlord under any such assignment or sublease.

(d) such assignment or sublease shall not result in any adverse tax consequences to Landlord;

(e) any assignee or sublessee shall not be insolvent or subject to bankruptcy proceedings at the time of such assignment or sublease, and shall be generally paying its debts as they become due, and no assignee or sublessee or the business it conducts shall bring ill repute onto Landlord; and

(f) in the case of an assignment of this Lease or subletting of the Premises under Sections 9.1.2(i) or 9.1.2(ii) hereof, all of the conditions described in Section 8.4 of this Lease shall have been satisfied.

9.1.4 This Lease shall not be mortgaged or pledged by Tenant, nor shall Tenant mortgage or pledge the interest of Tenant in and to the Premises or any portion thereof Any such mortgage or pledge shall be void. Nothing in this Section 9.1.4 shall preclude Tenant from granting security interests in, or entering into sale-leaseback, mortgage or other similar financing arrangements with respect to Excluded Fixtures, provided the foregoing do not result in any lien or encumbrance upon title to the Premises, this Lease or Landlord's interest therein.

9.2 Rent Collection. If this Lease is assigned or if the Premises or any part thereof is sublet or occupied by a person or entity other than Tenant, Landlord may, after an Event of Default, collect Rent from the assignee, subtenant or occupant and apply the net amount collected to the Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of Tenant's covenants contained in this Lease or the acceptance by Landlord of the assignee, subtenant or occupant as Tenant, or a release of Tenant from further performance by Tenant of the covenants of Tenant herein contained.

9.3 Liability of Assignee. Each assignee hereunder shall assume and be deemed to have assumed this Lease and shall be and remain liable jointly and severally with Tenant for all payments and for the due performance of all terms, covenants, conditions and provisions herein contained on Tenant's part to be observed and performed.

9.4 Future Compliance. Any consent by Landlord hereunder shall not constitute a waiver of strict future compliance by Tenant of the provisions of this Section 9 or a release of Tenant from the full performance by Tenant of any of the terms, covenants, provisions, or conditions in this Lease contained.

9.5 Landlord's Right to Assign. Landlord shall have the right to sell, transfer and assign all or any portion of its right, title and interest in and to the Premises, this Lease, or any other interest in Landlord, provided no transferee shall be a Competitor who is purchasing the interest for its own account (rather than for the account of a third party investor which is not a Competitor). Notwithstanding the preceding sentence, in the event Landlord's mortgagee is a Competitor or an Affiliate of a Competitor, Landlord may nevertheless transfer its interest in the Premises or this Lease to Landlord's mortgagee pursuant to a decree of foreclosure, deed in lieu of foreclosure or a transfer which is the result of an approved plan in bankruptcy or order of a bankruptcy court.

10. Further Assurances. Tenant, at its own cost and expense, will cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances as Landlord or Landlord's mortgagees reasonably may request from time to time in order to carry out more effectively the intent and purposes of this Lease and to establish, preserve and protect the title and interest of Landlord in the Premises and to create, maintain and protect or terminate or release Landlord's mortgagees' lien and security interest in the Premises. Landlord, at its own cost and expense, will cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances as Tenant reasonably may request from time to time in order to carry out more effectively the intent and purposes of this Lease and to establish, preserve and protect the title and interest of Tenant in the Premises. No act requested to be undertaken or document or assurance requested to be executed and delivered by either party pursuant to this Section 10 shall have the effect of imposing obligations or restrictions upon the party undertaking such act or executing and delivering such document or assurance in addition to those already specifically set forth in this Lease. The forms of all writings requested to be executed by either party hereunder shall be reasonably acceptable to the executing party.

11. Fire or Other Casualty.

11.1 Casualty.

11.1.1 Restoration. In the event that any portion of the Premises shall be damaged or destroyed by fire or any other hazard, risk or casualty whatsoever (such damaged or destroyed portion of the Premises being herein called the " Damaged Improvements") then Tenant shall give immediate notice thereof to Landlord, and shall, as soon as reasonably possible, at Tenant's cost and expense, restore, replace and repair the Damaged improvements regardless of whether insurance proceeds are available to pay all or part of the cost thereof. All available insurance proceeds payable on account of the Damaged Improvements shall be made available to Tenant to pay for the cost of such work in accordance with the terms of Section 11.3 below. Such work by Tenant shall be performed pursuant to plans and specifications which shall be subject to Landlord's prior approval, which Landlord agrees not to unreasonably withhold, condition or delay.

11.1.2 Termination Right. Notwithstanding Section 11.1.1, (i) in the event that more than thirty-five percent (35%) of the floor area of the Building is so damaged or destroyed, and such damage or destruction shall occur during the last five (5) years of the Base Term or during any Renewal Term and render such space untenantable, or (ii) in the event that more than fifty percent (50%) of the floor area of the Building is so damaged or destroyed, and such damage or destruction shall occur at any time during the Term, then in either such event, provided all policies of insurance hereby required to be maintained by Tenant are in full force and effect and insurance proceeds payable as a result of such damage or destruction are actually received by Landlord or Landlord’s mortgagee, Tenant shall have the right to terminate this Lease by giving notice to Landlord as described in Section 11.1.4 hereof (and for purposes of Section 11.1 .4 the “event giving rise to the right to terminate” under this Section 11.1.2 shall be the receipt by Landlord or its mortgagee of the insurance proceeds payable as a result of the damage or destruction).

11.1.3 Insufficient Funds to Restore. If the right to terminate set forth in Section 11.1.2 shall not be exercisable by Tenant but Tenant does not have sufficient funds to restore, repair or replace the Damaged Improvements because Landlord or any holder of a mortgage encumbering the Premises who is named as an additional insured under Tenant’s casualty insurance policy has failed to agree to release to Tenant all available casualty insurance proceeds, or, having agreed to release such proceeds in fact does not so release proceeds for restoration, repair or replacement, then Tenant shall have the right to elect to either (a) in the event of damage to all or substantially all of the Premises, vacate the Premises, tendering possession of the Premises to Landlord, and terminate this Lease, or (b) in the event of partial destruction of the Premises, remove or isolate the damaged portion of the Premises and undertake such repairs as may be necessary to render the remainder of the Premises usable, provided, however, that if the remaining portion of the Premises is reasonably deemed by Tenant to be insufficient or inadequate for Tenant to continue its use of the Premises in the manner in which such use was conducted prior to the casualty, Tenant may elect to terminate this Lease as described in Section 11.1.4 hereof (and for purposes of Section 11.1.4 the “event giving rise to the right to terminate” under this Section 11.1.3 shall be the failure of Landlord or its mortgagee to agree to release insurance proceeds, or the failure to release same after agreement to do so, as the case may be). Tenant acknowledges that Landlord or Landlord’s mortgagee may release proceeds of insurance in installments, and may hold-back amounts of insurance pending completion of construction in accordance with ordinary construction lending and supervision practices.

11.1.4 Manner of Termination. Any termination of this Lease under this Article 11 shall be effective upon a date set forth in a written notice from Tenant to Landlord given not later than ninety (90) days after the event giving rise to the right to terminate, and the date of termination shall be the later to occur of(i) the date which is one hundred twenty (120) days after the event giving rise to the right to terminate and (ii) the date on which insurance proceeds payable as a result of such event are actually received by Landlord or Landlord’s mortgagee, unless such termination arises under Section 11.1.3 hereof, in which case such date of termination shall be the later to occur of (x) the date which is one hundred twenty (120) days after the event giving rise to the right to terminate and (x) the date which is thirty (30) days after the date of written notice from Tenant to Landlord and Landlord’s mortgagee that Landlord or Landlord’s mortgagee has failed to agree to release to Tenant insurance proceeds pursuant to Section 11.1.2 or, having so agreed, has failed to release to Tenant such portions of the proceeds as are necessary to pay for repair or restoration pursuant to Section 11.1.2. Upon such termination, Tenant shall pay to Landlord amounts then due under the Lease, pro rated as of the date of termination, and all insurance proceeds theretofore received by Tenant on account of the Damaged Improvements.

11.2 No Abatement of Rent. No damage to or destruction of any of the Premises as a result of fire or any other hazard, risk or casualty whatsoever shall permit Tenant to surrender this Lease or shall relieve Tenant from Tenant's liability to pay the full Rent payable under this Lease, or from any of Tenant's other obligations hereunder, except to the extent otherwise provided in this Section 11 and, except as expressly permitted in this Lease, Tenant waives any right now or hereafter conferred upon Tenant by statute or otherwise to surrender this Lease or the Premises, or any part thereof, or to any suspension, diminution, abatement or reduction of Rent, by reason of such damage or destruction.

11.3 Certain Proceeds. If the insurance proceeds relating to Damaged Improvements are less than $5,000,000.00 and Tenant shall have elected or be required to repair or restore the Premises and no Event of Default has occurred and is continuing, all such proceeds shall be paid to Tenant immediately upon demand to be applied, as necessary, for the repair or restoration of the affected improvements and, thereafter, to be distributed in accordance with paragraph (d) below; in any other event, provided no Event of Default has occurred and is continuing in which case such proceeds shall be held by Landlord as collateral security for the performance by Tenant of its obligations under this Lease, all such proceeds shall be disbursed in accordance with the following:

(a) The full amount of such proceeds shall be paid to Landlord's mortgagees, if any, or if none, to a bank or trust company selected by Landlord, acting at the direction of Landlord, from a list of creditworthy banks submitted by Tenant (such payee is referred to as the "Depository"). The Depository shall have no affirmative obligation to prosecute a determination of the amount of, or to effect the collection of, any proceeds unless the Depository shall have been given an express written undertaking to do so. Moneys received by the Depository pursuant to the provisions of this Lease shall not be commingled with the Depository's own funds and shall be held by the Depository in trust, either separately or with other trust funds in an interest bearing money market account, for the uses and purposes provided in this Lease. The Depository shall not be liable or accountable for any action taken or suffered by the Depository or for any disbursement of moneys made by the Depository in good faith in reliance on advice of legal counsel. In disbursing monies pursuant to this Section, the Depository may rely conclusively on the information contained in any notice given to the Depository by Tenant in accordance with the provisions hereof unless Landlord notifies the Depository in writing within five Business Days after the giving of any such notice by Tenant that Landlord intends to dispute such information, in which case the disputed amount shall not be disbursed but shall continue to be held by the Depository until such dispute shall have been resolved;

(b) If an Event of Default has occurred and is continuing at the time of the subject casualty or thereafter during the repair or restoration period, Landlord may require that Tenant deposit with the Depository the excess of the expected remaining cost of repair or restoration over the amount then on deposit with the Depository;

(c) So long as no Event of Default has occurred and is continuing from time to time, but not more often than once in any 30-day period, and provided that Tenant has first paid any amounts required to be paid by Tenant out of its own funds hereunder, Tenant may (i) request reimbursement out of such proceeds for the actual costs and expenses incurred by Tenant in connection with such repair and rebuilding; or (ii) request the Depository to pay such costs and expenses directly to contractors and suppliers. Such requests shall be made by written notice to the Depository, with a copy to Landlord, setting forth in reasonable detail all of such costs and expenses incurred by Tenant and certifying that (1) all of such costs and expenses are due and owing (or will be due and owing within the next 30 days), (2) such costs and expenses were not the subject of a previous certificate delivered pursuant to this clause (ii) and (3) the amounts on deposit with the Depository are, in the opinion of Tenant, sufficient to complete the repair or restoration of the affected improvements. If Landlord shall in good faith desire to dispute the information contained in any notice given by Tenant, Landlord shall so notify Tenant and the Depository in writing within five (5) Business Days after the giving of such notice, specifying the amount intended to be disputed and the nature of the dispute. After such five (5) Business Days period has elapsed, if Landlord has not disputed the information contained in Tenant's notice, the Depository shall promptly disburse to Tenant out of such proceeds the amount of such costs and expenses; and

(d) So long as no Event of Default has occurred and is continuing from time to time, and provided that Tenant has first paid any amounts required to be paid by Tenant out of its own funds hereunder, any proceeds under insurance paid for or provided by Tenant in excess of amounts necessary for the repair or restoration of the affected Improvements shall be paid over to or retained by Tenant, together with all interest accrued upon all proceeds deposited with the Depository pursuant to Subsection 11.3(a) hereof, less all usual, customary, reasonable costs and expenses of Landlord's mortgagee and the Depository in connection with administering such proceeds (without duplication of such costs and expenses).

12. <u>Indemnity</u>.

12.1 <u>Tenant's Indemnity</u>. Tenant shall defend (with counsel reasonably satisfactory to Landlord), indemnify, save and hold harmless ("<u>Indemnify</u>") the Landlord Parties from and against all liabilities, obligations, damages, penalties, claims, causes of action, costs, charges and expenses, including reasonable attorneys' fees, court costs, administrative costs, and costs of appeals, which may be imposed upon or incurred by or asserted against any of the Landlord Parties by reason of the ownership, operation, possession, lease, sublease, repair, alteration, modification, maintenance, construction or condition of the Premises, the breach by Tenant of any of the terms or provisions of this Lease or any personal injury, loss of income or damage to or loss of persons or property, or loss of use of any property, in or about the Premises from any cause whatsoever including, but not limited to claims or penalties arising from any violations of laws or liabilities in tort (strict or otherwise), except to the extent such damage, loss or injury results from the gross negligence or willful misconduct of a Landlord Party. The obligation of Tenant to Indemnify contained in this Section 12.1 shall not be limited by any limitation on the amount or type of damages, compensation or benefits payable by or for Tenant, its agents or contractors under workers' or workman's compensation acts, disability benefit acts or other employee benefits acts, or under any other insurance coverage Tenant may obtain.

12.2 <u>Limitation</u>. In the event of any conflict between the indemnities contained in this Section 12 and the waiver of subrogation contained in Section 13, below, it is agreed that the waiver of subrogation in Section 13 shall control.

13. Insurance.

13.1 Liability Insurance. Tenant, at its expense, shall maintain during the Term comprehensive general liability insurance, and property damage insurance under policies issued by insurers of recognized responsibility having a combined single limit for any one (1) occurrence of not less than One Million Dollars ($1,000,000) and excess umbrella liability insurance of not less than Twenty Five Million Dollars ($25,000,000) for personal injury, bodily injury, death, disease and damage or injury to or destruction of property (including the loss of use thereof) occurring upon, in, or about the Premises and for contractual liability assumed under this Lease. To satisfy the liability insurance requirements of this Section 13.1 under a policy of commercial general liability insurance rather than comprehensive general liability insurance, Tenant must obtain an endorsement which applies the aggregate limits separately to the Premises (ISO Endorsement CG-25-05-l1-85, Amendment-Aggregate Limits of Insurance [per location] or an equivalent endorsement reasonably satisfactory to Landlord). The certificate of insurance evidencing such policy must evidence that the limits of Tenant's liability insurance required hereunder apply solely to the Premises and not to other locations.

13.2 Property Insurance. Tenant shall keep or cause to be maintained property insurance on an All Risk Property policy form for the full replacement cost of the Building including, either as a part of the basic policy or as an endorsement thereto, coverage for the cost of removal of the Building and construction of a new building of like size, kind and quality in accordance with then applicable zoning ordinances and building codes in the event such removal is required under such building codes and zoning ordinances. The Tenant's policy shall also provide for business interruption coverage in the event of loss for a 12 month period.

13.3 Worker's Compensation and Employer's Liability Insurance. Tenant shall maintain a self-insurance trust to cover worker's compensation insurance in an amount not less than the statutorily defined minimum covering Tenant's employees and business operations in the Premises, as well as employer's liability insurance providing coverage of not less than One Million Dollars ($1,000,000).

13.4 Form of Insurance. All insurance policies obtained by Tenant pursuant to this Section 13 (except the worker's compensation insurance described in Section 13.3) shall be issued by companies with a rating by Standard & Poor's of not less than AA in claims paying ability or the equivalent by another rating agency acceptable to Landlord and which have an AM Best Rating of A-, VIII or better and which are qualified to do business in the Commonwealth of Pennsylvania, or, in the alternative, may be issued by an insurance company affiliated with Tenant and not meeting the rating criteria herein set forth which reinsures such risk with an independent company meeting the rating criteria herein set forth, provided, however, that any such reinsurers shall enter into direct access agreements with Landlord and, if applicable, Landlord's mortgagee. Such policies (exclusive of the worker's compensation policy) shall contain the following provisions:

(a) with respect to insurance of the type described in Section 13.1, Landlord and Landlord's mortgagees are included as additional insureds; with respect to insurance of the type described in Section 13.2, Landlord shall be named as an additional insured, and Landlord's mortgagees designated by the Landlord, if any, shall be named as mortgagee and sole loss payee under a lender's loss payable endorsement in a form reasonably satisfactory to Landlord's mortgagees, and any obligation imposed upon such insureds (including, without limitation, the liability for payment of premiums) shall be the sole obligation of Tenant and not that of any such insured;

(b) all third-party liability insurance shall be endorsed to provide that, insofar as the policy is written to cover more than one insured, all terms, conditions, insuring agreements and endorsements, with the exception of limits of liability and deductibles, shall operate in the same manner as if there were a separate policy covering each insured;

(c) the insurer thereunder waives all rights of subrogation against Landlord and Landlord's mortgagees and waives any right of set-off and counterclaim and any other right to deduction whether by attachment or otherwise;

(d) such insurance shall be primary without right of contribution of any other insurance carried by or on behalf of Landlord and Landlord's mortgagees;

(e) the respective interests of Landlord and Landlord's mortgagees under all insurance policies required under this Lease shall not be invalidated by any action or inaction of Tenant or any other person (other than the beneficiary of such respective interest) and such insurance shall insure Landlord and Landlord's mortgagees as their interests may appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Tenant or any other person (other than the beneficiary of such respective interest); and

(f) if the insurers cancel such insurance for any reason whatsoever or any materially adverse change is made in policy terms or conditions, such cancellation or change shall not be effective as to Landlord and Landlord's mortgagees for 30 days after receipt by Landlord and Landlord's mortgagees, respectively, of written notice from such insurers of such cancellation or change.

If such insurance is allowed to lapse for nonpayment of premium, such lapse shall not be effective for 30 days after receipt of notice by Landlord and Landlord's mortgagees from the insurers of such lapse. Certificates evidencing all policies of insurance obtained by Tenant shall be provided to Landlord. The proceeds of all casualty insurance maintained by Tenant under Section 13.2 shall be applied in strict accordance with the requirements of Section 11, above.

13.5 Evidence of Insurance. Tenant shall deliver to Landlord and Landlord's mortgagees annually certificates of insurance evidencing the provisions described in Sections 13.1, 13.2 and 13.3 executed by the insurer or its duly authorized agent. Without limiting the foregoing, each such certificate shall set forth the insurance obtained in accordance with this Section 13 and state that such insurance is in full force and effect, and that all premiums then due and payable thereon have been paid.

13.6 Flammable Material. No flammable or combustible material shall be kept by Tenant in or upon the Premises except in reasonable quantities and proper containers, and Tenant agrees to use, store and dispose of such materials in a prudent fashion in compliance with Environmental Laws and the requirements of any insurance policy issued hereunder.

13.7 Landlord Purchase. At Landlord's option, Landlord may elect to obtain for itself any or all of the forms of insurance required to be obtained by Tenant pursuant to this Section if Tenant fails to procure same within thirty (30) days after written notice from Landlord. In the event Landlord shall so elect, Tenant shall reimburse Landlord upon demand for the cost of all insurance so obtained by Landlord. Further, Landlord may insure the Premises at its own expense for amounts in excess of the full replacement value of the Premises, provided that any insurance so maintained by Landlord shall not result in a reduction of coverage or amounts payable under or an increase in the cost of or otherwise adversely affect Tenant's ability to maintain the insurance required or desired to be maintained by Tenant under this Section 13.

13.8 Waiver of Claims. Landlord and Tenant intend that their respective property loss risks shall be borne by responsible insurance carriers to the extent above provided, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, such insurance carriers in the event of a property loss, to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against such other for such losses and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right of the insured to recover thereunder. The foregoing waiver shall apply regardless of the cause or origin of the loss, including but not limited to the negligence of either party or its agents, officers, employees or contractors. All insurance policies required to be maintained hereunder or elected to be maintained by Landlord shall be endorsed such that said waiver of subrogation shall not affect the right of the insured to recover thereunder. The parties further agree that the insurance required hereunder shall be primary and any insurance carried by the other party shall be excess and non-contributory.

14. Eminent Domain.

14.1 Total Taking. In the event that the whole of the Premises shall be taken under the exercise of the power of eminent domain or by agreement with any condemnor in lieu of such taking (herein called a "Total Taking") then this Lease shall terminate as of the earlier of the date when title thereto vests in the condemnor or the date when possession thereof shall be delivered to the condemnor.

14.2 Award on Total Taking. The entire award in any Total Taking payable with respect to the Premises and this Lease shall be paid to Landlord. Tenant shall be entitled to any award which the condemnor may make, and which shall be provided for by law, specifically for the improvements for which title remains vested in Tenant, including, without limitation, the Excluded Fixtures, and Tenant's moving expenses and business dislocation damages, provided that same are not deducted from the award otherwise payable to Landlord.

14.3 Partial Taking.

14.3.1 In the event any portion or portions of the Premises shall be taken under the exercise of the power of eminent domain or by agreement with any condemnor in lieu of such taking (herein called a "Partial Taking") then this Lease, only as to the portion or portions so taken, shall terminate as of the date possession thereof shall be delivered to the condemnor, and Rent shall be abated from that date with respect to the portion or portions so taken, but otherwise this Lease shall remain in full force and effect. Notwithstanding the foregoing, if as a result of such Partial Taking, Tenant determines in the exercise of Tenant's reasonable business judgment that the remainder of the Premises is unsuitable for Tenant's use thereof, or it is economically unfeasible to reconstruct or operate Tenant's business in the remaining portion of the Premises because of the insufficiency in size of the remaining portion of the Premises, or access to the Premises is materially impaired and no reasonable alternate access is available, and Tenant gives written notice thereof to Landlord, then (a) this Lease shall terminate thirty (30) days from the date possession of the part taken shall be delivered to the condemnor, (b) such Partial Taking shall be deemed to be and treated as a Total Taking, and (c) Tenant shall comply with the provisions of Section 17 hereof as to the portion of the Premises remaining after said Taking.

14.3.2 In the case of a Partial Taking which does not result in a termination of this Lease, the annual Minimum Rent payable under this Lease after possession of the portion so taken shall be delivered to the condemnor shall be reduced in the same proportion as the value of the Premises reduced by such Taking; but any such Partial Taking shall not otherwise relieve Tenant from any of Tenant's other obligations hereunder, and, except as herein expressly provided, Tenant waives any right now or hereafter conferred upon Tenant by statute or otherwise to any suspension, diminution, abatement or reduction of Rent or to surrender this Lease or the Premises by reason of such Partial Taking.

14.3.3 The entire award in any Partial Taking payable with respect to the Premises and this Lease shall be paid to Landlord. Tenant shall be entitled to any award which the condemnor may make, and which shall be provided for by law, specifically for the Improvements and Excluded Fixtures for which Title remains vested in Tenant, provided the same are not deducted from the award otherwise payable to Landlord.

14.4 Temporary Taking. In the event the Premises, or any part thereof, shall be taken in eminent domain for temporary use or occupancy or for a term of months or years, then (a) this Lease and all of Tenant's obligations hereunder shall continue in full force and effect (except to the extent that performance by Tenant of Tenant's covenants and agreements is prevented by such taking), (b) there shall be no reduction or abatement of Rent, and (c) Tenant shall be entitled to the entire award with respect to any such taking, except that Landlord shall be entitled to any portion of such award allocable to any period of time beyond the Termination Date. Tenant covenants that, upon the termination of any such period of temporary use or occupancy, but only if this Lease then remains in effect with at least two (2) years remaining in the Term, Tenant shall, at Tenant's sole cost and expense, restore the Premises as nearly as may be reasonably possible to the condition in which the same were immediately prior to such taking. Unless an award is made to Tenant by the condemning authority for such purposes, if Landlord receives any award, by way of the aforesaid apportionment, Landlord shall pay such sum to Tenant to the extent necessary to reimburse Tenant for the cost of such restoration.

14.5 Settlement Agreement. For the purposes of this Lease, all amounts paid pursuant to an agreement with any condemnor in settlement of any eminent domain proceedings affecting the Premises shall be deemed to constitute an award of damages made in such proceedings, and shall be governed by this Section.

15. Default and Remedies.

15.1 Events of Default. The occurrence of any one or more of the following shall constitute an " Event of Default" under this Lease:

15.1.1 Tenant does not pay in full when due any installment of Minimum Rent within five (5) days after due or any other amount payable by Tenant under this Lease, whether or not herein included as Rent, and such failure to pay is not cured within thirty (30) days following written notice from Landlord to Tenant thereof.

15.1.2 Tenant violates or fails to perform or otherwise breaks any covenant, agreement or condition (not included in clause 15.1.5 or 15.1.6 of this Section 15) contained in this Lease other than those specifically addressed elsewhere in this Section 15.1, and such violation or failure continues for thirty (30) days after receipt of notice thereof from Landlord; provided, that if such violation or failure is not susceptible of being cured or corrected within the aforesaid thirty (30) day period, then if Tenant shall have commenced such cure within the aforesaid thirty (30) day period, shall have given Landlord written notice within such thirty (30) day period that additional time is required and diligently and continuously prosecutes same to completion, Tenant shall have such additional time as Tenant may reasonably require to complete such cure not to exceed 180 days from the date of notice.

15.1.3 Tenant becomes the subject of commencement of an involuntary case under the federal bankruptcy law as now or hereafter constituted, or there is filed a petition against Tenant seeking rehabilitation, liquidation, reorganization, arrangement, adjustment or composition of or in respect of Tenant under the federal bankruptcy law as now or hereafter constituted, or under any other applicable federal or state bankruptcy, rehabilitation, liquidation, insolvency, reorganization, delinquency or other similar law, or seeking the appointment of a rehabilitator, receiver, liquidator or assignee, custodian, trustee, sequestrator (or similar official) of Tenant or any substantial part of the Premises, or seeking the winding-up or liquidation of its affairs and such involuntary case or petition is not stayed or dismissed within ninety (90) days after the filing thereof, or if Tenant commences a voluntary case or institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy, insolvency or rehabilitation proceedings against it, under the federal bankruptcy laws as now or hereafter constituted, or any other applicable federal or state bankruptcy, rehabilitation, reorganization, insolvency, delinquency or other similar law, or consents to the appointment of or taking possession by a rehabilitator, receiver, liquidator or assignee, trustee, custodian, sequestrator (or other similar official) of Tenant or of any substantial part of its property, or makes any assignment for the benefit of creditors.

15.1.4 Any representation or warranty made by Tenant in this Lease shall have been incorrect in a material respect when made, shall remain material when discovered and shall not have been cured or corrected within thirty (30) days after notice thereof from Landlord; provided that if such misrepresentation is not susceptible of being cured or corrected within the aforesaid thirty (30) day period, then if Tenant shall have commenced such cure within the aforesaid thirty (30) day period, shall have given Landlord written notice within such thirty (30) day period that additional time is required and diligently and continuously prosecutes the same to completion, Tenant shall have such additional time as Tenant may reasonably require to complete such cure not to exceed 180 days from the date of notice.

15.1.5 Tenant shall fall to maintain insurance in the amounts and with the terms required by Section 13 hereof.

15.1.6 Tenant shall breach its covenants set forth in Section 8.4 and Section 8.5 hereof,

15.2 Landlord's Remedies. If any one or more Events of Default occurs then Landlord has the right, at its election, to pursue any one or more of the following remedies:

15.2.1 To give Tenant written notice of Landlord's intention to terminate this Lease on the earliest date permitted by law or on any later date specified in such notice, in which case Tenant's right to possession of the Premises will cease and this Lease will be terminated, except as to Tenant's liability, as if the expiration of the Term fixed in such notice were the Termination Date.

15.2.2 Without further demand or notice, and without terminating this Lease, but in accordance with all laws, to reenter and take possession of the Premises or any part of the Premises, repossess the same, expel Tenant and those claiming through or under Tenant, and remove the effects of both or either, without breaching the peace, and without prejudice to any remedies for arrears of Rent under this Lease or as a result of the Event of Default.

15.2.3 Without further demand or notice, to cure any Event of Default, to charge Tenant for the reasonable cost of effecting such cure, including without limitation reasonable attorneys' fees and interest on the amount so advanced at the Lease Interest Rate, provided that Landlord will have no obligation to cure any such Event of Default.

15.3 Reletting. Whether or not Landlord elects to terminate this Lease following an Event of Default, upon obtaining possession of the Premises Landlord shall, in the exercise of reasonable commercial judgment endeavor to relet the Premises (as a whole or in lesser parts) in Landlord's name, but for the account of Tenant if this Lease has not been terminated, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term) and on such conditions and upon such other terms (which may include concessions of free rent and alteration and repair of the Premises) as Landlord, in its reasonable discretion, may determine, and Landlord may collect and receive the rents from such reletting. No such reentry or taking possession of the Premises by Landlord will be construed as an election on Landlord's part to terminate this Lease unless a written notice of such intention is given to Tenant pursuant to Section 5.2.1. No written notice from Landlord under this Section or under a forcible or unlawful entry and detainer statute or similar law will constitute an election by Landlord to terminate this Lease unless such notice specifically so states. Landlord reserves the right following any such reentry or reletting to exercise its right to terminate this Lease pursuant to Section 15.2.1 by giving Tenant such written notice, in which event this Lease will terminate as specified in such notice. In exercising reasonable commercial judgment hereunder, Landlord shall be entitled to take into consideration the fact that this Lease relates to the entire Premises, and Landlord shall be under no obligation to accept any sublessee proposed by Tenant.

15.4 Certain Damages. In the event that Landlord does not elect to terminate this Lease as permitted in Section 15.2.1 but on the contrary elects to take possession as provided in Section 15.2.2, Tenant will pay to Landlord Minimum Rent and other sums as provided in this Lease that would be payable under this Lease if such repossession had not occurred, less the net proceeds, if any, of any reletting of the Premises after deducting all of Landlord's reasonable expenses in connection with such reletting, including without limitation all reasonable repossession costs, brokerage commissions, attorneys' fees, alteration and repair costs, and expenses of preparation of such reletting. Tenant will pay such Rent and other sums to Landlord monthly on the day on which the Minimum Rent would have been payable under this Lease if possession had not been retaken, and Landlord will be entitled to receive such Rent and other sums from Tenant on each such day.

15.5 Bankruptcy, Insolvency, Rehabilitation, Liquidation.

15.5.1 Upon the filing of a petition by or against Tenant under the federal bankruptcy law as now or hereafter constituted, or a petition seeking rehabilitation, reorganization, adjustment or composition of or in respect of Tenant under the federal bankruptcy law as now or hereafter constituted, or under any other applicable federal or state bankruptcy, rehabilitation, insolvency, reorganization, delinquency or other similar law, or seeking the appointment of a rehabilitator, receiver, liquidator, or assignee, custodian, trustee, sequestrator (or similar official) of Tenant, Tenant and any other such rehabilitator, receiver, liquidator, or assignee, custodian, trustee, sequestrator (or similar official) agree as follows: (a) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by order of a court of competent jurisdiction; (b) to reject or assume this Lease within sixty (60) days of the filing of any of the foregoing described petitions; (c) to give Landlord at least thirty (30) days prior written notice of any proceeding relating to the assumption of this Lease; (d) to give Landlord at least thirty (30) days prior written notice of any abandonment of the Premises, any such abandonment of this Lease to be deemed a rejection of this Lease; and (e) to be deemed to have rejected this Lease in the event of the failure to comply with any of the above.

15.5.2 Included within and in addition to any other conditions or obligations imposed upon Tenant or its successor in the event of any assumption and/or assignment of this Lease as a consequence of the occurrence of any of the events described in Section 15.5.1 hereof are the following: (a) the cure of any Event of Default which is capable of being cured, within not more than fifteen (15) days after such assignment and/or assumption; (b) the deposit with Landlord of a reasonable sum of money to be held by Landlord as security to assure future performance under this Lease; (c) the use of the Premises only for the Permitted Use; and (c) the rehabilitated or reorganized debtor, or the trustee, receiver or rehabilitator of Tenant or any other assignee of this Lease demonstrates in writing that it has comparable financial ability to lease the Premises and meets all other reasonable criteria of Landlord as did Tenant upon the execution of this Lease.

15.6 Continuing Liability After Termination. If this Lease is terminated on account of the occurrence of an Event of Default, Tenant will remain liable to Landlord for damages in an amount equal to the Rent and other amounts that would have been owing by Tenant for the balance of the Term, had this Lease not been terminated, less the net proceeds, if any, of any reletting of the Premises by Landlord subsequent to such termination, after deducting all of Landlord reasonable expenses in connection with such reletting, including without limitation the expenses enumerated in Section 15.4. Landlord will be entitled to collect such damages from Tenant monthly, as accrued, on the day on which Minimum Rent and other amounts would have been payable under this Lease if this Lease had not been terminated, and Landlord will be entitled to receive such Minimum Rent and other amounts from Tenant on each such day, in the monthly or other installments or payments which would have been payable under this Lease had this Lease not been terminated, net of proceeds of reletting as aforesaid. Alternatively, at the option of Landlord, in the event this Lease is so terminated, Landlord will be entitled to recover against Tenant as damages for loss of the bargain and not as a penalty,

(i) the worth at the time of award of the unpaid Rent to the time of termination; plus

(ii) the worth at the time of award of the amount by which the unpaid Rent after termination until the time of award exceeds the fair market rental value of the Premises for such period; plus

(iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term of this Lease (had the same not been so terminated by Landlord) after the time of award exceeds the fair market rental value of the Premises for such period; plus

(iv) Any other amount necessary to reasonably compensate Landlord for all damages attributable to Tenant's failure to perform its obligations under this Lease.

The "worth at the time of award" of the amounts referred to in clauses (i) and (ii) above is computed by adding interest at the Lease Interest Rate on the date on which this Lease is terminated from the date of termination until the time of the award. The " worth at the time of award" of the amount referred to in clause (iii) above is computed by discounting such amount to present value at the discount rate of the Federal Reserve Bank of New York, New York, at the time of the award.

15.7 Cumulative Remedies. Any suit or suits for the recovery of the amounts and damages set forth in this Section 15 may be brought by Landlord, from time to time, at Landlord's election, and nothing in this Lease will be deemed to require Landlord to await the date upon which this Lease or the Term would have expired had there occurred no Event of Default. Each right and remedy provided for in this Lease is cumulative and is in addition to every other right or remedy provided for in this Lease or now or after the Lease Commencement Date existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Landlord of any one or more of the rights or remedies provided for in the Lease or now or hereafter existing at law or in equity or by statute or otherwise, will not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

15.8 Expenses of Enforcement. In the event of any litigation between Landlord and Tenant, the prevailing party shall be entitled to receive from the other the amount of its reasonable out-of-pocket legal fees and out-of-pocket expenses of counsel.

15.9 Nonwaiver. Any failure of Landlord or Tenant to enforce any remedy allowed for the violation of any provision of this Lease shall not imply the waiver of any such provision, even if such violation is continued or repeated, and no express waiver shall affect any provision other than the one(s) specified in such waiver and only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way (i) alter the length of the Term or of Tenant's right of possession hereunder, or (ii) after the giving of any notice, reinstate, continue or extend the Term or affect any notice given to Tenant prior to the receipt of such moneys, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment.

16. Subordination.

16.1 Generally. Subject to Section 16.2 below, this Lease is and shall be subject and subordinate to all ground or underlying leases of the Premises and to all mortgages which may now or hereafter be secured upon such leases or the Premises and to any and all renewals, modifications, consolidations, replacements and extensions thereof (each a "Superior Lien"). If Landlord shall so request, Tenant shall send to any mortgagee or ground lessor of the Premises designated by Landlord, a copy of any notice thereafter given by Tenant to Landlord alleging a material breach by Landlord of its obligations under this Lease.

16.2 Subordination Non-disturbance and Attornment Agreement . As used herein, the term "SNDA" shall mean a commercially reasonable and recordable form of subordination, non-disturbance and attornment agreement duly executed and acknowledged by Tenant and the holder of a Superior Lien, pursuant to which Tenant shall subordinate this Lease to such Superior Lien and shall attorn to the holder thereof, and the holder of such Superior Lien shall agree, for itself and its successors and assigns, not to terminate this Lease or otherwise disturb the peaceful and quiet possession of the Premises by Tenant and its successors and assigns unless an Event of Default shall have occurred. Attached hereto as **Exhibit E** is a form of SNDA which Tenant agrees to execute, without limiting a lien holder's right to utilize a different form of SNDA. As a condition precedent to the subordination of this Lease to any Superior Lien pursuant to the terms of Section 16.1, Landlord agrees to deliver to Tenant for execution and recording an SNDA in the form attached as **Exhibit E** or in another commercially reasonable form, executed by each holder of every Superior Lien. In each case, Tenant shall execute such SNDA promptly after request by Landlord, if the form is substantially similar to **Exhibit E** attached hereto and within fifteen (15) business days after request by Landlord therefor if another commercially reasonable form is used.

17. Surrender; Holding Over.

17.1 Generally. Tenant shall, on the last day of the Term, or upon any earlier termination of this Lease, or upon any termination of Tenant's right to possess the Premises pursuant to the provisions of this Lease, surrender and deliver up the Premises into the possession and use of Landlord without delay and in the condition in which Tenant has herein agreed to maintain same, broom clean and free and clear of all lettings, occupancies, liens and encumbrances created by Tenant or any of Tenant's contractors, agents or subtenants or any person other than Landlord, unless previously approved by Landlord and shall provide a quit claim deed conveying to Landlord any retained interest of Tenant. If Tenant holds over in the Premises after the expiration of the Term or any earlier termination of this Lease or of Tenant's right to possess the Premises, then, at Landlord's option, and without limitation to any right or remedy of Landlord with respect to such holding over, such holding over shall create a tenancy from month-to-month only, subject to Tenant's obligation to pay monthly rental equal to the higher of(i) 125% of fair market rental value and (ii) 125% of the monthly Rent (prorated on a monthly basis) in effect immediately prior to such expiration or termination, and subject to all the provisions and conditions of this Lease, other than provisions relating to length of Term, which tenancy may be terminated at any time by Landlord or Tenant giving thirty (30) days notice thereof to the other.

17.2 Removal of Personal Property, Excluded Fixtures, Alterations and Improvements, and Private Utilities. Tenant shall, at least ninety (90) days prior to the expiration or earlier termination of the Term, notify Landlord in writing of all Excluded Fixtures which Tenant intends not to remove from the Premises upon the expiration of the Term. Landlord shall have the right, to be exercised at least thirty (30) days prior to the expiration or earlier termination of the Term to identify in writing to Tenant any Excluded Fixtures which Tenant has elected not to remove from the Premises and to require Tenant, at its sole cost and expense, to remove such Excluded Fixtures. Any and all Excluded Fixtures which either (i) Tenant desires to remove or (ii) Landlord identifies for removal, and any and all trade fixtures, machinery, equipment, furniture, furnishings and other personal property furnished or installed on the Premises by or at the expense of Tenant which do not constitute part of the Premises, shall be removed by Tenant, and all damage to the Premises caused by such removal shall be repaired by Tenant, prior to the expiration or earlier termination of the Term or the termination of Tenant's right to possess the Premises, so that Tenant returns the Premises to Landlord as a functioning office building. Prior to surrender of the Premises pursuant to this Section 17, Landlord shall have the right to require, and Tenant hereby agrees if so required, to remove any alterations or Improvements made by Tenant after the inception of this Lease if Landlord so elects by written notice to Tenant at the time of installation thereof. Further, Landlord shall have the right to require, and Tenant hereby agrees if so required, to remove private utilities (such as private provider phone service) prior to surrender of the Premises pursuant to this Section 17.

17.3 Retention of Personal Property. Any personal property which shall remain on the Premises after the expiration of the Term or earlier termination of this Lease or Tenant's right to possess the Premises may, at the option of Landlord, be deemed to have been abandoned by Tenant and may be retained by Landlord as Landlord's property or be disposed of, without liability of Landlord, in such manner as Landlord may see fit, or Landlord, at its option, may require Tenant to remove the same at Tenant's expense. In case of such removal, all reasonable costs of removal and of repairing any damage to the Premises arising from such removal shall be paid by Tenant upon Landlord's demand. Tenant shall pay to Landlord on demand (a) a reasonable fee for storing and disposing of any such personal property, and (b) all reasonable costs and expenses incurred by Landlord in storing and disposing of any such personal property (including, without limitation, reasonable counsel fees relating to claims against Landlord by any and all parties claiming interests in such personal property).

18. Notices. All bills, statements, notices or other communications given hereunder shall be deemed sufficiently given or rendered only if in writing and sent to Tenant or Landlord by personal delivery, or by nationally recognized courier delivery service with positive tracking of items promising delivery on the next following business day, addressed as follows:

If to Tenant:

Independence Blue Cross
1901 Market Street, 36 Floor
Philadelphia, PA 19103-1480
Attention: Vice President, Operations

If to Landlord:

The Prudential Insurance Company of America
2 Ravinia Drive, Suite 1400
Atlanta, GA 30346-2110
Attention: Vice President, Mortgage Asset Management, Independence Blue Cross Sale-Leaseback

with a copy to:

The Prudential Insurance Company of America
2 Ravinia Drive, Suite 1400
Atlanta, GA 30346-2110
Attention: Regional Counsel, Mortgage Asset Management, Independence Blue Cross Sale-Leaseback

or such other person or place as either party hereto may designate by notice given as aforesaid. Notice delivered by a courier service shall be deemed received as of the date reflected in the records of the courier service.

19. Certain Rights Granted to Tenant. Landlord grants the following rights to Tenant:

19.1 Building Name. So long as the original Tenant, an Affiliate of the original Tenant or a successor to Tenant by merger continues to occupy and conduct business from at least 25% of the rentable square footage of the Premises, to change the name of the Building, and to change the street address of the Building.

19.2 Exterior Signs. To install and maintain a sign or signs on the exterior of the Building, subject only to compliance with applicable laws; provided Tenant shall be responsible for the maintenance, repair and removal of any such sign.

19.3 Rooftop. To install antennae, satellite dishes and other communications devices on the rooftop of the Building for its own benefit or for the benefit of third party licensees of Tenant subject only to compliance with applicable laws. In connection therewith, Tenant shall have the exclusive right during the Term to grant licenses to third parties respecting the provision of telecommunications services at the Premises and the installation of telecommunications equipment within the Premises to serve the occupants of the Premises and any third parties acceptable to Tenant; provided, however, that all of such license agreements shall provide that they are terminable by Landlord upon sixty (60) days notice at any time following the end of the Term or sooner termination of this Lease. Tenant shall be responsible for the maintenance, repair and removal of any such items.

20. Estoppel Statements.

20.1 Tenant from time to time, within twenty (20) days after request by Landlord, shall execute, acknowledge and deliver to Landlord a statement, which may be relied upon by Landlord or any proposed assignee of Landlord's interest in this Lease or any existing or proposed mortgagee or ground lessor or purchaser of the Premises or any interest therein, certifying in commercially reasonable form (i) that this Lease is unmodified and in full force and effect (or that the same is in full force and effect as modified and listing the instruments of modification); (ii) the dates to which Minimum Rent and all other charges have been paid; (iii) whether or not to Tenant's knowledge Landlord is in default hereunder or whether Tenant has any claims or demands against Landlord (and, if so, the default, claim and/or demand shall be specified); and (iv) the Lease Commencement Date and the Termination Date, and certifying as to such other matters as Landlord may reasonably request. Tenant acknowledges that any such statements so delivered by Tenant may be relied upon by Landlord, any landlord under any ground or underlying lease, or by any prospective partner, purchaser, mortgagee, lender, or any assignee of any mortgage. Attached as **Exhibit F** is a form of Estoppel Certificate which Tenant agrees to execute without limiting Landlord's right to utilize a different form of estoppel certificate.

20.2 Landlord from time to time, within thirty (30) days after request by Tenant, shall execute, acknowledge and deliver to Tenant a statement, which may be relied upon by Tenant or any proposed assignee of Tenant's interest in this Lease, certifying in a commercially reasonable form (i) that this Lease is unmodified and in full force and effect (or that the same is in full force and effect as modified and listing the instruments of modification); (ii) the dates to which Minimum Rent and all other charges have been paid; (iii) whether or not to Landlord's knowledge Tenant is in default hereunder or whether to its knowledge Landlord has any claims or demands against Tenant (and, if so, the default, claim and/or demand shall be specified); and (iv) the Lease Commencement Date and the Termination Date, and certifying as to such other matters as Tenant may reasonably request. Landlord acknowledges that any such statements so delivered by Landlord may be relied upon by Tenant, or by any prospective partner, purchaser, mortgagee, lender, subtenant, licensee or assignee. Attached as **Exhibit G** is a form of Estoppel Certificate which Landlord agrees to execute, without limiting Tenant's right to utilize a different form of estoppel certificate.

21. Covenant of Quiet Enjoyment. So long as no Event of Default shall have occurred and be continuing, Landlord covenants that Tenant shall, during the Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof.

22. Advisors.

22.1 Landlord represents and warrants to Tenant that it has not dealt with any broker, agent, finder or other person in the negotiation for or the obtaining of this Lease other than Pitney Bowes Credit Corporation ("Landlord Advisor"), and agrees to defend (with counsel reasonably satisfactory to Tenant), and indemnify and hold Tenant harmless from any and all costs (including attorney's fees) and liability for commissions or other compensation claimed by any such broker, agent, finder or other person other than Landlord Advisor, employed by it or claiming to have been engaged by it in connection with this Lease. Landlord agrees to pay any fee or commission owing Landlord Advisor on account of this Lease.

22.2 Tenant represents and warrants to Landlord that it has not dealt with any broker, agent, finder or other person in the negotiation for or the obtaining of this Lease other than Legg Mason Real Estate Services (" Tenant Advisor") and agrees to defend (with counsel reasonably satisfactory to Landlord), and indemnify and hold the Landlord Parties harmless from any and all costs (including attorney's fees and liability for commissions or other compensation claimed by any such broker, agent, finder or other person other than Tenant Advisor, employed by it or claiming to have been engaged by it in connection with this Lease. Tenant agrees to pay any fee or commission owing Tenant Advisor on account of this Lease.

23. Limitations on Liability.

23.1 The liabilities of the parties described below shall be qualified in accordance with this Section 23.

23.2 Tenant Liability. The word "Tenant" as used in this Lease shall be construed in the plural in all cases where there is more than one tenant (and in such cases the liability of such tenants shall be joint and several) and the necessary grammatical changes required to make the provisions hereof apply to corporations, partnerships, or individuals, men or women, shall in all cases be assumed to have been made. Each provision hereof shall extend to and as the case may require, shall bind and inure to the benefit of Tenant and its successors and assigns, provided that this Lease shall not inure to the benefit of any assignee or successor of Tenant except as provided in Section 9 hereof

23.3 Landlord Liability.

23.3.1 Anything in this Lease to the contrary notwithstanding, Tenant agrees that it shall look solely to the estate and property of Landlord in the Premises (including insurance and condemnation proceeds) then held by Landlord, subject to the prior rights of the holder of any mortgage, deed of trust or other lien or encumbrance thereon, for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed or performed by Landlord, and no other assets of Landlord, its officers, directors, agents, representatives, employees, affiliates, shareholders or constituent partners shall be subject to levy, execution or any procedures for the satisfaction of Tenant's remedies, it being the intention and agreement of the parties to this Lease that neither Landlord nor any of its officers, directors, agents, representatives, employees, affiliates, shareholders or constituent partners be personally liable for any deficiency or judgment against Landlord arising out of this Lease, the Premises or Tenant's (or that of the persons and entities acting by or through Tenant) occupancy thereof. In addition, notwithstanding any other provision of this Lease (whether in the body hereof, or in any exhibit or addendum hereto), Landlord shall have no liability to Tenant, its officers, directors, agents, representatives, employees, affiliates, shareholders or constituent partners whatsoever for any loss of profits or consequential damages.

23.3.2 In the event of any sale or other conveyance or transfer of Landlord's interest in the Premises, the transferor shall be and hereby is entirely free and relieved of all covenants and obligations of Landlord hereunder arising thereafter, and it shall be deemed and construed without further agreement between the parties or their successors in interest, or between the parties and the transferee at any such sale or conveyance or transfer that the transferee has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder, including, without limitation, obligations for all defaults and claims (if any) arising prior to the date of such transfer.

24. Landlord's Agreements. As a material inducement to Tenant to execute this Lease, Landlord acknowledges and agrees that this Lease is a "triple net lease" pursuant to which it is intended that Tenant shall have sole possession and use of the Premises so long as no Event of Default shall have occurred, subject only to Landlord's right of entry under Section 7.1 hereof. Consequently, except as expressly permitted under the terms of this Lease, Landlord shall have no right to enter upon the Premises to perform any work or construct any alterations or improvements, or to authorize third parties to do so. During the Term, Landlord agrees that it shall not grant any right, title or interest of any kind in or to the Premises or any portion thereof, whether by lease, license, easement or otherwise, excepting only (i) conveyance of fee title to the Premises, or (ii) the granting of a mortgage or mortgages encumbering the Premises and its rights under this Lease, or (iii) the entry into a ground lease respecting the Land; provided, that in each event such permitted conveyances shall not grant to any third parties any rights inconsistent with the rights of Tenant and the obligations of Landlord under this Lease. Without limiting the generality of the foregoing, Landlord agrees that it shall have no right to place any signs, placards, decorations or ornamentation of any kind or nature, whether temporary or permanent, at any location upon or within the Land or the Building, and that Landlord shall have no authority to grant to any third party a right or license to do so, all such rights being hereby granted and reserved to Tenant.

25. Memorandum of Lease. The parties hereto will, at the request and expense of the requesting party, execute and deliver to one another a short form lease in statutory form for recording purposes with the expectation that such short form lease shall be in recordable form and shall be recorded by the requesting party at its expense.

26. Landlord's Lien Waiver. From time to time during the Term of this Lease, within thirty (30) days following written request from Tenant, Landlord shall deliver to any equipment lessor providing leased equipment to the Premises and to any purchase money or commercial lender providing financing for Tenant's equipment or alterations (title to which does not vest in Landlord pursuant to the terms hereof) within the Premises a waiver in commercially reasonable form, duly executed and acknowledged by Landlord, respecting any statutory or common law lien or security interest which Landlord may possess respecting Tenant's equipment, trade fixtures and other tangible personal property located within (but not constituting a part of) the Premises; provided, however, no lessor shall have the right to remove any such equipment unless it has agreed to repair any damage occasioned by such removal.

27. Miscellaneous.

27.1 Non-Waiver. The failure of either party hereto in any one or more instances to insist upon the strict performance of any one or more of the agreements, terms, covenants, conditions or obligations of this Lease, or to exercise any right, remedy or election herein contained, shall not be construed as a waiver or relinquishment of the right to insist upon such performance or exercise in the future, and such right shall continue and remain in full force and effect with respect to any subsequent breach, act or omission.

27.2 Entire Agreement; Amendments . This Lease constitutes the entire agreement between the parties relating to the subject matter contained herein. Neither party hereto has made any representations or promises to the other except as expressly contained herein. The provisions of this Lease may not be waived, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by (a) in the case of a waiver, an authorized signatory of the party against which enforcement of the waiver is sought and (b) in all other cases, an authorized signatory of each of the parties hereto or thereto, as the case may be.

27.3 Partial Invalidity. If any of the provisions of this Lease, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision or provisions to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

27.4 Choice of Law. This Lease has been executed and delivered in the Commonwealth of Pennsylvania and shall be construed in accordance with the laws of the Commonwealth of Pennsylvania. Any action brought to enforce or interpret this Lease shall be brought in a court of appropriate jurisdiction in the county in which the Building is located, in the commercial court if it exists. Should any provision of this Lease require judicial interpretation, it is agreed that the court interpreting or considering same shall not apply the presumption that the terms hereof shall be more strictly construed against a party by reason of the rule or conclusion that a document should be construed more strictly against the party who itself or through its agent prepared the same. It is agreed and stipulated that all parties hereto have participated equally in the preparation of this Lease and that legal counsel was consulted by each responsible party before the execution of this Lease.

27.5 No Joint Venture. This Lease shall create only the relationship of Landlord and Tenant between Landlord and Tenant and no estate shall pass out of Landlord. Nothing herein is intended to be construed as creating a joint venture or partnership relationship between the parties hereto.

27.6 No Third Party Beneficiaries. Notwithstanding anything to the contrary contained herein, no provision of this Lease is intended to benefit any party other than the signatories hereto and their permitted heirs, personal representatives, successors and assigns (including, without limitation, any mortgagee of Landlord), and no provision of this Lease shall be enforceable by any other party.

27.7 Exhibits. All exhibits referred to in this Lease are attached hereto and shall be deemed an integral part hereof.

27.8 Captions. The captions included in this Lease, whether for sections, subsections, paragraphs, Table of Contents, Exhibits, or otherwise, are inserted and included solely for convenience and shall not be considered or given any effect in construing the provisions hereof, and are not to be used in interpreting this Lease or for any other purpose in the event of any controversy.

27.9 Gender; Plural Terms; Persons. The masculine, feminine, or neuter pronoun shall each include the masculine, feminine, and neuter genders. A reference to person shall mean a natural person, a trustee, a corporation, a partnership and any other form of legal entity. All references (including pronouns) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well, as the context may require.

27.10 WAIVER OF JURY TRIAL. IT IS MUTUALLY AGREED BY AND BETWEEN LANDLORD AND TENANT THAT THEY HEREBY WAIVE TRIAL BY JURY IN ANY ACTION PROCEEDING OR COUNTER-CLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES OR CLAIM OF INJURY OR DAMAGE.

27.11 Force Majeure. Tenant shall not be in default under this Lease if Tenant's performance (other than its obligation to pay Rent and to provide the insurance required hereby) is delayed or prevented by or due to strike, lockout, inability to obtain labor and materials, war, riot, unusually severe weather conditions, acts of God or other causes beyond the reasonable control of Tenant, and the time within which Tenant must comply with any of the terms, covenants and conditions of this Lease (other than its obligation to pay Rent and to provide the insurance required hereby) shall be extended by a period of time equal to the period of time that performance by Tenant is delayed or prevented by such causes, provided that within seven days of the commencement of the cause of delay Tenant shall have notified Landlord of the existence thereof. The provisions of this Section shall not apply to Tenant's obligation to pay Rent or provide the required insurance hereunder.

27.12 Survival. The representations, warranties, covenants, indemnities and agreements of Tenant and Landlord provided for in this Lease and Landlord's and Tenant's respective obligations under any and all thereof, shall survive the execution and delivery of this Lease and shall be and continue in effect notwithstanding any investigation made by any party and the fact that either party may waive compliance with any of the other terms, provisions or conditions of this Lease. The indemnities of Tenant provided for in this Lease are for the benefit of the Landlord Parties and shall survive the expiration or termination of this Lease.

27.13 Cooperation with Financing. In the event that subsequent to the Lease Commencement Date Landlord desires to encumber its interest in the Land, the Building or this Lease to secure indebtedness, Tenant agrees, at Landlord's sole cost and expense (for third parties engaged by Tenant, but not Tenant's internal costs and expenses) to reasonably cooperate with Landlord and its lender to complete such financing, including, without limitation, providing to Persons designated by Landlord (which may include one or more rating agencies), such information concerning Tenant and the Premises as would be usually and customarily provided to a potential financing source or mortgage lender for purposes of evaluating the creditworthiness of Tenant and the condition and value of the Premises, and making responsible officers of Tenant available at the Premises to meet with representatives of potential lenders and rating agencies. Tenant shall not, under any circumstances, be liable for the repayment of any principal, interest or other sums due in connection with such indebtedness. If any lender requires, as a condition to its making a loan to be secured by a mortgage or trust deed on the Land and Building or either, or a collateral assignment of this Lease, that certain modifications be made to this Lease, which modifications do not require Tenant to pay any additional amounts or otherwise change materially the rights or obligations of Tenant hereunder, Tenant shall, upon Landlord's request, execute appropriate instruments effecting such modifications.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused this Lease to be executed by their duly authorized representatives as of the day and year first above written.

LANDLORD:

PRU 1901 MARKET LLC, a Delaware limited liability company

Its: Sole Member

By: /s/ Michael S. Paukstitus

Name: Michael S. Paukstitus
Title: Vice President

TENANT:

INDEPENDENCE BLUE CROSS

By: /s/ John G. Foos

Name: John G. Foos
Title: Chief Financial Officer

EXHIBIT 10.129

AGREEMENT OF PURCHASE AND SALE OF PROPERTY FOR 60 BROAD STREET NEW YORK BUILDING

AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

THIS AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY (this "Agreement"), is made and entered into as of the 31st day of December, 2003, by and between 60 BROAD STREET LLC, a Delaware limited liability company, having an office at c/o Cogswell Realty Group L.L.C., 1330 Avenue of the Americas, 25th Floor, New York, New York 10019 (hereinafter referred to as "Seller"), and WELLS 60 BROAD STREET, LLC, a Delaware limited liability company, having an address at 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092 (hereinafter referred to as "Purchaser").

W I T N E S S E T H:

WHEREAS, Seller desires to sell and Purchaser desires to purchase the Property (as hereinafter defined) subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements contained herein, the sum of Ten and No/100 Dollars ($10.00) in hand paid by Purchaser to Seller at and before the sealing and delivery of these presents and for other good and valuable consideration, the receipt, adequacy, and sufficiency of which are hereby expressly acknowledged by the parties hereto, the parties hereto do hereby covenant and agree as follows:

1. Purchase and Sale of Property. Subject to and in accordance with the terms and provisions of this Agreement, Seller hereby agrees to sell, assign, transfer and convey to Purchaser and Purchaser hereby agrees to purchase from Seller, the Property, which term "Property" shall mean and include the following:

(a) all that tract or parcel of land located in the Borough of Manhattan, City, County and State of New York having an address of 60 Broad Street, New York, NY, and being more particularly described on Exhibit "A" attached hereto (hereinafter referred to as the "Land"); together with

(b) all of Seller's right, title and interest in and to all rights, privileges, and easements appurtenant to the Land, including all water rights, mineral rights, development rights, air rights, reversions, or other appurtenances to said Land, and all right, title, and interest of Seller, if any, in and to any land lying in the bed of any street, road, alley, or right-of-way, open or proposed, adjacent to or abutting the Land (including, without limitation, any unpaid award for damage to the Land by reason of change of grade of any street); and

(c) all buildings, structures, and improvements situated on the Land, including, without limitation, that certain 39-story office building containing approximately 989,046 square feet of leasable floor area, any parking areas and loading dock areas, and any and all other amenities located on the Land, and all apparatus, elevators, built-in appliances, equipment, pumps, machinery, plumbing, heating, air conditioning, and electrical and other fixtures permanently affixed thereto located on the Land (all of which are together hereinafter referred to as the "Improvements"); and

(d) all of Seller's right, title and interest in and to all personal property existing on the date of Closing (as hereinafter defined) and located on or to be located on or in, or used in connection with, the Land and Improvements, including, without limitation, the items set forth and described on Exhibit "B" attached hereto, and all other equipment, supplies, tools, furniture, furnishings, office equipment, fittings, appliances, shades, wall-to-wall carpet, draperies, screens and screening, art, awnings, plants, shrubbery, landscaping, lawn care and building maintenance equipment, spare parts and supplies, vending machines and other furnishings or items of personal property owned by Seller, existing on the date of Closing, and used or to be used in connection with the operation of the Land and Improvements (all of which are together hereinafter referred to as the "Personal Property"); and

(e) all of Seller's right, title, and interest, as landlord or lessor, in and to each of the Space Leases (as hereinafter defined), including any and all guaranties of the Space Leases and all money, letters of credit, bonds, certificates of deposit, negotiable instruments, and other security deposited by the Tenants (as defined below) to secure performance of the Space Leases; and

(f) all of Seller's right, title, and interest in and to the plans and specifications with respect to the Improvements and any guarantees, trademarks (to the extent assignable), rights of copyright (to the extent assignable), warranties (to the extent assignable), or other rights related to the ownership of or use and operation of the Land, Personal Property, or Improvements, all governmental licenses and permits (to the extent assignable), any deposits with utility or other companies or authorities relating to the Property, and all intangibles (to the extent assignable) associated with the Land, Personal Property, and Improvements, including the name "60 Broad Street" and the logo therefor, if any; and

(g) (i) all of Seller's right, title and interest in and to the contracts described on Exhibit "C" attached hereto (the "Contracts") and the Service Contracts (as hereinafter defined), to the extent assignable and to the extent any of such Contracts or Service Contracts survive the Closing or require performance after Closing and (ii) as provided in Section 9(p) hereof, all of Seller's right, title and interest in and to all collective bargaining agreements and union agreements applicable to the Property, all of which Seller represents are listed on Exhibit "D" attached hereto (the "CBAs"),

but excluding (i) all proprietary property management processes, proprietary appraisals and proprietary computer software and related software licenses (but not excluding any data or summaries or reports pertaining to the operation, repair, maintenance, leasing, and/or legal compliance of the Property), (ii) the Excluded Records (as hereinafter defined), (iii) all claims and causes of action for monetary damages against third parties and all defenses Seller may have against claims and causes of actions brought by third parties against Seller arising out of or in connection with the Property during the period prior to Closing, except that the Seller hereby agrees (which agreement shall survive Closing) not to bring any action, suit or proceeding based upon any such claim or cause of action against any Tenant of the Property other than (y) with respect to any Tenant's obligation to indemnify Seller, pursuant to the terms of such Tenant's Lease, against any third party claim arising prior to Closing or (z) an additional claim or cause of action joined to a claim or cause of action which has, or will be, commenced by the Purchaser against such Tenant, (iv) except as expressly set forth to the contrary in this Agreement (including without limitation casualty and condemnation proceeds, tax refunds, tenant security deposits, tenant letters of credit, and utility deposits) monetary rights or interests of Seller as owner of the Property related to or accruing with respect to the period prior to Closing, and (v) Seller's rights under this Agreement (subsections (i) through (v) are collectively referred to as the "Excluded Assets"). The term "Excluded Records" shall mean (A) certain records that relate to internal matters of Seller (such as income tax returns, financial statements, intercorporate debt and equity, corporate governance, investment advisory services and other professional relationships) and (B) work papers, memoranda, analysis, appraisals, correspondence and similar materials prepared by or for Seller in connection with the negotiation and documentation of the transaction contemplated hereby.

2. The Purchase Price. The purchase price for the Property (the "Purchase Price") is Two Hundred Thirteen Million Six Hundred Thousand and 00/100 Dollars ($213,600,000.00) payable by Purchaser as follows:

(a) Simultaneously with the full execution of this Agreement, Purchaser shall deliver to Fidelity National Title Insurance Company of New York ("Escrow Agent"), whose offices are at Two Park Avenue, New York, New York 10016, by wire transfer of immediately available federal funds, to an account designated by Escrow Agent and specified on Exhibit "AA", the amount of Two Million and 00/100 Dollars ($2,000,000.00) (the "Earnest Money"), which Earnest Money shall be held and disbursed by Escrow Agent pursuant to a written Escrow Agreement, the form of which is attached hereto as Exhibit "E" (the "Escrow Agreement"). The Earnest Money shall be paid by Escrow Agent to Seller at Closing and shall be applied as a credit to the Purchase Price (as hereinafter defined), or shall otherwise be paid to Seller or refunded to Purchaser in accordance with the terms of this Agreement. All interest and other income from time to time earned on the Earnest Money shall be deemed a part of the Earnest Money for all purposes of this Agreement.

(b) At the Closing Purchaser shall deliver, by wire transfer of immediately available federal funds, to an account designated by Seller and specified on Exhibit "AA" hereto, the balance of the Purchase Price, less any prorations, adjustments, and credits specified in this Agreement. The Seller and Purchaser acknowledge that no portion of the Purchase Price has been attributed to personalty. The Purchase Price is also subject to an additional earnout to Seller as described in paragraph 25 below.

3. Purchaser's Inspection and Review Rights. Commencing on November 20, 2003 (whether or not such date is prior to the effective date of this Agreement) and subject to the rights of the Tenants (as hereinafter defined), Purchaser and its agents, engineers, or representatives, with Seller's full cooperation, shall have the privilege, upon reasonable prior notice, of going upon the Property as needed to inspect, examine, test, and survey the Property at all reasonable times and from time to time. Such privilege shall include the right to perform tests customarily employed in the industry and non-invasive tests to obtain information necessary to

determine surface and subsurface conditions. Purchaser hereby agrees to indemnify, defend and hold Seller harmless from any liens, claims, liabilities, losses, costs, expenses, injuries and damages incurred through the exercise of such privilege but excluding any liability arising out of the existing environmental condition of the Property (not attributable solely to the willful misconduct or grossly negligent conduct of Purchaser or its agents) or the presence of toxic or hazardous substances thereon (not attributable solely to the willful misconduct or grossly negligent conduct of Purchaser or its agents and excluding any claims arising out of a release of existing or in-place hazardous or toxic substances on or under the Property (not attributable solely to the willful misconduct or grossly negligent conduct of Purchaser or its agents), which obligation to indemnify, defend and hold Seller harmless shall survive Closing or any termination of this Agreement. Purchaser further agrees to repair any damage to the Property caused by the exercise of such privilege (excluding any damage arising out of a release of existing or in-place hazardous or toxic substances on or under the Property not attributable solely to the willful misconduct or negligent conduct of Purchaser or its agents) and restore the Property to the condition existing prior to the exercise of such privilege which obligation shall survive Closing or any termination of this Agreement. Purchaser also shall have the right to communicate with all Tenants, with governmental officials having jurisdiction over the Property, and with all architects and contractors who have provided services for the benefit of the Property, only after providing Seller with written notice of any such proposed contact and providing Seller with a reasonable opportunity to be present during such contact. Not later than the effective date of this Agreement, upon request by Purchaser, Seller shall deliver or make available to Purchaser, provided the same is in the possession of or under the control of Seller, all books, records, and files relating to the ownership, management, maintenance and operation of the Property, including, without limitation, title matters, tenant files, tenant credit information, commission agreements, service and maintenance agreements, maintenance records for HVAC and other equipment and the roof(s) on the Improvements, as-built plans and specifications, environmental reports, engineering reports, reports of insurance carriers insuring the Property, rent rolls, lists of capital expenditures made since January 2001 and those expected to be made in the coming five years, commitment letters and letters of intent for leases (including the New York State proposal), the four most recent tax bills for the Property, utility bills, lists of inventory and FF&E, a complete and accurate list of Seller's employees covered by the terms of the CBAs (including name, address, date of hire, employment classification and pursuant to which CBA the employee works), a list of all "building service employees" (as used in Section 2, Chapter 5, Title 22, Section 22-505 of the Administrative Code of the City of New York), and all other contracts including collective bargaining and similar agreements), operating statements, expense budgets, and other information reasonably requested by Purchaser and relating to the Property. Seller agrees to in good faith assist and cooperate with Purchaser in its due diligence effort but shall not be obligated to incur any liability or expense in connection therewith. Seller further agrees to provide to Purchaser prior to the effective date of this Agreement, to the extent the same are in the possession of or under the control of Seller, the most current boundary and "as-built" surveys of the Land and Improvements and any title insurance policies, appraisals, building inspection reports, environmental reports, certificates of occupancy, building permits, zoning letters and instruments reflecting the approval of any association governing the Property or relating thereto.

4. Special Condition to Closing. Purchaser shall have until 5:00 p.m. (local time at the Property), December 22, 2003 (the "Inspection Period"), to make investigations,

examinations, inspections, market studies, feasibility studies, lease reviews, and tests relating to the Property and the operation thereof in order to determine, in Purchaser's sole opinion and discretion, the suitability of the Property for acquisition by Purchaser. Purchaser shall have the right to terminate this Agreement for any reason or no reason at any time prior to the expiration of the Inspection Period by giving written notice to Seller of such election to terminate, time being of the essence. In the event Purchaser so elects to terminate this Agreement, Seller shall be entitled to retain the sum of Twenty-Five Dollars ($25.00) of the Earnest Money, and the balance of the Earnest Money shall be refunded by Seller to Purchaser in accordance with the terms of the Escrow Agreement, whereupon, except as expressly provided to the contrary in this Agreement, no party hereto shall have any other or further rights or obligations under this Agreement. Seller acknowledges that the sum of $25.00 is good and adequate consideration for the termination rights granted to Purchaser hereunder.

5. General Conditions Precedent to Purchaser's Obligations Regarding the Closing . In addition to the conditions to Purchaser's obligations set forth in paragraph 4 above, the obligations of Purchaser to close hereunder shall in all respects be conditioned upon the satisfaction of each of the following conditions prior to or simultaneously with the Closing, any of which may be waived by written notice from Purchaser to Seller:

(a) Seller shall have delivered to Purchaser all of the items required to be delivered to Purchaser pursuant to the terms of paragraph 15 of this Agreement.

(b) Seller has complied with and otherwise performed, in all material respects, each of the covenants and obligations of Seller set forth in this Agreement.

(c) All representations and warranties of Seller as set forth in this Agreement shall be in all respects true and correct when made and as of the date of Closing as though such representations and warranties were made on and as of the date of Closing (and as if made without limitation or qualification as to Seller's knowledge except as otherwise expressly set forth herein). If Seller discovers that any of the representations or warranties made by Seller herein were not, on the date hereof, or are not, on the date of Closing, true and correct, Seller shall include such state of facts in the Seller's Certificate (as hereinafter defined) as shall be necessary or appropriate to make such representations and warranties true and correct. Seller shall be deemed to have satisfied the condition precedent to Closing set forth in this subsection (c) notwithstanding the failure of any representation or warranty being true and correct when made and as of the date of Closing if, but only if, such incorrectness results from any change that is expressly permitted under the terms of this Agreement, but the fact that Seller is permitted and required to update and correct its representations and warranties and does so shall not of itself be treated as an expressly permitted change that will allow Seller to be deemed to have satisfied the condition to closing set forth in this subparagraph (c).

(d) Subject to paragraph 7, there has been no adverse change to the title to the Property which has not been satisfied in accordance with the provisions of paragraph 7(e) and the Title Company (as hereinafter defined) has issued an owner's title insurance commitment on the Land and Improvements and is prepared to issue to Purchaser upon the Closing a fee simple owner's title insurance policy on the Land and Improvements, marked to change the effective date thereof through the date and time of recording of the Deed (as hereinafter defined), to reflect that Purchaser is vested with the fee simple title to the Land and Improvements, in a form reasonably acceptable to Purchaser, which shall include only the Permitted Exceptions (as hereinafter defined) in Schedule B thereof.

(e) Purchaser shall have received the Tenant Estoppel Certificates (as hereinafter defined) required pursuant to paragraph 13(d) hereafter.

(f) Each of the Tenants shall have accepted possession of its premises under the Leases, and rent shall have commenced under each of the Leases unless noted on Exhibit “GG” hereto, then rent shall commence under such Lease on the date specified therein.

In the event Purchaser shall terminate this Agreement as a result of the non-satisfaction of any of the foregoing conditions, subject to the terms of the Escrow Agreement, Purchaser shall be entitled to an immediate return of the Earnest Money from Escrow Agent.

6. General Conditions Precedent to Seller’s Obligations Regarding the Closing . The obligations of Seller to close hereunder shall in all respects be conditioned upon the satisfaction of each of the following conditions prior to or simultaneously with the Closing, any of which may be waived by written notice from Seller to Purchaser:

(a) Purchaser shall have delivered to Seller all of the items required to be delivered to Seller pursuant to paragraph 16 of this Agreement.

(b) Purchaser shall have delivered to Escrow Agent the Purchaser Price, as adjusted, as provided herein, pursuant to and payable in the manner provided for in this Agreement.

(c) Purchaser has complied with and otherwise performed, in all material respects, each of the covenants and obligations of Purchaser set forth in this Agreement.

(d) All representations and warranties of Purchaser as set forth in this Agreement shall be in all respects true and correct when made and as of the date of Closing as though such representations and warranties were made on and as of the date of Closing (and as if made without limitation or qualification as to Purchaser’s knowledge except as otherwise expressly set forth herein).

7. Title to the Property.

(a) Good and marketable fee simple record title to the Land and Improvements shall be conveyed by Seller to Purchaser by the Deed, free and clear of all liens, easements, restrictions, and encumbrances whatsoever, excepting only those matters not objected to by Purchaser as provided below or which, if objected to but not timely cured by Seller, are later accepted by Purchaser pursuant to subsection (e)(iii) below (hereinafter referred to as the “Permitted Exceptions”), and such other matters as may become additional “Permitted Exceptions” as provided herein. Seller has caused Fidelity National Title Insurance Company of New York (the “Title Company”) to deliver to Purchaser its commitment (hereinafter referred to as the “Title Commitment”) to issue to Purchaser upon the recording of the Deed conveying title to the Land and Improvements from Seller to Purchaser, the payment of the Purchase Price, and the payment to the Title Company of the policy premium therefor, an ALTA owner’s policy of title insurance, in the amount of the Purchase Price, insuring good and marketable fee simple record title to the Property to be in Purchaser without exception (including any standard exception), except for the Permitted Exceptions.

(b) On December 4, 2003 Purchaser advised Seller in writing of defects or objections affecting the title to the Property and disclosed by the Title Commitment (the “Initial Title Objection Letter”) and on December 8, 2003 Seller advised Purchaser that Seller has elected to cure those objections set forth in items 1-5 of the section entitled “Schedule B” of the Initial Title Objection Letter and those objections set forth in items 1, and 3 of the section entitled “Tax Search” of the Initial Title Objection Letter (the “Cured Title Matters”). Seller and Purchaser agree that other matters objected to in the Initial Title Objection Letter were not title matters but legal compliance matters addressed elsewhere in this Agreement. Seller shall have the obligation to remove, satisfy or otherwise cure all Cured Title Matters following the procedures set forth in subsection (e) below. If Seller fails to cure the matters objected to then Purchaser shall have the right to terminate this Agreement by giving written notice of such termination to Seller, whereupon Escrow Agent shall promptly refund all Earnest Money to Purchaser in accordance with the terms of the Escrow Agreement, and Purchaser and Seller shall have no further rights, obligations, or liabilities hereunder, except as may be expressly provided to the contrary herein.

(c) Purchaser shall, or shall cause Title Company, to provide to Seller’s counsel any update to the Title Commitment issued by the Title Company on or prior to the date of Closing (each an “Update”). If any Update discloses one or more new defects or objections to title to which the Purchaser objects, then Purchaser shall give written notice to Seller on or prior to the tenth (10 th) day after the date upon which Purchaser receives the Update first containing such new defect or objection (but in any event not later than the Closing). Within ten (10) days after receipt of Purchaser’s notice of objection, but in any event not later than the Closing, Seller shall give written notice to Purchaser informing Purchaser of Sellers’ election with respect to such defects and objections. If Seller fails to give written notice of election within such ten (10) day period, or, in any event, prior to Closing, Seller shall be deemed to have elected to attempt to cure the matters objected to. If Seller elects not to attempt to cure the matters objected to then Purchaser shall have the right to terminate this Agreement by giving written notice of such termination to Seller, whereupon Escrow Agent shall promptly refund all Earnest Money to Purchaser in accordance with the terms of the Escrow Agreement, and Purchaser and Seller shall have no further rights, obligations, or liabilities hereunder, except as may be expressly provided to the contrary herein. If Seller elects or is deemed to have elected to cure the matters objected to, then the parties shall follow the procedures set forth in subsection (e) below.

(d) Prior to the effective date, Purchaser ordered a survey of the Property (the “Survey”). Purchaser shall provide a copy of the survey to Seller upon receipt of the same by Purchaser. If the Survey discloses any encroachments, protrusions, defects or objections affecting the title to the Property or the use thereof to which the Purchaser objects, then Purchaser shall give written notice to Seller on or prior to the tenth (10 th) day after the date upon which Purchaser receives the Survey (but in any event not later than the Closing). Within ten (10) days after receipt of Purchaser's notice of objection, but in any event not later than the Closing) Seller shall give written notice to Purchaser informing Purchaser of Sellers' election with respect to such encroachments, protrusions, defects or objections. If Seller fails to give written notice of election within such ten (10) day period, or, in any event, prior to Closing, Seller shall be deemed to have elected to attempt to cure the matters objected to. If Seller elects not to attempt to cure the matters objected to then Purchaser shall have the right to terminate this Agreement by giving written notice of such termination to Seller, whereupon Escrow Agent shall promptly refund all Earnest Money to Purchaser in accordance with the terms of the Escrow Agreement, and Purchaser and Seller shall have no further rights, obligations, or liabilities hereunder, except as may be expressly provided to the contrary herein. If Seller elects to cure the matters objected to, then the parties shall follow the procedures set forth in subsection (e) below.

(e) If Seller elects or is deemed to have elected to cure such defects or objections, then Seller shall have until the date of Closing to remove, obtain affirmative insurance from the Title Company, acceptable to Purchaser in Purchaser's reasonable discretion and so long as all matters insured over with affirmative coverage do not, in the aggregate, exceed $500,000.00 ("Acceptable Affirmative Coverage"), satisfy or cure such defects or objections. If Seller fails to remove, provide Acceptable Affirmative Coverage, satisfy or cure such defects or objections by Closing, then, at the option of Purchaser: (i) if any such defects or objections were caused by Seller or if any such defects or objections consist of taxes, mortgages or other such monetary encumbrances, other than mechanic's or materialman's liens of Tenants, Purchaser shall have the right, provided Purchaser has not rejected Acceptable Affirmative Coverage, to cure such defects or objections, in which event the Purchase Price payable pursuant to paragraph 2 hereof shall be reduced by an amount equal to the costs and expenses incurred by Purchaser in connection with the curing of such defects or objections, and upon such curing, the Closing hereof shall proceed in accordance with the terms of this Agreement; or (ii) Purchaser shall have the right to terminate this Agreement by giving written notice of such termination to Seller, whereupon Escrow Agent shall promptly refund all Earnest Money to Purchaser in accordance with the terms of the Escrow Agreement, and Purchaser and Seller shall have no further rights, obligations, or liabilities hereunder, except as may be expressly provided to the contrary herein; (iii) Purchaser shall have the right to accept title to the Property subject to such defects and objections with no reduction in the Purchase Price, in which event such defects and objections shall be deemed "Permitted Exceptions"; or (iv) Purchaser may elect to extend the Closing for ten (10) days in order to allow Seller additional time to satisfy such defects and objections.

8. Violations.

(a) Subject to the terms of this paragraph 8(a), all violations of law or municipal ordinances, orders or requirements noted in or issued by the departments of buildings, fire, labor, health or other federal, state, county, city or other departments and governmental agencies having jurisdiction against or affecting the Property (collectively, the "Violations"), noted against the Property prior to the date hereof (collectively, the "Existing Violations"), shall be complied with by Seller, at its sole cost and expense. The Seller and Purchaser hereby agree that the Purchaser shall have the right to hold back $15,000 of the Purchase Price at Closing if the Seller has failed to cure all of the Existing Violations by the date of Closing (the "Hold Back"). Seller shall be entitled to a release of the Hold Back, such release to occur promptly upon receipt by Purchaser of evidence of removal of all Existing Violations, which evidence shall be satisfactory to Purchaser in Purchaser's reasonable discretion, if Seller cures all Existing Violations within one hundred eighty (180) days of Closing (the "Cure Period"). If Seller fails to cure all Existing Violations within such Cure Period, Purchaser shall be entitled to keep the Holdback and Seller shall have no further obligation hereunder. After Closing, Seller shall be required to obtain Purchaser's consent, such consent not to be unreasonably withheld or delayed, prior to: (i) scheduling any inspection necessary in order to cure any Existing Violation and (ii) filing any documentation with any governmental authority regarding any Existing Violation. In addition, the Seller agrees to regularly update the Purchaser as to the status of the Existing Violations. Notwithstanding anything to the foregoing set forth in this paragraph 8(a), Seller shall have no obligation to cure the Existing Violations to the extent that the cost of curing the Existing Violations, in the aggregate, is greater than $250,000. If the cost of curing the Existing Violations is, in the aggregate, greater than $250,000, Seller may elect, in its sole and absolute discretion, which election must be made at least five (5) days prior to Closing, not to cure such Existing Violations, in which case, the Purchaser shall have the right to terminate this Agreement by notice to Seller on or before the date of Closing. If Purchaser elects to terminate this Agreement, Seller may elect, in Seller's sole and absolute discretion, by written notice to Purchaser within one (1) business day after receipt of Purchaser's notice to terminate, to cure the Existing Violations, at its sole cost and expense, or to allow Purchaser a credit against the Purchase Price in an amount equal to the cost to cure those Existing Violations which have not been complied with on or before the date of Closing (the "Purchaser Credit"), in which event Purchaser's termination notice shall be null and void and Seller and Purchaser shall proceed with the Closing. Provided that Purchaser does not have the right to terminate this Agreement as aforesaid or elects not to exercise such right to terminate this Agreement, any Existing Violations that Seller is not obligated to cure shall be the sole responsibility of Purchaser and Purchaser shall accept title to the Property subject to such Existing Violations without any additional abatement of the Purchase Price. In furtherance of the foregoing, it is understood that in the event (i) the cost to comply with the Existing Violations exceeds $250,000 in the aggregate, (ii) Seller elects not to cure such Existing Violations and (iii) Purchaser nevertheless elects to proceed with the Closing, then Purchaser shall be entitled to a Purchaser Credit, not to exceed $250,000, less any amounts Seller has expended to cure such Existing Violations. If Seller and Purchaser are unable to agree upon the cost of complying with such Existing Violations, then Seller, at its sole cost and expense, shall retain an independent engineer (i.e., an engineer not affiliated with Seller or any of Seller's affiliates in any way) that is reasonably designated by Seller and reasonably approved by Purchaser (the "Violations Engineer") to estimate such cost, and the Purchaser Credit under this paragraph 8(a) shall be an amount equal to the Violations Engineer's final determination of such cost of compliance, which determination shall be in writing and binding upon the parties. Seller and Purchaser acknowledge that Purchaser will not receive the results of the Health and the Air Resources violation searches with respect to the Property from the Title Company prior to Closing. Purchaser shall promptly provide the results of such searches to Seller after receipt thereof and Seller shall be obligated to cure any violations, other than those which are the obligations of Tenants, which existed on or before Closing and were caused or permitted by Seller. The provisions of this paragraph 8(a) shall survive Closing.

(b) Subject to the terms of this paragraph 8(b), any Violations noted against the Property on or after the date hereof (collectively, the "New Violations") shall be the sole responsibility of Purchaser and Purchaser shall accept title to the Property subject to such New Violations without any abatement of the Purchase Price. Notwithstanding the foregoing, if the cost of complying with such New Violations is, in the aggregate, greater than $250,000, then Purchaser shall have the right to terminate this Agreement by notice to Seller on or before the Closing Date; provided, however, Seller shall have ten (10) days from and after receipt of such notice of termination by Purchaser in which to elect, in Seller's sole and absolute discretion, to pay for the cost of complying with New Violations in excess of $250,000 in the aggregate, in which event Purchaser's termination notice shall be null and void and Seller and Purchaser shall proceed with the Closing. If Seller and Purchaser are unable to agree upon the cost of complying with such New Violations, then Seller, at its sole cost and expense, shall retain the Violations Engineer to estimate such cost, and the payment to be made by Seller under this paragraph 8(b) shall be an amount equal to the Violations Engineer's final determination of such cost of compliance in excess of $250,000 in the aggregate, which determination shall be in writing and binding upon the parties. In the event that Seller elects to pay for the cost of complying with New Violations in excess of $250,000, in the aggregate, Seller shall allow Purchaser a credit against the Purchase Price in an amount equal to the cost of compliance for all of those New Violations which have not been complied with on or before the Closing Date in excess of $250,000, in the aggregate.

9. Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Purchaser as of the date hereof and at Closing:

(a) Leases. Attached hereto as Exhibit "F" is a complete list setting forth all leases and other agreements for the present or future use or occupancy of any space relating to the Property and all modifications and amendments to such leases, which list excludes any sublease of any portion of the Property or any assignment of any Tenant's interest under such Tenant's lease (such leases, as modified and amended, and all guaranties and other documents relating thereto, being herein collectively referred to as the "Space Leases"). Attached hereto as Exhibit "G" is a complete list of all subleases of the Property or any portion thereof and all assignments of any Tenant's interest under such Tenant's Space Lease of which Seller has actual knowledge or to which Seller has consented (such subleases and assignments, as modified and amended, being herein collectively referred to as the "Sublease and Assignment Documents"; the Sublease and Assignment Documents and the Space Leases are herein collectively referred to as the "Leases" or individually as a "Lease"). Seller has delivered to Purchaser copies of all of the Leases to the extent in Seller's possession or under Seller's control, which copies of the Space Leases are complete and accurate in all material respects. Seller is the "landlord" under all of the Space Leases. The lessees or tenants identified in the Space Leases are hereinafter collectively referred to as "Tenants" or individually as "Tenant". Other than the leasing activity described on Exhibit "BB" attached hereto, to Seller's knowledge, there is no other leasing activity at the Property.

(b) Rent Roll. Attached hereto as Exhibit "H" is a complete and accurate rent roll (the "Rent Roll") for the Property as of the date hereof setting forth all Space Leases and setting forth with respect to each Space Lease (i) the name of the Tenant thereunder; (ii) the commencement and termination dates of the term of such Space Lease; (iii) the premises covered by each such Space Lease (including the rentable square foot area of such premises to the extent known or reasonably estimated); and (iv) the amount of base rent payable thereunder and the dates of base rent increases. There is no money or other security, including but not limited to Tenant letters of credit, deposited by Tenants with Seller as Lessor under the current Space Leases to secure performance of Tenants' obligations thereunder, other than as set forth or Exhibit "FF". Attached hereto as Exhibit "I" (the "Rent Arrearage Schedule") is a complete and accurate schedule of rent arrearages for the Property under the Space Leases as of the date set forth thereon.

(c) Leases – Default. (i) Seller has not received any notice of termination or default under any of the Space Leases which remains uncured, (ii) to Seller's knowledge, there are no existing or uncured material defaults by Seller, by any predecessor landlord, or by any Tenant under the Space Leases except as set forth in the Tenant Estoppel Certificates, (iii) Seller has delivered to Purchaser copies of all notices of default, which remain uncured, which Seller has sent to Tenants, (iv) to Seller's knowledge there are no non-monetary defaults for which Seller has sent a notice of default to a Tenant, (v) to Seller's knowledge, except as set forth on Exhibit "J" attached hereto, no Tenant has asserted any defense, set-off, or counter-claim with respect to its tenancy or its obligation to pay rent, additional rent, or other charges pursuant to its Lease which remains uncured, and (vi) to Seller's knowledge, no Tenant is using its premises in violation of an "exclusive" granted to another Tenant or occupant of the Property.

(d) Leases – Prepaid Rent. Except as reflected on the Rent Arrearage Schedule, no Tenant has prepaid rent for more than the current month under such Tenant's Lease and, except as set forth on Exhibit "CC" attached hereto, no Tenant is entitled to any special work (not yet performed) or consideration (not yet given) in connection with its tenancy.

(e) Leases–Commissions. No rental, lease, or other commissions with respect to any Lease are payable to Seller, to any partner or member of Seller, any party affiliated with or related to Seller or any partner or member of Seller or to any third party whatsoever except under the agreements set forth on Exhibit "K" hereto.

(f) Leases – Acceptance of Premises. None of the Tenants has indicated in writing addressed to Seller a request to terminate its Lease prior to the expiration of the respective term of such Lease or to reduce the size of the premises leased by such Tenant.

(g) Service Contracts. Attached hereto as Exhibit "L" is a complete and accurate list of all of the service contracts, management agreements, or other agreements (other than the Leases) which are in effect as of the date hereof and which relate to the operation, management, or maintenance of the Property by Seller (said agreements being herein collectively referred to as the "Service Contracts"). To Seller's knowledge, all such Service Contracts are in full force and effect in accordance with their respective provisions. Seller has not given written notice of any default with respect to any of such Service Contracts. At no cost or liability to Purchaser, Seller agrees to cancel any of the Service Contracts specified by Purchaser in a written notice to Seller given at least five (5) days prior to the Closing. Pursuant to Purchaser's request, Seller has delivered a notice of termination to Johnson Controls, Inc., effective as of the date of Closing. Except as otherwise set forth herein, Seller has cancelled or will cancel, effective as of the Closing, any agreement in the nature of a management agreement or service contract relating to the Property between Seller and any partner or member of Seller or any party affiliated with or related to Seller or any partner or member of Seller.

(h) Warranties and Guaranties. Attached hereto as Exhibit "M" is a list, which is complete and accurate in all material respects, of all of the warranties and guaranties of contractors, vendors, manufacturers and other parties which are known by Seller to be in effect on the date hereof and relating to the Property. Within five (5) days after the effective date of this Agreement, Seller shall provide Purchaser with complete and accurate copies of all such warranties and guaranties which are written, which are known by Seller to relate to the Property and which are in the possession or control of Seller.

(i) No Other Agreements. Other than the Leases, the Service Contracts, the Contracts and the encumbrances noted on the Title Commitment, there are no leases, service contracts, management agreements, or other agreements or instruments in force and effect, oral or written and binding on Purchaser, entered into by the Seller, or to Seller's knowledge, have been entered into by any other person or entity, that grant to any person whomsoever or any entity whatsoever any right, title, interest or benefit in or to all or any part of the Property, any rights to acquire all or any part of the Property or any rights relating to the use, operation, management, maintenance, or repair of all or any part of the Property.

(j) No Litigation. There are no actions, suits, or proceedings pending, or to the best of Seller's knowledge threatened by any organization, person, individual, or governmental agency against Seller unrelated to the Excluded Records with respect to the Property or its use or operation or against the Property which could result in a material liability or charge not adequately covered by insurance as to both Seller and Purchaser after Closing.

(k) Condemnation. The Seller has not received written notice that any condemnation or other taking by eminent domain of the Property or any portion thereof has been instituted or is pending or threatened.

(l) Certificates. There has been no written notice or request of the board of fire underwriters directed to Seller and requesting the performance of any work or alteration in respect to the Property which has not been complied with.

(m) Compliance With Governmental Requirements. To Seller's knowledge, Seller has not received any written notification from any governmental or public authority of any violation of law, municipal or county ordinances, or other legal requirements with respect to the Property or the operation thereof where such violation remains outstanding other than those noted in the Title Commitment.

(n) No Liens. To Seller's knowledge, all contractors, subcontractors, and other persons or entities furnishing work, labor, materials, or supplies requested by Seller for the Property have been paid in full with respect to all amounts owing to the date hereof and, other than routine ongoing charges pursuant to the Service Contracts and Contracts, there are no claims against the Property or Seller in connection therewith.

(o) Tax Returns. To Seller's knowledge, all property tax returns required to be filed by Seller relating to the Property under any law, ordinance, rule, regulation, order, or requirement of any governmental authority have been truthfully, correctly, and timely filed.

(p) Employees. There are no employment, collective bargaining, or similar agreements or arrangements between Seller and any of its employees or others which will be binding on Purchaser or any of Purchaser's successors in title except as specified on Exhibit "D" hereto. Manager (as hereinafter defined) will separately agree pursuant to the Amendment (as hereinafter defined), to assume and be bound by the CBAs listed on Exhibit D, effective as of the date of Closing. To Seller's knowledge, there are no employees employed by Seller or Seller's agents (excluding any independent contractor) in connection with the Property as of the date hereof who are members of any labor union or are employed as building service employees, as that phrase is used in the Displaced Building Service Workers Law (contained in the Administrative Code of the City of New York) ("DBSWL"), other than those employees listed in Exhibit "N" attached hereto and made a part hereof. To Seller's knowledge, Seller has not received any notice of violations of the Immigration Reform and Control Act with respect to the employees listed in Exhibit "O" and to Seller's knowledge, Seller has not received any notice of grievance from or with respect to any unionized employee at the Property which remains unaddressed or notice of labor investigation or labor proceeding with respect to any employee of Seller or any agent of Seller at the Property which remains unaddressed. Neither Seller nor Seller's agents (but not including any independent contractor) is or has committed to become a party and/or signatory to any collective bargaining agreement or other union agreement relating to the Real Estate or the Additional Property, other than the CBAs listed in Exhibit "D".

(q) Bankruptcy. Seller is solvent and has not made a general assignment for the benefit of creditors nor been adjudicated bankrupt or insolvent, nor has a receiver, liquidator, or trustee for any of Seller's properties (including the Property) been appointed or a petition filed by or against Seller for bankruptcy, reorganization, or arrangement pursuant to the Federal Bankruptcy Act or any similar Federal or state statute, or any proceeding instituted for the dissolution or liquidation of Seller.

(r) Pre-existing Right to Acquire. The Seller has not entered into any contract or option for the sale of the Property with any person or entity other than Purchaser which remains in effect.

(s) Authorization. Seller is a duly organized and validly existing limited liability company under the laws of the State of Delaware and has duly registered and is qualified to transact business in the State of New York. This Agreement has been duly authorized and executed on behalf of Seller, all necessary action on the part of Seller to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose, and this Agreement constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting generally the enforcement of creditor's rights. Neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated hereby will (i) be in violation of Seller's Certificate of Formation, (ii) conflict with or result in the violation of any law, regulation, writ, injunction or decree of any court or governmental instrumentality applicable to Seller, or (iii) constitute a breach of any evidence of indebtedness or agreement of which Seller is a party or by which Seller is bound except the first mortgage encumbering the Property. The loan represented by the first mortgage is prepayable by the Seller at any time and will be prepaid by the Seller at Closing, at which time, the lien of the mortgage shall be removed of record as a lien on the Property or, if the Loan is not prepaid by Seller at Closing, the Seller shall cause the lender to transfer the lien of the mortgage from the Property so that it does not encumber the Property.

(t) Seller Not a Foreign Person. Seller is not a "foreign person" which would subject Purchaser to the withholding tax provisions of Section 1445 of the Internal Revenue Code of 1986, as amended.

(u) Seller Not a Prohibited Person. The Seller is not a Prohibited Person. The term "Prohibited Person" as used herein shall mean: (i) any person listed in the annex to, or who is otherwise subject to the provisions of, Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism; and (ii) any person that is named as a "specially designated national and blocked person" on the list published by the U.S. Treasury Department Office of Foreign Assets Control, as of the date hereof and on the date of Closing, at its official website or at any replacement website or other replacement official publication of such list.

(v) Property Management Agreement. To Seller's knowledge, there are no existing or uncured material defaults by Seller or Manager (as hereinafter defined) under the Property Management Agreement (as hereinafter defined).

At Closing, Seller shall represent and warrant to Purchaser that all such representations and warranties of Seller in this Agreement remain true and correct as of the date of the Closing, except for any changes in any such representations or warranties that occur and are expressly permitted by this Agreement and are disclosed by Seller to Purchaser expressly and in writing at any time and from time to time prior to Closing upon their occurrence, which disclosures shall thereafter be updated by Seller to the date of Closing. Seller and Purchaser acknowledge that changes to the representations and warranties set forth in subsections (q), (r), (s), (t) and (u) above are not permitted by this Agreement and Seller shall have no right to update such representations and warranties. Each and all of the express representations and warranties made and given by Seller to Purchaser herein shall survive the execution and delivery of the Deed by Seller to Purchaser for a period of one (1) year after the Closing and any action must be commenced in said one (1) year period. No claim for a breach of any representation or warranty of Seller shall be actionable or payable: (a) if the breach in question results from or is based on a condition, state of facts or other matter which was known to Purchaser prior to Closing unless Seller has knowledge of such condition, state of facts or matter on the date hereof and failed to disclose such condition, state of facts or other matter to Purchaser or unless such condition, state of fact or other matter was willfully caused by Seller, or (b) unless the valid claims for all such breaches collectively aggregate more than $50,000 (in which event the full amount of such claims shall be actionable). Notwithstanding the foregoing, Seller's liability for all claims pursuant to this paragraph 9 shall be limited to $2,500,000.

10. Knowledge Defined. References to the "knowledge" of Seller shall refer only to the actual knowledge of the Designated Employees (as hereinafter defined) of Cogswell Realty Group, L.L.C., and shall not be construed, by imputation or otherwise, to refer to the knowledge of Seller or any member of Seller, to any property manager, or to any other officer, agent, manager, representative or employee of Seller or any member of Seller or to impose upon such Designated Employees any duty to investigate the matter to which such actual knowledge, or the absence thereof pertains. As used herein, the term "Designated Employees" shall refer to the following persons: Arthur Stern, Michael Skurnick, Eric Sarner and Mark Landstrom.

11. Representations and Warranties of Purchaser. Purchaser hereby makes the following representations and warranties to Seller as of the date hereof and at Closing:

(a) ERISA. Purchaser is not acquiring the Property with the assets of an employee benefit plan as defined in Section 3(3) of ERISA.

(b) Authorization. Purchaser is a duly organized and validly existing limited liability company under the laws of the State of Delaware and has duly registered and is qualified to transact business in the State of New York. This Agreement has been duly authorized and executed on behalf of Purchaser, all necessary action on the part of Purchaser to authorize the transactions herein contemplated has been taken, including, without limitation, with respect to the earnout provisions set forth in paragraph 25 hereafter, and no further action is necessary for such purpose, and this Agreement constitutes the valid and binding agreement of Purchaser, enforceable in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting generally the enforcement of creditor's rights. Neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated hereby will (i) be in violation of Purchaser's Certificate of Formation or Operating Agreement, (ii) conflict with or result in the breach or violation of any law, regulation, writ, injunction or decree of any court or governmental instrumentality applicable to Purchaser, or (iii) constitute a breach of any evidence of indebtedness or agreement of which Purchaser is a party or by which Purchaser is bound.

(c) Bankruptcy. Purchaser is solvent and has not made a general assignment for the benefit of creditors nor been adjudicated bankrupt or insolvent, nor has a receiver, liquidator, or trustee for any of Purchaser's properties been appointed or a petition filed by or against Purchaser for bankruptcy, reorganization, or arrangement pursuant to the Federal Bankruptcy Act or any similar Federal or state statute, or any proceeding instituted for the dissolution or liquidation of Purchaser.

(d) Purchaser Not a Prohibited Person. The Purchaser is not a Prohibited Person.

At Closing, Purchaser shall represent and warrant to Seller that all such representations and warranties of Purchaser in this Agreement remain true and correct as of the date of the Closing. Each and all of the express representations and warranties made and given by Purchaser to Seller herein shall survive the execution and delivery of the Deed by Seller to Purchaser for a period of one (1) year after the Closing and any action must be commenced in said one (1) year period.

12. Purchaser Offset Right Against Earnout. Purchaser shall have the right to offset against any Earnout Payment (as hereinafter defined) or Alternate Earnout Payment (as hereinafter defined), as applicable, which may be payable by Purchaser to Seller, from time to time, in accordance with the provisions of paragraph 25 of this Agreement, any amounts due by Seller to Purchaser but not paid in connection with this transaction arising either before or after the date of Closing and including, with limitation, (i) all claims, costs, damages and liabilities which have then accrued and are owing by Seller to Purchaser and (ii) any amounts due with respect to obligations of the Seller which survive the Closing in accordance with the terms of this Agreement and any documents executed in connection with the closing of this transaction. This paragraph 12 shall survive the Closing.

13. Seller's Additional Covenants. Seller does hereby further covenant and agree as follows:

(a) Operation of Property. Seller hereby covenants that, from the date of this Agreement up to and including the date of Closing or earlier termination of this Agreement, Seller shall: (i) not negotiate with any third party respecting the sale of the Property or any interest therein, (ii) not modify, amend, or terminate any of the Leases or enter into any new lease, contract, or other agreement respecting the Property, unless Seller obtains the prior written consent to same from Purchaser which consent shall not be unreasonably withheld or delayed, (iii) not affirmatively waive any rights of Seller under any Lease or contract, (iv) not send a notice of default to any Tenant of the Property, (v) not grant or otherwise create or consent to the creation of any easement, restriction, lien, assessment, or encumbrance respecting the Property, and (vi) use reasonable efforts to cause the Property to be operated, maintained, and repaired in generally the same manner as the Property has been operated, maintained, and repaired (including the payment of all taxes, the maintenance of all permits and licenses, and the obligation to provide Purchaser with a copy of any written notice provided to Seller or its agents with respect to the Property) prior to the date hereof.

(b) Removal of Personal Property. Seller shall neither transfer nor remove any Personal Property or fixtures from the Property after the date of this Agreement except for the purposes of replacement thereof, in which case such replacements shall be promptly installed and shall be comparable in quality to the items being replaced.

(c) Preservation of Leases. Seller shall, from and after the date of this Agreement to the date of Closing, use reasonable efforts to perform and discharge all of the material duties and obligations and shall otherwise comply with each material covenant and agreement of the landlord or lessor under the Leases, at Seller's expense, unless otherwise provided in the applicable Space Lease.

(d) Tenant Estoppel Certificates. Prior to Closing, Seller shall obtain and deliver to Purchaser a fully completed estoppel certificate (herein referred to as the "Major Tenant Estoppel Certificates") with respect to each of the Leases listed on Exhibit "P" attached hereto (each, a "Major Lease") substantially in the form attached hereto as Exhibit "Q" (except with respect to the Leases with the City of New York and the State of New York, which estoppel certificates shall be in the form required pursuant to the terms of each of such Leases), duly executed by the Tenant thereunder. In addition, Seller shall use reasonable efforts to obtain, prior to Closing, a tenant estoppel certificate substantially in the form of Exhibit "Q" with respect to each of the Leases which is not a Major Lease (herein referred to as the "Non-Major Tenant Estoppel Certificates; the Non-Major Tenant Estoppel Certificates and the Major Tenant Estoppel Certificates are hereinafter collectively referred to as the "Tenant Estoppel Certificates"). Purchaser's obligations under this Agreement shall be conditioned upon Purchaser receiving an executed Estoppel Certificate, which content is substantially in compliance with such Tenant's Lease, from each of the Tenants with respect to the Major Leases prior to Closing.

(e) Insurance. From and after the date of this Agreement to the date and time of Closing, Seller shall, at its expense, continue to maintain the same special form/ "all risk" insurance and the terrorism insurance covering the Property which is currently in force and effect.

(f) Cooperation with Purchaser's Auditors and SEC Filing Requirements. Seller shall provide to Purchaser (at Purchaser's expense) copies of, or shall provide Purchaser access to, the books and records with respect to the ownership, management, maintenance and operation of the Property and shall furnish Purchaser with such additional information concerning the same as Purchaser shall reasonably request and which is in the possession or control of Seller, or its property manager or accountants, to enable Purchaser (or Wells Operating Partnership, L.P. or Wells Real Estate Investment Trust, Inc.), to file its or their Form 8-K, if, as and when such filing may be required by the Securities and Exchange Commission ("SEC"). At Purchaser's sole cost and expense, Seller shall allow Purchaser's auditor (Ernst & Young or any successor auditor selected by Purchaser) to conduct an audit of the income statements of the Property for the year of Closing (to the date of Closing) and the two prior years, and shall cooperate (at no cost to Seller) with Purchaser's auditor in the conduct of such audit. In addition, Seller agrees to provide to Purchaser's auditor a letter of representation in the form attached hereto as Exhibit "R", and, if requested by such auditor, historical financial statements for the Property, including income and balance sheet data for the Property, whether required before or after Closing. Without limiting the foregoing, (i) Purchaser or its auditor may audit Seller's operating statements of the Property, at Purchaser's expense, and Seller shall provide such documentation as Purchaser or its auditor may reasonably request in order to complete such audit, (ii) Seller shall furnish to Purchaser such financial and other information as may be reasonably required by Purchaser to make any required filings with the SEC or other governmental authority; provided, however, that the foregoing obligations of Seller shall be limited to providing such information or documentation as may be in the possession of, or reasonably obtainable by, Seller, its property manager or accountants, at no cost to Seller, and in the format that Seller (or its property manager or accountants) have maintained such information, and (iii) Seller and Purchaser acknowledge and agree that the letter of representation to be delivered by Seller to Purchaser in the form attached hereto as Exhibit "R" is not intended to expand, extend, supplement or increase the representations and warranties made by Seller to Purchaser pursuant to the terms and provisions of this Agreement or to expose Seller to any risk of liability to third parties. The provisions of this paragraph 13(f) shall survive Closing.

(g) Permanent Certificate of Occupancy. Seller shall, at Seller's expense, obtain a permanent certificate of occupancy for the Property as required by applicable law for the present use and occupation of the Property. The covenant set forth in this paragraph 13(g) shall survive Closing. Subsequent to the date of Closing, if Seller is still seeking the permanent certificate of occupancy in accordance with this paragraph 13(g), Seller shall be required to obtain Purchaser's consent, such consent not to be unreasonably withheld or delayed, prior to: (i) speaking with any governmental authority regarding the certificate of occupancy; (ii) scheduling any inspection necessary in order to obtain the permanent certificate of occupancy; and (iii) filing any documentation with any governmental authority which is necessary to obtain the permanent certificate of occupancy. Purchaser shall cooperate, at Seller's expense, in obtaining such permanent certificate of occupancy and shall execute any documentation required to be filed with any governmental authority in order to obtain such permanent certificate of occupancy.

(h) CBAs. Seller hereby covenants that, from the date of this Agreement up to and including the date of Closing or earlier termination of this Agreement, Seller shall comply with and otherwise perform, in all material respects, each of the covenants and obligations of Seller under each of the CBAs.

(i) Employees. Seller hereby covenants that, from the date of this Agreement up to and including the date of Closing or earlier termination of this Agreement, Seller shall not hire additional building service employees as such phrase is used in the DBSWL or additional union-represented employees and Seller shall not increase any employee's wages or benefits unless otherwise required under the CBAs.

14. Closing. Provided that all of the conditions set forth in this Agreement are theretofore fully satisfied or performed by each of Seller and Purchaser respectively, it being fully understood and agreed, however, that any conditions that are unsatisfied or unperformed at such time may be waived expressly and in writing by the appropriate party, at or prior to Closing, the consummation of the sale by Seller and purchase by Purchaser of the Property (herein referred to as the "Closing") shall be held on or before December 31, 2003, at the office of Shearman & Sterling LLP in New York, New York at such specific time and date, as shall be designated by Purchaser in a written notice to Seller not less than three (3) business days prior to Closing. In the event Purchaser fails to give such notice of the time and date of Closing, the Closing shall occur at 10:00 a.m. on December 31, 2003.

15. Seller's Closing Documents. For and in consideration of, and as a condition precedent to Purchaser's delivery to Seller of the Purchase Price described in paragraph 2 hereof, Seller shall obtain or execute, at Seller's expense, and deliver to Purchaser at Closing the following documents (all of which shall be duly executed, acknowledged, and notarized where required and shall survive the Closing):

(a) Bargain and Sale Deed with Covenant Against Grantor's Acts. A Bargain and Sale Deed with Covenant Against Grantor's Acts and with the covenant referred to in subdivision 5 of Section 13 of the New York Lien Law (the "Deed");

(b) Transfer Tax Forms. Tax returns in respect of the New York State Real Estate Transfer Tax (the "TP-584 Form") and the New York City Real Property Tax (the "NYC-RPT"), both duly executed by Seller;

(c) Real Property Transfer Tax Report. A Real Property Transfer Tax Report (the "RP-5217NYC"), duly executed by Seller;

(d) Non-Multiple Dwelling Affidavit. A Non-Multiple Dwelling Affidavit, duly executed by Seller;

(e) Bill of Sale. A Bill of Sale in the form and substance of Exhibit "S" attached hereto;

(f) Blanket Transfer. A Blanket Transfer and Assignment in the form and substance of Exhibit "T" attached hereto;

(g) Assignment and Assumption of Leases. An Assignment and Assumption of Leases in the form and substance of Exhibit "U" attached hereto;

(h) Seller's Certificate. A certificate evidencing the reaffirmation of the truth and accuracy of Seller's representations, warranties, and agreements set forth in paragraph 9 but subject to the limitations set forth therein;

(i) Seller's Affidavit. A Seller's Affidavit in the form and substance of Exhibit "V" attached hereto;

(j) FIRPTA Certificate. A FIRPTA Certificate in the form and substance of Exhibit "W" attached hereto;

(k) Surveys and Plans. To the extent the same are in the possession of or under the control of Seller, such surveys, site plans, plans and specifications, and other matters relating to the Property as are described in subparagraph (a) of the Blanket Transfer and Assignment and are in the possession or control of Seller;

(l) Leases and Security Deposits. To the extent the same are in the possession or under the control of Seller, an original executed counterpart of each Lease and any guaranties thereof, and all security deposits theretofore paid in cash to Seller, to the extent held by Seller at the time of Closing, together with an accounting certified by Seller of the disposition, if any, of such security deposits, and any security deposit issued in the form of a letter of credit or other form of collateral amended or assigned pursuant to the terms of paragraph 18(m) of this Agreement;

(m) Contracts. To the extent the same are in the possession or control of Seller, an original executed counterpart of each Contract and Service Contract;

(n) Estoppel Certificates. The Tenant Estoppel Certificates required pursuant to paragraph 13(d) hereof;

(o) Rent Roll. A revised Rent Roll in the form of Exhibit "H", updated to the date of Closing and certified to be true and correct by Seller at Closing;

(p) Rent Arrearage Schedule. A revised Rent Arrearage Schedule, in the form of Exhibit "I", updated to the date of Closing and certified to be true and correct by Seller at Closing;

(q) Members Consent. A consent to this Agreement, the transactions contemplated herein, and the execution and delivery of the documents required hereunder, signed by all members of Seller and certified to be in force and unmodified as of the date and time of Closing, authorizing the execution and delivery of documents required hereunder, and designating and guaranteeing the signatures of the members of Seller (or its members) who are to execute and deliver all such documents on behalf of Seller;

(r) Keys and Records. All of the keys to any doors or locks on the Property and the original tenant files and other books and records relating to the Property in Seller's possession or control;

(s) Tenant Notices. Notice from Seller to the Tenants in the form attached hereto as Exhibit "X";

(t) Vendor Notices. Notice from Seller to any parties to the Contracts or Service Contracts which are not terminated in the form attached hereto as Exhibit "Y";

(u) ICIP. An assignment to Purchaser of the benefit of any tax exemptions under the New York City Department of Finance, Property Division, Industrial and Commercial Incentive Program or any other tax abatement or incentive program, which assignment will be made by Seller without recourse.

(v) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement;

(w) Assignment and Assumption of Property Management Agreement. An Assignment and Assumption of that certain Property Management Agreement (the "Property Management Agreement"), dated as of August 11, 2000, between Seller and CRG Management, LLC (the "Manager") and amended by that certain Amendment to Property Management Agreement, dated as of March 1, 2003, in the form and substance of Exhibit "DD" attached hereto (the "Assignment and Assumption of Property Management Agreement").

(x) Amendment to Property Management Agreement. An amendment to the Property Management Agreement in the form and substance of Exhibit "EE" attached hereto (the "Amendment"), signed by Manager; and

(y) Other Documents. Such other documents as shall be reasonably required by Purchaser's counsel.

16. Purchaser's Closing Documents. Purchaser shall obtain or execute, at Purchaser's expense, and deliver to Seller at Closing and as a condition to Seller's obligations hereunder, the following documents, all of which shall be duly executed, acknowledged and notarized where required and shall survive the Closing:

(a) Blanket Transfer. A Blanket Transfer and Assignment in the form and substance of Exhibit "T" attached hereto;

(b) Assignment and Assumption of Leases. The Assignment and Assumption of Leases in the form and substance of Exhibit "U" attached hereto;

(c) Transfer Tax Forms. The TP-584 Form and the NYC-RPT, both duly executed by Purchaser;

(d) Real Property Transfer Tax Report. A RP-5217NYC, duly executed by Purchaser;

(e) Purchaser's Certificate. A certificate evidencing the reaffirmation of the truth and accuracy of Purchaser's representations, warranties and agreements as set forth in paragraphs 11 and 24 of this Agreement.

(f) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement;

(g) Limited Liability Company Agreement. The Limited Liability Company Agreement of Purchaser, signed by the sole member of Purchaser and authorizing the transactions contemplated herein;

(h) Certificate of Formation. A copy of the Purchaser's Certificate of Formation certified by the Secretary of State of the State of Delaware not more than thirty (30) days prior to the date of Closing;

(i) Receipt. A receipt with respect to each of the Tenant security deposits which have been delivered to Purchaser by Seller as more particularly described in the accounting delivered by Seller pursuant to paragraph 15(l);

(j) Assignment and Assumption of Property Management Agreement. The Assignment and Assumption of Property Management Agreement in the form and substance of Exhibit "DD" attached hereto;

(k) Amendment. The Amendment in the form and substance of Exhibit "EE" attached hereto;

(l) Other Documents. Such other documents as shall be reasonably required by Seller's counsel; and

(m) Escrow. Instructions to the Title Company to distribute the Purchase Price, as adjusted in accordance with paragraph 2, to Seller.

17. Closing Costs. Seller shall pay (unless Seller elects to have Purchaser make such payments with a credit against the Purchase Price, in which case such payments shall be so made by Purchaser) the cost of any transfer tax or sales tax imposed by the State of New York and the City of New York upon the conveyance of the Property pursuant hereto, the attorneys' fees of Seller, and all other costs and expenses incurred by Seller in closing and consummating the purchase and sale of the Property pursuant hereto. Purchaser shall pay the recording fees on the Deed (and quitclaim deed, if required), the attorneys' fees of Purchaser, and all other costs and expenses incurred by Purchaser in closing and consummating the purchase and sale of the Property pursuant hereto.

18. Prorations. The following items shall be prorated and/or credited between Seller and Purchaser as of 12:01 a.m. on the date of Closing as if Purchaser were vested with title during the entire day of Closing:

(a) Rents. Rents, additional rents, operating costs, and other income of the Property (other than security deposits) collected by Seller from the Tenants, which shall be prorated and/or credited in accordance with clause (c) hereof, for the month of Closing. Purchaser shall also receive a credit against the Purchase Price for any rents or other sums (not including security deposits) prepaid by the Tenants for any period following the month of Closing, or otherwise. Seller shall either pay over an amount equal to or Purchaser shall receive a credit against the Purchase Price for the total sum of all security deposits paid by Tenants under Leases and not theretofore applied to delinquent rent and other charges payable by the applicable Tenant. Seller hereby acknowledges that Purchaser shall not be legally responsible to Seller for the collection of any uncollected rent or other income under any of the Leases that is past due or otherwise due and payable as of the date of Closing. Unpaid and delinquent rent collected by Seller and Purchaser after the date of Closing shall be delivered as follows: (i) if Seller collects any unpaid or delinquent rent for the Property, Seller shall, within fifteen (15) days after the receipt thereof, deliver to Purchaser any such rent which Purchaser is entitled to hereunder relating to the date of Closing and any period thereafter, and (ii) if Purchaser collects any unpaid or delinquent rent from the Property, Purchaser shall, within fifteen (15) days after the receipt thereof, deliver to Seller any such rent which Seller is entitled to hereunder relating to the period prior to the date of Closing. Seller and Purchaser agree that all rent received by Seller or Purchaser after Closing shall be applied first to current rents due and payable, and the remainder, if any shall be applied to delinquent rents, in the inverse order of maturity.

(b) Percentage Rents. Percentage rents, if any, collected by Purchaser from any Tenant under such Tenant's Lease for the percentage rent accounting period in which the Closing occurs, as, if, and when received by Purchaser, such that Seller's pro rata share shall be an amount equal to the total percentage rentals paid for such percentage rent accounting period under the applicable Lease multiplied by a fraction, the numerator of which shall be the number of days in such accounting period prior to Closing and the denominator of which shall be the total number of days in such accounting period; provided, however, that such proration shall be made only at such time as such Tenant is current or, after application of a portion of such payment, will be current in the payment of all rental and other charges under such Tenant's Lease that accrue and become due and payable from and after the Closing and in the payment of any other obligations of such Tenant to Purchaser then due and payable by such Tenant.

(c) Employees. Wages of employees engaged at the Property, together with vacation pay, social security taxes, worker's compensation, pension and other fringe benefits. Fringe benefits shall be based upon union contract rights, if feasible, and otherwise determined as a fair allocation in Purchaser's judgment. If employees engaged at the Property are in the employ of an agent, then such adjustment or proration shall be made as appropriate with the agent to reach the same economic result as if in the direct employ of Seller.

(d) Property Taxes. Apportionment of real property taxes, the ICIP tax abatement, water rates and charges, sewer taxes and rents and other similar items shall be made on the basis of the fiscal year for which assessed. If the Closing occurs before the real property taxes, water rates and charges, sewer taxes and rents or similar items with respect to the Property are finally fixed for the fiscal year in which the Closing occurs, then the apportionments thereof made at the Closing shall be made on the basis of the real property taxes, water rates and charges, sewer taxes and rents or other similar items, as the case may be, for the preceding fiscal year applied to the latest assessed valuation. After the real property taxes, water rates and charges, sewer taxes and rents or similar items, as the case may be, are finally fixed for the fiscal year in which the Closing occurs, Seller and Purchaser shall make a recalculation of the apportionment thereof based on the amounts finally fixed for the fiscal year in which the Closing occurs, and Seller or

Purchaser, as the case may be, shall make an appropriate payment to the other party based on such recalculation. Seller or its representatives shall have the right (x) at any time before the Closing, to institute tax reduction or other proceedings to reduce the assessed valuation of the Real Estate with respect to the period ending at the end of the fiscal year in which the Closing occurs, or (y) to continue, after the Closing, any such proceedings commenced by Seller prior to the Closing, provided that such proceeding shall not be finally settled by Seller without the prior consent of Purchaser, which consent shall not be unreasonably withheld or delayed. If Purchaser, at any time following the Closing, institutes tax reduction or other proceedings not previously instituted by Seller to reduce the assessed valuation of the Real Estate with respect to the period ending at the end of the fiscal year in which the Closing occurs, then such proceeding shall not be finally settled by Purchaser without the prior consent of Seller, which consent shall not be unreasonably withheld or delayed. If any refund of any real property tax, water rates and charges, sewer taxes and rents or similar items is issued after the Closing for any period that includes the period prior to the Closing Date, then such refund shall be applied as follows: first, to the cost incurred in obtaining such refund; second, to any amount required to be refunded to the Tenants in accordance with the terms of the Leases, to the extent applicable; and, third, the balance of such refund, if any, shall be apportioned between Seller and Purchaser as of the Closing date.

(e) Utility Charges. Except for utilities which are the direct responsibility of the Tenants to the applicable public or private utilities supplier, Seller shall pay all utility bills received prior to Closing and shall be responsible for utilities furnished to the Property prior to Closing. Purchaser shall be responsible for the payment of all bills for utilities furnished to the Property subsequent to the Closing. Seller and Purchaser hereby agree to prorate as of 12:01 a.m. on the date of Closing and pay their respective shares of all utility bills received subsequent to Closing (if they include a service period prior to the date of Closing), which agreement shall survive Closing. Purchaser shall pay to Seller at Closing an amount equal to all refundable cash or other deposits posted with the utility companies serving the Property, if any.

(f) Contracts. Charges under the Service Contracts being assigned to Purchaser shall be prorated as of 12:01 a.m. on the date of Closing. Any amounts paid by Seller under the Contracts shall be reimbursed to Seller by Purchaser.

(g) Other Tenant Charges. Where the Leases contain Tenant obligations for taxes, common area expenses, operating expenses or additional charges of any nature, and where Seller shall have collected on an estimated basis any portion thereof in excess of amounts owed by Seller for such items for the period prior to the date of Closing, then there shall be an adjustment and credit given to Purchaser on the date of Closing for such excess amounts collected. Purchaser shall apply all such excess amounts to the charges owed by Purchaser for such items for the period after the date of Closing, and if required by the Leases, shall rebate or credit Tenants with any remainder. If it is determined subsequent to the Closing that the amount collected during Seller's ownership period exceeded expenses incurred during the same period by more than the amount previously credited to Purchaser at Closing, then Seller shall promptly pay to Purchaser the deficiency. If it is determined subsequent to Closing that the amount collected during

Seller's ownership period exceeded expenses incurred during the same period by less than the amount previously credited to Purchaser at Closing, then Purchaser shall promptly pay to Seller the overpayment.

(h) Tenant Inducements and Unpaid Commissions. Seller shall pay all leasing commissions in connection with any Lease executed on or before the effective date of this Agreement which are due and payable prior to Closing, including, without limitation, the commission set forth on Exhibit "K" hereof. Notwithstanding the foregoing, the Seller and Purchaser hereby agree that the leasing commissions relating to the activities more particularly described on Exhibit "BB" attached hereto with respect to the lease transactions set forth on such Exhibit "BB" shall be paid by the Purchaser. Purchaser shall be entitled to a credit against the Purchase Price for the total sum of any free rent or other unexpired concessions under any Leases to the extent they apply to any period after the Closing, but Purchaser shall receive no such credit against the Purchase Price for any free rent or other unexpired concessions payable by the landlord or lessor under the Leases as a result of the exercise by a Tenant after the Closing of any expansion or extension option in such Tenant's Lease. Purchaser shall also be entitled to a credit against the Purchase Price for the total sum of any remaining improvement allowances set forth on Exhibit "CC", but Purchaser shall receive no such credit against the Purchase Price for any improvement allowances payable by the landlord or lessor under the Leases as a result of the exercise by a Tenant after the Closing of any expansion or extension option in such Tenant's Lease.

(i) Commercial Revitalization Program. Attached hereto as Exhibit "Z" is a list of Tenants at the Property who receive a tax abatement as a part of the New York City Commercial Revitalization Program ("CRP"). To the extent that the Seller has received a tax benefit with respect to CRP which the Seller has not credited to the applicable Tenant, the Purchaser shall receive a credit with respect to such tax benefit at the Closing and Purchaser shall assume the obligation to provide such credit to the Tenants .

(j) Water Meters. If there are any meters measuring water consumption at the Property (other than meters measuring water consumption for which a Tenant is obligated to pay the charges therefor directly to the utility company), Seller shall attempt to obtain meter readings to a date that is no more than thirty (30) days before the Closing, and, if such readings are obtained, the unfixed water rates and charges and sewer taxes and rents, if any, based thereon for the intervening time, shall be apportioned on the basis of such readings, or if such readings are not obtained, the unfixed water rates and charges and sewer taxes and rents, if any, shall be apportioned upon the last meter readings.

(k) Fuel Oil. Fuel oil, if any, owned by Seller and located on the Property on the date of Closing shall be adjusted at the cost of $1.00 per gallon. Seller shall arrange for the amount of fuel oil to be determined prior to Closing, which determination shall be reasonably acceptable to Seller and Purchaser.

(l) Assessments. If, on the Closing Date, the Property, or any part thereof, is affected by any real property tax assessments (but specifically excluding Block 72601, Lot 11 and Block 72675, Lot 1002 for which GE American Communication and International Securities Exchange Inc., respectively, are required to pay real estate taxes) then Seller shall pay such assessments; provided, however, that if such assessments are payable in installments, then Seller shall pay such installments due prior to the Closing date, and Purchaser shall pay such installments due after the Closing date.

(m) Letters of Credit as Security under Leases. If a Tenant has deposited with Seller a letter of credit as security for the performance of such Tenant's obligations under the applicable Lease, Seller shall use reasonable efforts to cause such Tenant to cause the bank which issued such letter of credit to issue an amendment to such letter of credit or issue a new letter of credit naming Purchaser as the beneficiary thereunder effective as of the date of Closing. In addition, to the extent Seller's interest has not been transferred to Purchaser at or before Closing, Seller shall execute instruments of assignment of Seller's interest under such letter of credit at Closing. If Seller is unable to provide for the transfer of Seller's interest in any letter of credit at or prior to Closing, then (i) Seller shall cooperate with Purchaser in arranging for the assignment to Purchaser of the beneficiary's interest under such letter of credit (or the re-issuance to Purchaser of such letter of credit) promptly following the Closing and (ii) if requested by Purchaser, upon the default by a Tenant under its Lease, Seller shall present the letter of credit for payment and immediately remit any such funds to Purchaser and Purchaser shall indemnify Seller for, and hold Seller harmless against, any and all loss, liability or reasonable costs or expenses incurred in connection with such presentment. The foregoing, except as otherwise specifically stated, shall be at no cost or expense to Purchaser.

(n) Vault Tax. Seller shall be responsible to pay any vault tax due with respect to the Land.

(o) Survival. The provisions of this paragraph 18 shall survive Closing.

19. Purchaser's Failure to Close. In the event of a wrongful failure to close by Purchaser under the terms of this Agreement, Seller's sole and exclusive remedy for such default shall be to receive the Earnest Money as liquidated damages and thereafter the parties hereto shall have no further rights or obligations hereunder whatsoever, except for such liabilities and obligations set forth in paragraphs 3 and 26 ("Obligations Surviving Termination"), which survive the termination of this Agreement. It is hereby agreed that Seller's damages will be difficult to ascertain and that the Earnest Money constitutes a reasonable liquidation thereof and is intended not as a penalty, but as fully liquidated damages. Seller agrees that in the event of a wrongful failure to close by Purchaser, it shall not initiate any proceeding to recover damages from Purchaser, other than damages arising from an Obligation Surviving Termination, but shall limit its recovery to the receipt and retention of the Earnest Money.

20. Seller's Failure to Close. In the event of wrongful failure to close by Seller under the terms of this Agreement, except as otherwise specifically set forth herein, Purchaser's sole and exclusive remedy shall be, at Purchaser's option: (i) Purchaser may terminate this Agreement by written notice to Seller, whereupon the Earnest Money shall be immediately returned by Escrow Agent to Purchaser, Seller shall be liable to Purchaser for all of Purchaser's

out-of-pocket costs (including legal fees) incurred in connection with this transaction (up to $250,000 in the aggregate), and the parties hereto shall have no further rights or obligations hereunder whatsoever, or (ii) Purchaser shall be entitled to an immediate refund of all but $25.00 of the Earnest Money and to pursue against Seller the remedy of specific performance.

21. Condemnation. If, prior to the Closing, all or more than a de minimis part of the Property is subjected to a bona fide threat of condemnation by a body having the power of eminent domain or is taken by eminent domain or condemnation (or sale in lieu thereof), or if Seller has received notice that any condemnation action or proceeding with respect to the Property is contemplated by a body having the power of eminent domain, Seller shall give Purchaser immediate written notice of such threatened or contemplated condemnation or of such taking or sale, and Purchaser may by written notice to Seller given within five (5) days of the receipt of such notice from Seller, elect to cancel this Agreement. If Purchaser chooses to cancel this Agreement in accordance with this paragraph 21, then the Earnest Money shall be returned immediately to Purchaser by Escrow Agent and the rights, duties, obligations, and liabilities of the parties hereunder shall immediately terminate and be of no further force and effect, except with respect to the Obligations Surviving Termination. If Purchaser does not elect to cancel this Agreement in accordance herewith, this Agreement shall remain in full force and effect and the sale of the Property contemplated by this Agreement, less any interest taken by eminent domain or condemnation, or sale in lieu thereof, shall be effected with no further adjustment and without reduction of the Purchase Price, and at the Closing, Seller shall assign, transfer, and set over to Purchaser all of the right, title, and interest of Seller in and to any awards that have been or that may thereafter be made for such taking. At such time as all or a part of the Property is subjected to a bona fide threat of condemnation and Purchaser shall not have elected to terminate this Agreement as hereinabove provided, Purchaser shall be permitted to participate in the proceedings as if Purchaser were a party to the action. Seller shall not settle or agree to any award or payment pursuant to condemnation, eminent domain, or sale in lieu thereof without obtaining Purchaser's prior written consent thereto in each case.

22. Damage or Destruction. If any of the Improvements shall be destroyed or damaged by fire or casualty, including, without limitation, a terrorist act, prior to the Closing, and if either the estimated cost of repair or replacement exceeds Five Million Dollars ($5,000,000.00) or the damage results in the termination of one or more of the Major Leases, Purchaser may, by written notice given to Seller within five (5) days after receipt of written notice from Seller of such damage or destruction, elect to terminate this Agreement, in which event the Earnest Money shall immediately be returned by Escrow Agent to Purchaser and the rights, duties, obligations, and liabilities of all parties hereunder shall immediately terminate and be of no further force or effect except as to the Obligations Surviving Termination. If Purchaser does not elect to terminate this Agreement pursuant to this paragraph 22 or has no right to terminate this Agreement (because the damage or destruction does not exceed $5,000,000.00 or such damage or destruction has not resulted in the termination of one or more of the Major Leases), and the sale of the Property is consummated, Purchaser shall be entitled to receive all insurance proceeds paid or payable to Seller by reason of such destruction or damage (less amounts of insurance theretofore received and applied by Seller to costs actually incurred for restoration). Seller shall not settle or release any damage or destruction claims without obtaining Purchaser's prior written consent in each case which consent shall not be unreasonably withheld. In addition, at Closing, Seller shall pay over to Purchaser, and assign to Purchaser, all proceeds

of any rent loss insurance for the period of time commencing on the date of Closing. If the amount of said casualty or rent loss insurance proceeds is not settled by the date of Closing, Seller shall execute at Closing all proofs of loss, assignments of claim, and other similar instruments reasonably required by Purchaser in order that Purchaser receive all of Seller's right, title, and interest in and under said insurance proceeds.

23. Assignment. This Agreement and Purchaser's rights, duties, and obligations hereunder may not be delegated, transferred, or assigned by Purchaser without the prior written consent of Seller, and any assignee or transferee proposed by Purchaser shall expressly assume all of Purchaser's duties, liabilities and obligations under this Agreement by written instrument delivered to Seller.

24. Disclaimers and Waivers

(a) No Reliance on Documents. Except as expressly stated herein, Seller makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information delivered by Seller to Purchaser in connection with the transaction contemplated hereby. Purchaser acknowledges and agrees that all materials, data and information delivered by Seller to Purchaser in connection with the transaction contemplated hereby are provided to Purchaser as a convenience only and that any reliance on or use of such materials, data or information by Purchaser shall be at the sole risk of Purchaser, except as otherwise expressly stated herein. Without limiting the generality of the foregoing provisions, Purchaser acknowledges and agrees that (i) any environmental or engineering inspections or reports, title searches or commitments, surveys or other reports or inspections with respect to the Property which are or have been delivered by Seller to Purchaser shall be for general informational purposes only, (ii) Purchaser shall not have any right to rely on any such reports, inspections, commitments, or surveys delivered by Seller to Purchaser, but rather will rely on its own inspections and investigations of the Property and any reports, inspections, surveys and commitments commissioned by Purchaser with respect thereto, and (iii) neither Seller, any affiliate of Seller nor the person or entity which prepared any such report, inspection, commitment or survey delivered by Seller to Purchaser shall have any liability to Purchaser for any inaccuracy in or omission from any such report, inspection, commitment or survey. The foregoing provisions of this paragraph 24 shall not in any way modify or vitiate any representation or warranty of the Seller contained herein or be applicable to the Tenant Estoppel Certificates, the Deed or any other instrument or document delivered at Closing pursuant to the terms of this Agreement.

(b) EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN ANY DOCUMENTS DELIVERED BY SELLER PURSUANT TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THE DEED, IT IS UNDERSTOOD AND AGREED THAT SELLER IS NOT MAKING AND HAS NOT AT ANY TIME MADE ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESSED OR IMPLIED, ARISING BY OPERATION OF LAW OR OTHERWISE, WITH RESPECT TO THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OR REPRESENTATIONS AS TO THE HABITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR

PURPOSE, TITLE (OTHER THAN SELLER'S LIMITED WARRANTY OF TITLE TO BE SET FORTH IN THE DEED), ZONING, TAX CONSEQUENCES, LATENT OR PATENT PHYSICAL OR ENVIRONMENTAL CONDITIONS, UTILITIES, OPERATING HISTORY OR PROJECTIONS, VALUATION, GOVERNMENTAL APPROVALS, THE COMPLIANCE OF THE PROPERTY WITH GOVERNMENTAL LAWS, THE TRUTH, ACCURACY OR COMPLETENESS OF THE PROPERTY DOCUMENTS OR ANY OTHER INFORMATION PROVIDED BY OR ON BEHALF OF SELLER TO PURCHASER, OR ANY OTHER MATTER OR THING REGARDING THE PROPERTY. PURCHASER ACKNOWLEDGES AND AGREES THAT UPON CLOSING SELLER SHALL SELL AND CONVEY TO PURCHASER AND PURCHASER SHALL ACCEPT THE PROPERTY "AS IS," "WHERE IS," WITH "ALL FAULTS", EXCEPT TO THE EXTENT EXPRESSLY PROVIDED OTHERWISE IN THIS AGREEMENT OR IN ANY DOCUMENTS DELIVERED BY SELLER PURSUANT TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THE DEED. PURCHASER EXPRESSLY ACKNOWLEDGES AND AGREES THAT THE FOREGOING DISCLAIMER AND WAIVER OF WARRANTIES HAVE BEEN FULLY EXPLAINED TO PURCHASER AND THAT PURCHASER UNDERSTANDS THE SAME.

25. Potential Earnout to Seller/Refund to Purchaser .

(a) Seller shall have the right and duty to attempt to secure for the benefit of Purchaser a Qualifying Lease (as defined in Schedule A) until the Earnout Deadline (as hereinafter defined) and, in connection therewith, shall have the right and duty to use CRG Management LLC and CRG Real Estate Services Inc. (collectively, the "Managing Agent") in connection with such endeavor. Notwithstanding anything to the contrary in this Agreement or that certain Property Management Agreement regarding the Property as assigned and amended of even date herewith (the "Management Agreement"), the Managing Agent's duties shall be governed by such Management Agreement and the Managing Agent shall not be due any leasing or brokerage commission or other compensation in connection with its efforts or success in obtaining a Qualifying Lease other than such commission, if any, due if, as and when provided in such Management Agreement. Purchaser agrees to cooperate with Seller in all respects reasonably requested by Seller in connection with such attempt, will act in good faith when addressing issues related to such attempt and will promptly enter into a lease or amendment or amendments which would qualify as a Qualifying Lease provided the same is reasonably acceptable to Purchaser. Purchaser agrees not independently to negotiate and enter into any other lease with the State for space in the Property until the Earnout Deadline and that if Purchaser sells the Property prior to the Earnout Deadline, Purchaser shall have the new buyer assume the obligations under this Section. Seller shall not have any right or authority to bind Purchaser or to commit Purchaser in respect of any lease. Purchaser agrees to consult with Seller prior to issuing a press release regarding its acquisition of the Property. Purchaser acknowledges that the current proposal anticipates that Purchaser shall provide alternate space for the State during the build out of the premises for the State and Purchaser agrees that as long as the amount to Purchaser does not exceed that encompassed in the formulas to determine the Earnout Amount (or Seller pays any incremental amount), Purchaser shall act in the same manner with respect to the procurement of such space as Purchaser is obligated to act in connection with the procurement of the Qualifying Lease. If and only if Seller is successful in procuring a fully executed Qualifying Lease on or before December 30, 2005, as such date may be extended as provided below, time being of the essence (the "Earnout Deadline"), then Purchaser shall pay to Seller (i) the Earnout Payment (as defined on Schedule A) in the event that the Qualifying Lease provides for base rent equal to the Base Rental Amounts, or (ii) the Alternate Earnout Payment (as defined on Schedule A) in the event that the Qualifying Lease provides for base rent which differs from the Base Rental Amounts (either higher or lower). In the event that the Qualifying Lease provides for base rent less than $35 per rentable square foot during any period during the New Term (as defined on Schedule A), then with respect to all such periods Seller shall pay to Purchaser an amount (the "Make Purchaser Whole Payment") equal to the product of (A) the rentable square footage leased under the Qualifying Lease, and (B) the positive difference between (i) $35 and (ii) the actual annual base rent per square foot payable by the State pursuant to the Qualifying Lease. The aggregate amount of all Make Purchaser Whole Payments due hereunder shall be calculated by the parties prior to the time any Earnout Payment or Alternate Earnout Payment is due to Seller, and such amount shall be discounted to the date of payment in the same manner as payments are discounted below, and such total amount shall be paid to Purchaser by Seller simultaneously with the Earnout Payment or Alternate Earnout Payment, as applicable, or may be offset from the Earnout Payment or Alternate Earnout Payment, as applicable. In the event the Existing NYS Lease is divided into three (3) separate leases as contemplated in the definition of Existing NYS Lease with the consent of Purchaser, such consent not to be unreasonably withheld or delayed, then the computation provided for herein shall be made on a consolidated basis for all separate Qualifying Leases succeeding the same.

(b) The Earnout Payment or the Alternate Earnout Payment, as applicable, shall be payable to Seller, at its election, either (i) on the first day of the New Term of the Qualifying Lease or (ii) in whole or in identified part upon not less than forty-five (45) days prior written notice to Purchaser, on a date at least forty-five days (45) after receipt by Purchaser of such written notice as to such portion thereof as shall be designated by Seller and for which a written receipt and release shall be given by Seller. If Seller elects to receive payment as provided in (ii) of the immediately preceding sentence, then the Earnout Payment or the Alternate Earnout Payment, as applicable, shall be discounted by Purchaser utilizing a discount rate equal to eight percent (8%) per annum from the first day of the New Term to the date such payment shall be made.

(c) Purchaser and Seller each hereby acknowledges and agrees that any lease or amendment to lease signed after the Earnout Deadline shall not be a Qualifying Lease and shall not entitle Seller to the payment of any sums by Purchaser including, without limitation, the Earnout Payment or the Alternate Earnout Payment, so long as such failure does not result solely from a willful breach of the obligations of Purchaser under this paragraph 25. Notwithstanding anything to the contrary contained herein, in the event the State, on or before December 30, 2005 has issued leases and/or lease amendments in connection with the renewal of the Existing NYS Lease whereby all material business terms have been agreed to by the tenant and landlord and such leases/amendments are being actively negotiated by the State's legal representative(s), then, provided that the Qualifying Lease shall take full force and effect upon execution by the landlord and tenant, the Earnout

Deadline will be extended until the earlier of (i) the execution and delivery of such Qualifying Lease or (ii) April 30, 2006, or, if on or prior to April 30, 2006 the Office of General Services has executed such Qualifying Lease and is circulating the same for signature by the other required state agencies, then June 30, 2006, time being of the essence in all cases.

(d) Nothing herein nor any acts of the parties (including without limitation the payment or receipt of any earnout proceeds) shall be deemed or construed by the parties hereto or by any third party to create a partnership or a joint venture between the parties hereto, the only relationship between Seller and Purchaser being that of seller and buyer of the Property and as expressly set forth in the limited liability company agreement of even date herewith, the only relationships between Managing Agent and Seller being those established by the property management agreement in effect prior to Closing and the only relationship between Managing Agent and Purchaser being that established by the Management Agreement to be assigned to Purchaser and amended between Purchaser and Managing Agent upon Closing. The rights and obligations of this paragraph 25 shall survive Closing for a period of one (1) year after the earlier to occur of (i) the Earnout Deadline if no Qualifying Lease has been fully executed and delivered by such date, and (ii) if a Qualifying Lease is timely so fully executed and delivered, the later of (x) the date the final Make Purchaser Whole Payments are drawn by Purchaser and (y) the date the Earnout Payment or Alternate Earnout Payment is made to Seller.

(e) Purchaser as used herein means Purchaser and successor owners of the Property.

(f) Within thirty (30) days of the date hereof, the Purchaser shall deposit with the Seller, a “clean”, unconditional and irrevocable letter of credit in the amount of Twenty-Eight Million and 00/100 Dollars ($28,000,000.00), for a term which is automatically renewable to a date which is two (2) years from the date hereof (and provides Seller with at least 30 days notice prior to any non-renewal by the issuer), allows for partial draws and is in a form reasonably satisfactory to Seller (the “Letter of Credit”). Purchaser hereby agrees to provide a form of such Letter of Credit to Seller for Seller’s reasonable approval within twenty (20) days of the date hereof. Seller may present the Letter of Credit for payment of the Earnout Payment or the Alternate Earnout Payment (but in either case net of the Make Purchaser Whole Amount and net of any other offsets then claimed by Purchaser under this Agreement) when the applicable payment is due in accordance with the provisions of this paragraph 25. If Purchaser does not timely deposit the Letter of Credit as aforesaid, Purchaser shall within a further ten (10) days thereafter deposit Twenty-eight Million Dollars ($28,000,000.00) in cash in an escrow account with an escrow agent mutually acceptable to Purchaser and Seller, to be held as security for the performance of Purchaser’s obligations under this paragraph 25 until such time as Purchaser shall have posted the Letter of Credit. If, at any time prior to the Earnout Deadline, the Purchaser concludes that the Earnout Payment or the Alternate Earnout Payment will be less than $28,000,000, and Seller concurs in such determination, which concurrence shall not be unreasonably withheld or delayed, the Purchaser shall have the right to deliver to the Seller a replacement Letter of Credit, in reasonably similar form to the Letter of Credit, but in such lesser amount. Upon receipt of such replacement Letter of Credit, the Seller shall immediately return the original

Letter of Credit to Purchaser. On the Earnout Deadline Seller shall immediately return the original Letter of Credit to Purchaser. Time is of the essence as to the above dates.

26. No Broker. Purchaser and Seller hereby represent each to the other that they have not discussed this Agreement or the subject matter hereof with any real estate broker, agent, or salesman, so as to create any legal right in any such broker, agent, or salesman, to claim a real estate commission, fee, or other compensation with respect to the conveyance of the Property contemplated by this Agreement other than Seller's obligations to CRG Real Estate Services, LLC. Seller hereby agrees to pay CRG Real Estate Services, LLC any compensation due in connection with this transaction and to indemnify and hold Purchaser harmless from and against any and all liability, loss, cost, damage, and expense, including attorneys' fees and costs of litigation, Purchaser shall ever suffer or incur because of any claim by any agent or broker, whether or not meritorious, for any fee, commission, or other compensation with regard to this Agreement or the sale and purchase of the Property contemplated hereby, and arising out of any acts or agreements of Seller. Likewise, Purchaser hereby agrees to indemnify and hold Seller free and harmless from and against any and all liability, loss, cost, damage and expense, including attorneys' fees and costs of litigation, Seller shall ever suffer or incur because of any claim by any agent or broker, whether or not meritorious, for any fee, commission, or other compensation with respect to this Agreement or the sale and purchase of the Property contemplated hereby and arising out of the acts or agreements of Purchaser. This paragraph 26 shall survive the Closing or any termination of this Agreement.

27. Notices. Wherever any notice or other communication is required or permitted hereunder, such notice or other communication shall be in writing and shall be delivered by overnight courier, by hand, facsimile transmission or sent by U.S. certified mail, return receipt requested, postage prepaid, to the addresses set out below or at such other addresses as are specified by written notice delivered in accordance herewith:

PURCHASER: Wells 60 Broad Street, LLC
6200 The Corners Parkway
Suite 250
Norcross, Georgia 30092
Attn: Donald A. Miller and Jeff Gilder
Facsimile No.: (770) 243-8510

with a copy to: Piper Rudnick LLP
1200 Nineteenth Street, NW
Washington, D.C. 20036-2412
Attn: Jeffrey R. Keitelman, Esq.
Facsimile No.: (202) 689-7460

SELLER:	c/o Cogswell Realty Group, L.L.C. 1330 Avenue of the Americas, 25th Floor New York, New York 10019 Attn: Mr. Michael Skurnick Facsimile No.: (212) 582-4790
with a copy to:	Cogswell Realty Group, L.L.C. 1330 Avenue of the Americas, 25th Floor New York, New York 10019 Attn: Eric J. Sarner, Esq. Facsimile No.: (212) 582-4790
with a copy to:	Shearman & Sterling LLP 599 Lexington Avenue New York, New York 10022 Attn: Chris. M. Smith (30345-12) Facsimile No.: (212) 848-7179

Any notice or other communication (i) mailed as hereinabove provided shall be deemed effectively given or received on the third (3rd) business day following the postmarked date of such notice or other communication, (ii) sent by overnight courier or by hand shall be deemed effectively given or received on the date of delivery, and (iii) sent by facsimile transmission shall be deemed effectively given or received on the first business day after the date of transmission of such notice and confirmation of such transmission.

28. Possession. Possession of the Property shall be granted by Seller to Purchaser on the date of Closing, subject only to the Leases and the Permitted Exceptions.

29. Access to Records Following Closing. Purchaser agrees that for a period of two (2) years following the Closing, Seller shall have the right during regular business hours, on five (5) days' written notice to Purchaser, to examine and review at Purchaser's then office, the books and records relating to the ownership and operation of the Property which were delivered by Seller to Purchaser at the Closing. Likewise, Seller agrees that for a period of two (2) years following the Closing, Purchaser shall have the right during regular business hours, on five (5) days' written notice to Seller, to examine and review at Seller's then office, all books, records, and files, if any, retained by Seller relating to the ownership and operation of the Property prior to the Closing but excluding any Excluded Records. The obligations of the parties under this paragraph 29 shall survive the Closing.

30. Time Periods. If the time period by which any right, option, or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday, or holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day.

31. Survival of Provisions. Except as may otherwise be expressly provided in this Agreement, none of the provisions of this Agreement shall survive the Closing or the termination

of this Agreement. In addition, notwithstanding any language in the Deed to the contrary, any provision of this Agreement or any document delivered by Seller pursuant to this Agreement which expressly states that such provision shall survive Closing, shall not merge into the execution and delivery of the Deed.

32. Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules, and regulations. If any provision of this Agreement, or the application thereof to any person or circumstance, shall, for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law.

33. General Provisions. No failure of either party to exercise any power given hereunder or to insist upon strict compliance with any obligation specified herein, and no custom or practice at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. This Agreement contains the entire agreement of the parties hereto, and no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. Any amendment to this Agreement shall not be binding upon the parties hereto unless such amendment is in writing and executed by all parties hereto. The provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors, and permitted assigns. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement. To facilitate the execution and delivery of this Agreement, the parties may execute and exchange counterparts of the signature pages by facsimile, and the signature page of either party to any counterpart may be appended to any other counterpart. The headings inserted at the beginning of each paragraph are for convenience only, and do not add to or subtract from the meaning of the contents of each paragraph. The exhibits attached to this Agreement are an integral part of this Agreement and are hereby incorporated herein by this reference. This Agreement shall be construed and interpreted under the laws of the State of New York. Except as otherwise provided herein, all rights, powers, and privileges conferred hereunder upon the parties shall be cumulative but not restrictive to those given by law. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender shall include all genders, and all references herein to the singular shall include the plural and vice versa. TIME IS OF THE ESSENCE OF THIS AGREEMENT. Each of the parties hereby waives any right to claim consequential or punitive damages arising from any breach of this Agreement.

34. Effective Date. The "effective date" of this Agreement shall be deemed to be the date this Agreement is fully executed by both Purchaser and Seller.

[Signatures commenced on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and their respective seals to be affixed hereunto as of the day, month and year first above written.

"SELLER":

60 BROAD STREET LLC

By: GEORGE-60 BROAD LLC, a member

By: COGSWELL REALTY GROUP, L.L.C., its managing member

By: /s/ Michael H. Skurnick

Name: Michael H. Skurnick
Title: Managing Member

[Signatures continued on following page]

[Signatures continued from previous page]

"<u>PURCHASER</u>":

WELLS 60 BROAD STREET, LLC

By: WELLS OPERATING PARTNERSHIP, L.P.,
A Delaware limited partnership, its managing member

By: WELLS REAL ESTATE INVESTMENT TRUST, INC., a Maryland corporation, its Sole general partner

By: /s/ Douglas P. Williams

Name: Douglas P. Williams

Title: Executive Vice President

[Signatures continued on following page]

[Signatures continued from previous page]

with respect to paragraph 25 only:

CRG MANAGEMENT, LLC, a New York limited liability company

By: /s/ illegible

Name:
Title:

with respect to paragraph 25 only:

CRG REAL ESTATE SERVICES, LLC

By: /s/ illegible

Name:

Title:

[Signatures continued on following page]

[Signatures continued from previous page]

solely with respect to paragraph 25(f) and solely until the Letter of Credit (as defined in paragraph 25) is posted with Seller

WELLS CAPITAL, INC.

By: /s/ Leo F. Wells, III

Name: Leo F. Wells, III
Title President

Schedule of Exhibits

Exhibit “A”	-	Description of Land
Exhibit “B”	-	Description of Personal Property
Exhibit “C”	-	Description of Contracts
Exhibit “D”	-	List of Collective Bargaining Agreements and Union Contracts
Exhibit “E”	-	Form of Escrow Agreement
Exhibit “F”	-	List of Space Leases
Exhibit “G”	-	List of Subleases and Assignments
Exhibit “H”	-	Rent Roll
Exhibit “I”	-	Rent Arrearage Schedule
Exhibit “J”	-	List of Tenant Defenses, Set-Offs
Exhibit “K”	-	List of Leasing Commissions
Exhibit “L”	-	List of Service Contracts
Exhibit “M”	-	List of Warranties and Guaranties
Exhibit “N”	-	List of Union Employees
Exhibit “O”	-	List of Employees
Exhibit “P”	-	List of Major Leases
Exhibit “Q”	-	Form of Tenant Estoppel Certificate
Exhibit “R”	-	Form of Audit Representation Letter
Exhibit “S”	-	Form of Bill of Sale
Exhibit “T”	-	Form of Blanket Transfer and Assignment
Exhibit “U”	-	Form of Assignment and Assumption of Leases

EXHIBIT 10.130

STATE OF NEW YORK AGREEMENT OF LEASE FOR A PORTION OF THE 60 BROAD STREET NEW YORK BUILDING

STATE NEW YORK
EXECUTIVE DEPARTMENT
OFFICE OF GENERAL SERVICES
MAYOR ERASTUS CORNING 2ND TOWER
The Governor Nelson A. Rockefeller
Empire State Plaza
Albany, New York 12242

O & Y CONCORD 60 BROAD STREET COMPANY,

AS LANDLORD

-WITH-

THE PEOPLE OF THE STATE OF NEW YORK,

AS TENANT.

DATED: AS OF APRIL 1, 1996

Premises:

First Floor Office and Storage Space
The Beaver/New Street Retail Space
The 2nd Floor
The 3rd Floor
The 4th Floor
The 5th Floor
The 6th Floor
The 7th Floor
The 8th Floor
The 9th Floor
The 10th Floor
The 11th Floor

60 BROAD STREET
NEW YORK, NEW YORK

TABLE OF CONTENTS

STATE OF NEW YORK
EXECUTIVE DEPARTMENT
OFFICE OF GENERAL SERVICES
MAYOR ERASTUS CORNING 2ND TOWER
The Governor Nelson A. Rockefeller
Empire State Plaza
Albany, New York 12242

PARTIES

AGREEMENT OF LEASE (hereafter referred to as this "Lease"), made as of the 1 st day of April in the year one thousand nine hundred and ninety-six by and between O&Y CONCORD 60 BROAD STREET COMPANY, having an office at c/o Concord Properties, 60 Broad Street, New York, New York, 10004; for themselves, their heirs, executors, administrators, trustees, distributes, successors, assigns, and legal representatives, (hereinafter referred to as "Landlord'), and THE PEOPLF OF THE STATE OF NEW YORK acting by and through the Commissioner of General Services pursuant to the Public Buildings Law, (hereinafter referred to as the "State" of "Tenant"):

WITNESSETH; the parties hereto for the considerations hereinafter mentioned covenant and agree as follows;

LETTING

1. The Landlord hereby leases to the Tenant and the Tenant hereby hires from the Landlord the following described premises, viz:

PREMISES

That certain space (the "Demised Premises"), delineated on the floor plans attached hereto as Exhibit A, as follows: the First Floor Office and Storage Space, comprising 7,220 rentable square feet, the Beaver/New Street Retail Space, comprising 1,164 rentable square feet (together with the First Floor Office and Storage, The "NYS Street Level Space"), the second floor comprising 45,176 rentable square feet, the third floor, comprising 48,066 rentable square feet, the fourth floor, comprising 48,231 rentable square feet, the fifth floor, comprising 48,746 rentable square feet, the sixth floor, comprising 44,539 rentable square feet, the seventh floor, comprising 46,679 rentable square feet, the eighth floor, comprising 46,360 rentable square feet, the ninth floor, comprising 46,360 rentable square feet, the tenth floor, comprising 33,945 rentable square feet, the eleventh floor, comprising 32,139 rentable square feet all in the building commonly know now as 60 Broad Street, located in the city of New York, County of New York, State of New York (the "Building"), which Demised Premises are deemed to contain an aggregate total 448,625 rentable square feet, to be used for the official business of the New York State executive and administrative agencies as are set forth on Exhibit "B", annexed hereto and made a part hereof or by such other department, commission, board of officers of the State of New York as may be entitled by law to use same or to which the Demised Premises shall be allotted by such COMMISSIONER OF GENERAL SERVICES as provided by the Public Buildings Law. The Building is situated on all of the Land described on Exhibit "C", which is attached hereto and made a part hereof. The Building and the Land are sometimes hereinafter referred to collectively as the "Real Property".

TERM

2A. TO HAVE AND TO HOLD the Demised Premises with the appurtenances, rights and privileges described herein for the term (the “Term”) of ten (10) years, beginning on April 1, 1997 (the “Commencement Date”) and ending at noon on March 31, 2007 (the “Expiration Date”), unless the same shall be sooner terminated pursuant to any of the terms, covenants, conditions or agreements of this Lease. If Landlord is unable to give possession of any portion of the Demised Premises on the Commencement Date because of temporary or permanent certificate of occupancy has not been procured or for any other reason, Landlord shall not, except as provided for elsewhere herein, be subject to any liability for failure to give possession on said date and the validity of the Lease shall not be impaired under such circumstances, and the rent payable hereunder shall be payable in full and shall not be abated by reason of such failure to give possession. The provisions of this Clause are intended to constitute “an express provision to the contrary” the meaning of Section 223-a of the New York Real Property Law. It is the intention of the parties hereto that the Demised Premises shall be delivered to Tenant on a Phase-by-Phase basis in accordance with the Office Space Completion Schedule annexed hereto as Exhibit “D”.

2B. The obligation to pay Base Rent under this Lease with respect to all Phases of the Demised Premises shall commence on the Rent Commencement Date. The obligation to pay Tenant’s Tax Payment, Tenant’s Operating Payment, and any other charges payable hereunder with respect to all Phases of the Demised Premises (collectively, “Additional Rent”) shall also commence on the Rent Commencement Date; provided, however, that Tenant shall not, in any event, be required to make payments of Tenant’s Tax Payment or Tenant’s Operating Payment apportionable to any Phase or portion of a Phase of the Demised Premises prior to the Deemed Delivery date for such Phase or portion a Phase of the Demised Premises. In addition, Tenant shall not, in any event, be required to make payments for Shared Facilities Electric or Sub metered HVAC Electric (as such terms are defined in Clause No. 8B hereof) in the manner set forth in Clause No. 8D until such time that Tenant first occupies all or any portion of any Phase or Phases of the Demised Premises. For the purposes hereof”

(i) the “Rent Commencement Date” with respect to all Phases of the Demised Premises shall be April 1, 1997; and

(ii) the “Deemed Delivery Date”, with respect to each Phase or portion of a Phase of the Demised Premises shall mean the date which is later to occur of: (a) September 1, 1996 or (b) the earlier to occur of (x) the date on which Substantial Completion (as such term is defined in Clause No. 38A hereof) of the work described in the Work Letter (as hereinafter defined), with respect to such Phase or portion of a Phase of the Demised Premises shall have occurred or shall have been deemed to have occurred in accordance with the provisions of the Work Letter and Clause No. 38 hereof or (y) the date upon which Tenant shall have taken possession of such Phase or portion of a Phase of the Demised Premises.

In the event that the Deemed Delivery Date with respect to any Phase or portion of a Phase of the Demised Premises shall not have occurred on or before the Commencement Date, Tenant shall nonetheless be required to pay the entire Base Rent and Additional Rent coming due under this Lease with respect all Phases of the Demised Premises commencing on the Rent Commencement Date; provided, however, that as liquidated damages for Landlord’s failure to cause the Deemed Delivery Date with respect to any Phase or portion of a Phase of the Demised Premises to have occurred on or before the Commencement Date, Landlord, for the period commencing on the Commencement Date and ending on the Deemed Delivery Date with respect to such Phase or portion of a Phase of the Demised Premises (the “Liquidated Damages Period”), shall make payment to Tenant (the “ Liquidated Damages Payments”), in amounts set forth below which include the Late Delivery Credit Amount (as such term is defined in Clause No. 4A hereof), in accordance with the following schedule;

PHASE	MONTHLY LIQUIDATED DAMAGE AMOUNT (if Cleaning Inclusions Right described in Clause No. 12A (2) has not been exercised)	(if Cleaning Inclusion Right described in Clause No. 12A (2) has been exercised)
Phase 1	$ 294,628.48	$ 307,862.15
Phase 2	$ 304,615.89	$ 318,301.22
Phase 3	$ 216,393.80	$ 226,161.55
Phase 4	$ 16,645.68	$ 17,344.35

Liquidated Damages Payments shall be payable by Landlord to Tenant on a monthly basis, in advance on the first day of each calendar month, subject to adjustment (on a pro-rata basis, based on months of thirty (30) days each) at the end of the Liquidated Damages Period with respect to any Phase or portion of a Phase of the Demised Premises. In addition, the Liquidated Payments shall be pro-rated (on a per rentable square foot basis) if Landlord's delay in causing the delivery of less than such entire Phase pursuant to the terms of this Lease and the Pre-Commencement License Agreements. Thus, for example, if the Deemed Delivery Date with respect to fifty (50%) percent of the rentable square footage of Phase 1 does not occur until April 20, 1997 (and Tenant accepts delivery of less than such entire Phase pursuant to the terms of this Lease and the Pre-Commencement License Agreements):

(i) Tenant, on April 1, 1997, will pay the entire Base Rent and Additional Rent coming due under this Lease with respect to Phase 1 for the month of April, 1997;

(ii) Landlord, on April 1, 1997 shall pay to Tenant (in full, without setoff or deduction the amount of $147,414.24 ($153,931.08 if the Cleaning Inclusion Right has been exercised), representing Liquidated Damages Payments with respect to Phase 1 for the entire month of April, 1997; and

(iii) Tenant, within thirty (30) days following Landlord's demand therefore (which demand shall be made subsequent to the expiration of the Liquidated Damages Period with respect to Phase 1), shall pay to Landlord $49,104.75 ($51,310.36 if the Cleaning Inclusion Right has been exercised), representing Landlord's over payment of Liquidated Damages Payments for the month of April, 1997 with respect to Phase 1.

The Liquidated Damages Payments set forth above for each Phase have been calculated based upon the retable square footage of each Phase of the Demised Premises set forth on Exhibit"D" annexed hereto. In the event that such rentable square footage amounts are reallocated among Phases of the Demised Premises by agreement of Landlord and Tenant, the Liquidated Damages Payments set forth above for each Phase shall be similarly reallocated on a pro-rata basis.

2C. Tenants right to enter into the possession of all or any portion of any phase of the Demised premises prior to the Commencement Date shall be pursuant to the Pre-Commencement License Agreements, which are annexed hereto as Exhibit"J" and which are being executed and delivered simultaneously with the execution and delivery of this Lease. As more particularly set forth in the Pre-Commencement License Agreements, Tenant's occupancy shall be deemed to be under all the terms, covenants, conditions and provisions of this Lease, except that payments for the use and occupancy of the Demised Premises under the Pre-Commencement License Agreements shall:

(i) be payable on a per rentable square foot basis as each Phase or portion of a Phase of the Demised Premises is made available for Tenant's occupancy;

(ii) commence on the later to occur of (a) September 1, 1996 and (b) the earlier to occur of (x) the date on which Substantial Completion of the work described in the Work Letter (exclusive of the Post-Commencement Base Building Work) with respect to such Phase or portion of a Phase of the Demised Premises shall have occurred or shall have been deemed to have occurred in accordance with the provisions of the Work letter and Clause

No. 38 hereof and (y) the date upon which Tenant shall have taken possession of such Phase or portion of a Phase of the Demised Premises; and

(iii) be in the same per rentable square foot amounts as the Base Rent, Tenant's Tax Payment, Tenant's Operating Payment, and any other charges that will be payable under this Lease from and after the Rent Commencement Date.

RENT

3A. The Tenant shall pay the Landlord (without offset, set off, credit or deduction except as expressly provided for in this Lease) for the Demised Premises rent ("Base Rent") in advance on the first of each month (except that the Base Rent for the month of April during each year of the term of this Lease shall be due and payable on March 31[st]) during the term of this Lease at the following rates:

(i) During and in respect of the period from the Commencement Date to the day preceding the fifth anniversary of the Commencement Date (both dates inclusive), an annual amount equal to Eight Million One Hundred-Seven Thousand Four Hundred Six and 25/100 Dollars ($8,187,406.25), payable in equal monthly installments; in each case as adjusted in accordance with other provisions of this Lease; i.e. Eighteen Dollars and Twenty-Five cents ($18.25) per rentable square foot per annum;

and

(ii) During and in respect of the period the fifth anniversary of the Commencement Date to the Expiration Date (both dates inclusive), and annual amount equal to Nine Million One Hundred Ninety-Six thousand Eight Hundred Twelve and 50/100 Dollars, ($9,196,812.50) payable in equal monthly installments, in each case as adjusted in accordance with other provisions of this Lease; i.e. Twenty Dollars and Fifty Cents ($20.50) per retable square foot per annum;

(iii) The New York State executive and administrative agencies as are set forth on Exhibit "B" agrees to pay the Landlord their proportionate share of the specified Base Rent and Additional Rent herein provided upon receipt of proper vouchers therefore. Vouchers are to be provided to the Landlord by the occupying agencies named in Exhibit "B".

(iv) Notwithstanding the fact that Landlord will be sending vouchers for payment of Base Rent and Additional Rent hereunder to the individual occupying agencies named in Exhibit "B", any failure by such occupying agencies to pay the specified Base Rent or Additional Rent set forth in such vouchers shall be deemed a default by the Tenant named herein (i.e., The People of the State of New York, acting by and through the Commissioner of General Services) and any notice given by Landlord with respect to any such failure to pay such amounts due pursuant to said vouchers shall be deemed given to the Commissioner Services; it being understood and agreed that the rendering by Landlord of vouchers to the individual occupying agencies shall be deemed sufficient notice to the Commissioner of General Services of Landlord's demand for payment of such amounts.

(v) With respect to any amount of Additional Rent that is not apportionable to the agencies listed on Exhibit "B" on a proportionate basis (e.g., Additional Rent for the provision of an overtime service or requested repair or improvement to the specific portion of the Demised Premises occupied by an individual agency), the entire amount of such Additional Rent will be charged to such individual agency.

EXECUTORY CLAUSE

3B. Except to the extent otherwise specifically provided for herein, it is understood and agreed by and between the parties hereto that, pursuant to law, the contract of the State hereunder shall be deemed executory only to the extent of the monies available to the Commissioner of General Services for the leasing of the Demised Premises and that no liability shall be incurred by the State beyond the monies available for such purpose; that, if the monies available therefore are monies appropriated for and made available to one or more departments, commissions, boards or officers other than the Commissioner of General Services the contract of the State hereunder shall be deemed executory only to the monies available the one or more departments, commissions, boards, or officers to which the Demised Premises shall be allotted by such Commissioner of General Services; and that no liability in such cases shall be incurred by the State beyond the monies available for such purposes.

3C. Additional Rent for Tenant Construction. Tenant acknowledges that Landlord, as partial consideration for this Lease, undertakes to perform, on Tenant's behalf and at Tenant's expense, the work as set forth in the in the Work Letter attached hereto as Exhibit G and G-1 and the Submetering Work (as such term is hereinafter defined). The cost of the work set forth in the Work Letter and the Submetering Work is projected to be Seventeen Million Four Hundred Thousand ($17,400,000) Dollars, subject to verification by Tenant based upon Tenant's review of actual contracts, receipts and invoices. Such cost is hereinafter referred to as "Additional Rent for Tenant Construction", notwithstanding that such cost has been amortized and included in the Base Rent. Tenant and Landlord agree that the Additional Rent for Tenant Construction shall include fees for required testing permits, filing and for architectural and engineering and other professional services for the design and preparation of the construction drawings and specifications and other contract documents and for the supervision of the aforesaid work and Submetering Work, together with interest at the Interest Rate (as such term is hereinafter defined) in effect on the date hereof accruing from the date of expenditure through the Rent Commencement Date. For purposes hereof, the term "Interest Rate," when used in this Lease, shall mean an interest rate equal to the so-called annual "Base Rate" of interest (sometimes also referred to as the "Prime Rate") established and approved by Citibank, N.A., New York, New York (or any successor thereto, or if there shall be no successor thereto, another bank reasonably selected by Landlord), from time to time, as its interest rate charged for unsecured loans to its corporate customers, but in no event greater than the highest lawful rate from time to time in effect.

Tenant hereby acknowledges and agrees that upon the Substantial Completion of the work as set forth in the Work Letter attached hereto as Exhibit G and G-1 and the Submetering Work, the Additional Rent for Tenant Construction shall be due and owing to Landlord; provided however, that notwithstanding the foregoing, so long as Tenant remains in occupancy and continues to pay the Base Rent and Additional Rent provided for in this Lease (which includes the Additional Rent for Tenant Construction), Landlord shall forbear from the immediate collection of the Additional Rent for Tenant Construction, it being understood that Landlord consents to receive, and Tenant agrees to pay, such Additional Rent for Tenant Construction as the same is included in the rent payable pursuant to Clause 3a; and provided further, that in no event shall Tenant quit and surrender the premises prior to the expiration of the term hereof, unless and until Tenant shall have first sought an appropriation to pay the then unpaid balance of the Additional Rent for Tenant Construction which upon the enactment of such appropriation, shall be deemed to have accrued and become due and payable to Landlord on the last New York State business day prior to the date on which the Tenant quits and surrenders the premises. Tenant agrees to take all other reasonable, lawful and necessary steps within its control to secure such appropriation including, without limitation, requesting, that such amounts be included in the executive budget of the State of New

York. In the event, however, that no such appropriation is enacted, Landlord hereby agrees that such amount shall not accrue, be due payable or constitute an obligation or debt of the Tenant and the provisions of this Clause 3c relating to the payment of Additional Rent for Tenant Construction and right of the Tenant to quit and surrender the premises shall not be applicable.

For purposes of this Clause 3c, the unpaid balance of the Additional Rent for Tenant Construction as of any date during the term of this Lease shall be an amount equal to the then outstanding principal balance of a fixed rate, self-liquidating, ten-year mortgage loan payable in one hundred twenty (120) equal monthly installments of principal and interest the first of which principal amount on the mortgage loan is equal to the amount of the Additional Rent for Tenant Construction and (II) the fixed interest rate is 8% per annum.

POSSESSION

4A. Subject to the provisions of the Work Letter, Clause No. 38 hereof and the Design/Construction Milestone Schedule annexed hereto as Exhibit "D-1" Landlord shall make a good faith and determined effort to give possession of the Demised Premises on Phase by Phase basis in accordance with the Substantial completion Target Dates set forth on the Office Space Completion Schedule annexed hereto as Exhibit "D" shall not in any way affect the validity of the Lease or the obligations of the Landlord and the Tenant hereunder, except as hereinafter set forth in this Clause No. 4A. As more particularly set forth in the Work Letter, Clause No. 38 hereof and the Design/Construction Milestone Schedule, and subject to the provisions thereof regarding acceptable delays such as Force Manjeure and Tenant Delay, to the extent that Landlord fails to make any Phase of the Demised Premises ready for Tenant's occupancy by the applicable Substantial Completion Target Date set forth in Exhibit "D" . Tenant shall be entitled to a credit against the Base License Fee (as such term is defined in the Pre-Commencement License Agreement annexed hereto as Exhibit "J" and made a part hereof) and, if and to the extent that such credit shall not have been fully taken prior to the Commencement Date, against the Base Rent payable under this Lease in an amount equal to the Late Delivery Credit Amount (as hereinafter defined). For purposes hereof, the term "Late Delivery Credit Amount" shall mean an amount arrived at by multiplying (i) Five Thousand ($5,000.00) Dollars, times (ii) the number of days the period commencing on the applicable Substantial Completion Target Date, as same may be extended pursuant to the terms of the Work Letter, Clause No. 38 hereof and the Design/Construction Milestone Schedule (and subject ending on the day preceding the date on which Landlord makes the applicable Phase of the Demised Premises ready for Tenant's occupancy, times (iii) a fraction, the numerator of which is the number of rentable square feet that Landlord has filed to make ready by the applicable Substantial Completion Target Date and the denominator of which is the rentable square footage of the entire Demised Premises (i.e., 448,625) Not withstanding anything to the contrary contained in this Lease:

(i) the entire Late Delivery Credit Amount with respect to Landlord's failure to make any Phase of the Demised Premises ready for Tenant's occupancy from and after the Rent Commencement Date is already computed into the liquidated Damages Payments and no additional Late Delivery Credit Amount shall accumulate from and after the Rent Commencement Date; and

(ii) any Late Delivery Credit Amount which has not been fully credited against the Base License Fee prior to the Rent Commencement Date shall be credited (with interest at the Interest Rate from the Rent Commencement Date to the date actually credited) against the Base rent coming due on May1, 1997; provided, however, that in no event shall the amount of the credit so taken exceed one-half of the Base Rent payable for such month and any excess credit shall be taken against the Base Rent payable in subsequent months, not to exceed one-half of the Base Rent due in any such subsequent month.

B. On the Commencement Date or at such time as Tenant shall take actual possession Of the whole or part of the Demised Premises, whether pursuant to this Lease or pursuant to one or more of the Pre-Commencement License Agreements, whichever shall be earlier, it shall be conclusively presumed that the whole or such part of the Demised Premises, as the case may be were as of the Commencement Date (or the date or dates of such taking of possession, as applicable) in the condition in which Landlord was required to deliver the whole or such part of the Demised Premises, as the case may be, under this Lease; provided, however, if Tenant shall furnish Landlord with a list (herein called a "Punch list"), within ten (10) days after the date Tenant takes possession of the whole or such part of the Demised Premises, specifying the items of Landlord's Work which have not been Substantially Completed (as such term is defined in Clause No. 38A, hereof) within three (3) days of the date Tenant takes possession of the whole or such part of the Demised Premises, or if Tenant shall furnish Landlord with a list (herein called a "Latent Defect List") within three (3) months after Tenant takes possession of the whole or such part of the Demised Premises by Tenant shall be deemed an acceptance of the whole or such part of the Demised Premises and Substantial Completion by Landlord of Landlord's Work except with respect to the items set forth on any such Punchlist or Latent Defect List, but the giving of the Punchlist or Latent Defect List, shall not affect the occurrence of the Commencement Date or the date on which Tenant becomes obligated to make payments pursuant to the terms and conditions of one or more of the Pre-Commencement License Majeure and Tenant Delay, the items set forth on the Punchlist and/or the Latent Defect List within thirty (30) days after the date that Landlord shall receive such Punclist or Latent Defect List.

5. THIS CLAUSE HAS BEEN INTENTIONALLY DELETED.

CANCELLATION

6. THIS CLAUSE HAS BEEN INTENTIONALLY DELETED.

HOLDOVER

7. Any holdover after the expiration of the said term or any extensions thereof shall be Construed to be a tenancy from month-to-month and shall otherwise be on the terms and conditions herein specified, as far as applicable and without prejudice to Landlord's right to seek resultant damages which may be available as a remedy at law, or in equity. Nothing herein shall constitute Landlord's consent to any holdover by Tenant, and Tenant agrees that the Demised Premises must be surrendered to Landlord at the expiration or sooner termination of the term of the Lease. If Tenant shall hold over or remain in possession beyond the Expiration Date, Tenant shall be subject to a summary proceeding and shall be liable for all damages related to such holding over. All damages sustained by Landlord by reason of such holding over by Tenant may be the subject a separate action and need not be asserted by Landlord in any summary proceeding against Tenant. Each right of Landlord provided for in this Lease or now or hereafter existing at law or in equity, and the exercise or beginning of the exercise by Landlord of any one or more of such rights shall not preclude the exercise by Landlord of any other rights provided for in this Lease or now or hereafter existing. Tenant expressly waives, for itself and for any person claiming through or under Tenant, any rights which Tenant or any person may have under the provisions of Section 2201 of the New York Civil Practice Law and Rules, and of any similar or successor law of same import then in force in connection with any holdover proceedings which Landlord may institute to enforce this Lease.

Notwithstanding anything to the contrary contained herein, in the event that at any time Landlord enters into a lease for all or any portion of the Demised Premises which either (i) is for a term that is scheduled to commence within six (6) months after the Expiration Date of this Lease or (ii) is for a term that is scheduled to commence within twelve (12) months after the work or any other work as a precondition to the commencement of such term (any such lease is hereinafter referred to as a ("Qualifying Lease"), Landlord shall give Tenant a notice (the "Qualifying Lease Notice"), which Qualifying Lease Notice may be given any time during the six (6) month period immediately preceding the Expiration Date. The Qualifying Lease Notice shall be accompanied by a Stipulation of Discontinuance substantially in the form of Exhibit "P" annexed hereto and made a part hereof, which Stipulation of Discontinuance Tenant shall duly execute and deliver to Landlord within thirty (30) days after the giving of the Qualifying Lease Notice, time being of the essence. Tenant's failure to execute and deliver to Landlord such Stipulation of Discontinuance within such thirty (30) day period shall constitute a default under this Lease with respect to which Landlord shall be entitled to all of the remedies set forth in Clause No. 55 hereof. In the event that Tenant executes and delivers to Landlord such Stipulation of Discontinuance: (i) to the entire Demised Premises at any time following the Expiration Date, (ii) Tenant shall not assert any defense or counterclaim to such holdover proceeding and (iii) Tenant hereby consents to the entry by Landlord of such Stipulation of Discontinuance in connection with such holdover proceeding.

ELECTRIC SERVICE

8.A. As set forth in further details herein:

(i) Tenant shall pay for all power consumed (x) within the Demised Premises (for all purposes including, without limitation, lights, equipment and HVAC) any (y) by the base building systems (the "Base Building Systems") which serve the Demised Premises exclusively;

(ii) Tenant shall pay its fair share of the cost of electricity consumed by (x) the Base Building Systems and (y) the various facilities and portions of the Building which, in the case of both (x) and (y), serve and/or benefit both the Demised Premises and those premises demised or demisable to other tenants and/or occupants of the Building; and

(iii) Landlord will apply for various programs providing for discounts of the amounts payable by Landlord for electricity for which Tenant will be required to pay all o r a portion of the costs, and Landlord will pass through to tenant (x) 100% of the benefit of such discounts that are allocable to electricity for which Tenant will be required to pay all costs and (y) a pro-rata portion of 100% of the benefit of such discounts that re allocable to electricity for which Tenant will be required to pay only a pro-rata portion of the costs (e.g., Tenant will not receive any portion of such discounts that are allocable to the cost of electricity for which Tennant is no required to pay [e.g., the cost of electricity consumed within the premises of another tenant] and Tenant will receive only pro-rata share of such discounts with respect to electricity for which Tenant is only required to pay a pro-rata share of the costs [e.g., electricity consumed by the Base Building HVAC Plant]).

8B. For purposes of this Lease, and the following terms shall have the following meanings:

"NYS Switchboard Electric" shall mean all electricity which is fed off of the NYS Switchboard, which shall include, without limitation, all electricity consumed: (i) within the Demised Premises, including, without limitation, for power, lighting and heating, ventilation and air-conditioning equipment ("HVAC Equipment"), (ii) by the elevator machine room for the elevators serving floors two (2) through eleven (11), (iii) by the NYS HVAC Plant and (iv) within that portion of the first (1st) floor of the Building contained within Tenant's Cleaning/Security/HVAC Envelope including, without limitations, for power, lighting and HVAC Equipment.

"Submetered HVAC Electric" shall mean all of the electricity measured by the HVAC Submeters.

"Shared Facilities Electric' shall mean all electricity consumed within the common areas of the Building and by the common facilities and Base Building Systems which both (i) is not measured by the NYS Submeter of the HVAC Submeters and (ii) benefits Tenant (e.g., electricity consumed by freight elevators, stairwell lighting and the Building's Class E Fire Alarm System).

"NYS Switchboard" shall mean that certain electric switchboard (as shown on the Electric Distribution Schematic annexed hereto as Exhibit "N" and mad a part hereof) which, Landlord warrants and represents: (i) will service only the Demised Premises and the facilities and the Base Building Systems exclusively serving Demised Premises and (ii) will not service the premises demised to any other tenant or facilities or common areas of the Building or Base Systems that service any other tenant.

"NYS Submeter" shall mean the submeter to be installed by Landlord pursuant to the terms hereof between the House Meter and the NYS Switchboard (as shown on the Electric Distribution Schematic annexed hereto as Exhibit "N" and made a part hereof).

"House Meter" shall mean that certain direct electric meter that the "NYS Submeter will be connected to pursuant to the terms hereof (as shown on the Electric Distribution Schematic annexed hereto as Exhibit "N" and mad a part hereof).

"NYS HVAC Plant" shall mean the HVAC Plant that services floors two (2) through six (6) of the Building (as shown on the Electric Distribution Schematic annexed hereto as Exhibit "N" and made apart hereof).

"Base Building HVAC Plant" shall mean the HVAC Plant that services floors seven (7) through thirty-nine (39) of the Building (as shown on the Electric Distribution Schematic annexed hereto as Exhibit "N" and made a part hereof).

"HVAC Submeters" shall mean the submeters to be installed by Landlord pursuant to the terms hereof to measure the electricity consumed by all base Building HVAC Plant equipment, which Base building HVAC Plant services floors seven (7) through eleven (11) in conjunction with other portions of the Building, including, without limitation: (i) the cooling tower on the roof of the Building servicing the Base Building HVAC Plant, (ii) all pumps and fans coated in the tenth (10th) floor mechanical equipment room and (iii) the pumps located in the basement of the Building; it being expressly agreed that no electric consumption of any such equipment not serving seven (7) through eleven (11) of the Building will be measured by the HVAC submeters (e.g., the electricity consumed in the mechanical equipment rooms on floors twenty-three (23) and thirty-nine (39) will not be measure by the HVAC Submeters).

8C. As part of Tenant's Work (as such term is defined in Clause No. 38A), Landlord, at its sole cost and expense, shall (i) install the NYS Submeter, (ii) install the HVAC Submeters, (iii) install the BTU meters and/or flow meters referred to in Exhibit "O" annexed hereto and made a part hereof and (iv) perform such installations and rerouting of conduits, risers and electric distribution equipment so that the NYS Submeter will measure all of the NYS Switchboard Electric (collectively, the "Submetering Work").

All costs of furnishing electric fixtures and appurtenances, electric wiring, and initial installation of electric lamps in lighting fixtures of the Demised Premised, shall be paid by the Landlord as part of Tenant's Work. After the initial installation of new electric lamps throughout the Demised Premises as part of Tenant's Work, Tenant may purchase from Landlord (or, at Tenant's option, from a third party) a all replacements or electric fluorescent tubing, ballasts, incandescent and exit lights and shall pay Landlord its then-current standard charges fort installation if Landlord installs same. Exit and emergency illumination shall be designed and installed in compliance with applicable code requirements and all laws, rules and regulations pertaining thereto.

8D. The amount to be charged to Tenant by Landlord per "KW" and "KWHR" pursuant to this Clause NO. 8 for the NYS Switchboard Electric measured by the NYS Submeter shall be 100% of the amount shown on Landlord's bill (net of any discounts or credits; i.e., the amount actually payable) from Consolidated Edison or any successor public utility company for the House Meter from time to time for each KW and KWHR of electricity, which amount (herein, as adjusted from time to time, called "Landlord's NYS Rate") shall be determined without profit or markup and averaged separately for KWs and KWHRs during each respective billing period. Landlord agrees that upon Tenant's written request therefore, Landlord shall furnish to Tenant a copy of the bill from the utility company furnishing electricity to the House Meter substantiating Landlord's NYS Rate. In addition, upon Tenant's written request, Tenant may accompany Landlord's personnel during readings of the NYS Submeter.

8E. With respect to Submetered HVAC Electric, Tenant shall pay Landlord for the portion of the total "KW" and "KWHR" comprising the Submetered HVAC Electric in accordance with the formulas provided in the Base Building HVAC Plant Electric in accordance with the formulas provided in the Base Building HVAC Plant Electric and Escalations Apportionment Formulas annexed hereto as (Exhibit "O" and mad a part hereof) from and after the date on which Tenant first occupies all or any portion of the Demised Premises. The amount to be charged to Tenant by Landlord per "KW" and "KWHR" pursuant to the formulas set forth in said Exhibit "O" shall be 100% of the amount at which Landlord from time to time purchases each KW and KWHR of electricity for the same period from Consolidated Edison or any successor utility company, which amount (herein, as adjusted from time to time, called "Landlord's Rate") shall be determined by dividing the cost established by said utility company (averaged separately for KWs and KWHRs) during each respective billing period (net of any discounts or credits; i.e., the amount actually payable) by the number of KWs and KWHRs consumed by the Building appearing on the utility company invoices for such period. Landlord agrees that upon Tenant's written request therefore, Landlord shall furnish to Tenant a copy of the bills from the utility company furnishing electricity to the Building substantiating Landlord's Rate. Upon Tenant's written request, Tenant may accompany Landlord's personnel during readings of HVAC Submeters. In addition, Tenant shall have the survey rights described in Clause No. 8J below.

8F. With respect to Shared Facilities Electric, from and after the date on which Tenant first occupies all or any portion of the Demised Premises Tenant shall pay Landlord for Tenant's Proportionate Share of the total Shared Facilities Electric, which shall be measured, at Landlord's sole [option, by (i) submeters, (ii) electric survey made from time to time by Landlord's consultant, (iii) subtracting submetered amounts for non-Shared Facilities Electric from a total electric bill to determine the amount of such bill apportionable to Shared Facilities Electric, (iv) subtracting surveyed amounts for non-Shared Facilities Electric from a total bill to determine the amount of such bill apportionable to Shared Facilities Electric or (v) any fair and equitable combination of the foregoing. The amount to be charged to Tenant by Landlord per "KW" and "KWHR" pursuant to this Clause NO. 8 for Shared Facilities Electric shall be 100% of Landlord's Rate during each respective billing period. Landlord agrees that upon Tenant's written request therefore, Landlord shall furnish to Tenant a copy of the bills from the utility company furnishing electricity to the Building substantiating Landlord's Rate. Landlord shall cause its consultant ("Landlord's Electric Consultant") to perform an initial survey of the shared Facilities Electric and/or non-Shared Facilities Electric reasonably promptly (except to the extent that Landlord elects to measure all or a portion of the Shared Facilities Electric by one of the alternative methods set forth in the first sentence of this Clause No. 8F). Thereafter and from time to time may request Landlord to have a survey made of Shared Facilities Electric and/or non-Shared Facilities Electric (except to the extent the Landlord elects of to measure all or a portion of the Shared Facilities Electric by one of the alternative methods set forth in the first sentence of this Clause No. IF), and the fees of Landlord's consultant making such surveys at Tenant's request shall be paid by Tenant. In the even any of the foregoing surveys shall determine that there has been an increase or decrease in Shared Facilities Electric, then, effective as of the date of such change in usage, the Additional Rent charged to Tenant by reason of the furnishing of the Shared Facilities Electric, as same may have been previously increased or decreased pursuant to the terms hereof, shall be increased or decreased in accordance with such survey determination with appropriate credit allowed to Tenant in the event of a decrease from the date of such change in usage to the date of such survey determination within thirty (30) days after being billed therefore and thereafter as part f of the increased monthly charge for electricity by reason of such survey determination. In addition, Tenant shall have the survey rights described in Clause No. 8J below.

8G. Pursuant to Clause No. 63F hereof, Landlord has agreed to execute and file nay necessary applications to enable Landlord to qualify for; (i) the Lower Manhattan Energy Plan (the "LMEP") and (ii) Consolidated Edison's Business Incentive Rate (the "BIR"), and to pass along to Tenant 100% of any savings actually received by Landlord from the standard rates that would otherwise be charged by Consolidated Edison or any successor public utility providing electricity to the Building (the "Standard Electric Rates") as the result of the LMEP, the BIR or any other program with respect to electricity that Tenant is required to pay for under this Lease.

8H. For purposes of this Clause No. 8H.

(i) the term "Switchboard Discount" shall mean, at any point in time: (x) the amount by which (1) the amount that Tenant would be required to pay for NYS Switchboard Electric hereunder based upon the Standard Electric Rates (the "Switchboard Pre-Discount Amount") exceeds (2) the amount actually paid by Tenant for NYS Switchboard Electric after taking into account any savings passed along to Tenant by Landlord pursuant to the terms hereof (e.g., as the result of the LMEP or the BIR) and any savings realized by Tenant as the result of its exercise, pursuant to the terms hereof, of its option to obtain low-cost power from the New York Power Authority ("PASNY Power"), divided by (y) the Switchboard Pre-Discount Amount. Thus, for example at any such time that Tenant may be paying \$52.50 for an amount of NYS Switchboard Electric for which Tenant would be required to pay \$100 at the Switchboard Pre-Discount Amount, the Switchboard Discount would be 47.5%,

(ii) the term "HVAC" Discount shall mean, at any point in time: (x) the amount by which (1) the amount that Tenant would be required to pay for Submetered HVAC Electric (exclusive of the electricity consumed by the pumps located in the tenth (10^{th}) floor mechanical equipment room servicing the perimeter induction unit HVAC Plant [the "Perimeter Pumps"] and the fan located in the tenth (10^{th}) floor mechanical equipment room servicing the perimeter induction unit HVAC Plant [the "Perimeter Fan"]) hereunder based upon the Standard Eclectic Rates (the "HVAC Pre-Discount Amount") exceeds (2) the amount actually paid by Tenant for Submetered HVAC Electric (exclusive of the electricity consumed by the Perimeter Pumps and the Perimeter Fan) after taking into account any savings passed along to Tenant by Landlord pursuant to the terms hereof (e.g., as the result of the LMEP or the BIR) and any savings realized by Tenant as the result of its exercise, pursuant to the terms hereof, of its option to obtain PASNY Power, divided by (y) the HVAC Pre-Discount Amount. Thus for example, at any such time that Tenant may be paying \$60.00 for an amount of Submetered HVAC Electric (exclusive of the electricity consumed by the Perimeter Pumps and the Perimeter Fan) for which Tenant would be required to pay \$100 at the HVAC Pre-Discount Amount, the HVAC Discount would be 40%;

(iii) the term "Aggregate Discount" shall mean, at any point in time: (x) the amount by which (1) the amount that Tenant would be required to pay for both NYS Switchboard Electric and Submetered Submetered HVAC Electric (exclusive of the electricity consumed by the Perimeter Pumps and the Perimeter Fan) hereunder based upon the Standard Electric Rates (the “Aggregate Pre-Discount Amount”) exceeds (2) the amount actually paid by Tenant for such NYS Switchboard Electric and Submetered HVAC Electric (exclusive of the electricity consumed by the Perimeter Pumps and the Perimeter Fan) after taking into account any savings passed along to Tenant by Landlord pursuant to the terms hereof (e.g., as the result of the LMEP or the BIR) and any savings realized by Tenant as the result of this exercise, pursuant to the terms hereof, of its option to obtain PASNY Power, divided by (y) the Aggregate Pre-Discount Amount. Thus, for example, at any such time that Tenant may be paying an aggregate amount of $112.50 for an aggregate amount of NYS Switchboard Electric and Submetered HVAC Electric (exclusive of the electricity consumed by the Perimeter Pumps and the Perimeter Fan) for which Tenant would be required to pay $200 at the Aggregate Pre-Discount Amount, the Aggregate Discount would be 43.75%;

(iv) the term “Cumulative Discount” shall mean, at any point in time: (x) the amount by which (1) the total amount that Tenant would have been required to pay hereunder for NYS Switchboard Electric and Submetered HVAC Electric (exclusive of the electricity consumed by the Perimeter Pumps and the Perimeter Fan), in the aggregate, from the Commencement Date through and including such point in time, based upon the Standard Electric Rates (the “Cumulative Pre-Discount Amount”) exceeds (2) the aggregate amount actually paid by Tenant for all of such NYS Switchboard Electric and Submetered HVAC Electric (exclusive of the electricity consumed by the Perimeter Pumps and the Perimeter Fan) after taking into account any savings passed along to Tenant by Landlord pursuant to the terms hereof (e.g., as a result of the LMEP or the BIR) and any savings realized by Tenant as the result of its exercise, pursuant to the terms hereof, of its option to obtain PASNY Power (the “Cumulative Actual Amount”), divided by (y) the Cumulative Pre-Discount Amount; and

(v) the term “Cumulative Savings To Date” shall mean at any point in time the amount by which (1) the Cumulative Pre-Discount Amount exceeds (2) the Cumulative Actual Amount.

In the event that at any time Tenant could receive a discount on NYS Switchboard Electric in excess of the Switchboard Discount by electing to obtain PASNY Power, then Tenant shall have the right, to be exercised in writing, to require Landlord to permit Tenant to enter into an arrangement to obtain PASNY Power through direct metering, utilizing the House Meter, of all NYS Switchboard Electric. From and after any such election by Tenant, Landlord shall no longer be required to provide Tenant with NYS Switchboard Electric provided, however that Landlord shall continue to maintain the NYHS Switchboard in accordance with all of the relevant terms and conditions of this Lease from and after such election.

In the event that (i) the Cumulative Discount falls below fifteen (15%) percent through no fault of Tenant and (ii) Tenant shall have promptly exercised its option to enter into an arrangement to obtain PASNY Power through direct metering of all NYS Switchboard Electric, then Tenant shall be entitled to a credit (the “Submetered HVAC Electric Credit”) against the monthly amounts thereafter payable under this Lease with respect to Submetered HVAC Electric in the amount, if any, that is the lesser of:

(x) the amount necessary to bring the HVAC Discount, computed on cumulative basis through such month to month to the lesser of (A) fifteen (15%) percent or (B) the amount that such HVAC Discount would have been through such month if Submetered HVAC Electric, (exclusive of the electricity consumed by the Perimeter Pumps and the Perimeter Fan) had been provided throughout the Term of this Lease at the rates applicable from time to time during such Term for PASNY Power: or

(y) the amount necessary to bring the Cumulative Discount through such month to the lesser of (A) fifteen (15%) percent or (B) the amount that such Cumulative Discount would have been through such month if NYS Switchboard Electric and Submetered HVAC Electric (exclusive of the electricity consumed by the Perimeter Pumps and the Perimeter Fan) had been provided throughout the Term of this Lease at the rates applicable form time to time during such Term for PASNY Power.

8.1 In the event that the "submetering' of electricity in the Building is hereafter prohibited by any law hereafter enacted, or by any order or ruling of the Public Service Commission of the State of New York, or by any judicial decision of any appropriate court, the:

(i) Landlord shall permit Tenant to enter into an arrangement to obtain PASNY Power through direct metering, utilizing the House Meter, of all NYS Switchboard Electric. From and after any such direct metering, Landlord shall no longer be required to provide Tenant with NYS Switchboard in accordance with all of the relevant terms and conditions of this Lease from and after such election; and

(ii) with respect to Submetered HVAC Electric HVAC Electric and Shared Facilities Electric, Tenant shall pay Landlord on the basis of surveys in the same manner provided for surveys in Clause No. 8F above.

8J. Tenant shall have the right, on or before the Commencement Date and from time to time throughout the term of this Lease, to inspect the HVAC Submeters and any and all flow meters, BTU meters and other equipment installed pursuant to the terms of Exhibit "O" annexed hereto to confirm that the amounts will be charged to Tenant pursuant to Clause Nos. 8E and 8F hereof are being determined on a fair and equitable basis. In furtherance thereof, Landlord shall permit the Office of General Services Division of Technical Services ("Tenant's Electric Consultant") access to portions of the Building necessary to temporarily install, under Landlord's supervision, such "Dranetz Electric Power/Demand Analyzers" as may reasonably be required to by Tenant to determine, in Tenant's opinion, whether the HVAC Submeters and/or any submeters installed by Landlord to measure Shared Facilities Electric are accurately recording the consumption of Submetered HVAC Electric and/or Shared Facilities Electric. The readings of such "Dranetz Electric Power/Demand Analyzers" shall be for Tenant's purposes only, and shall not be deemed conclusive on Landlord. If determination of Tenant's Electric Consultant does not vary from the determination of Landlord or Landlord's Electric Consultant by more than five percent (5%), with respect to either: (i) the readings of the HVAC Submeters, (ii) the readings of any submeters installed by Landlord or the methods employed by Landlord to determine the amounts to be charged to Tenant for Shared Facilities Electric or (iii) the readings of BTU meters and/or flow meters installed pursuant to Exhibit "O" annexed hereto and/or the application of the amounts shown thereon to perform the calculations required by said Exhibit "O", then Landlord's determination with respect to the foregoing shall be deemed binding and conclusive. If the determination of Tenant's Electric Consultant varies by more than five percent (5%) (which determination Tenant shall notify Landlord in of in writing ("Tenant's Electricity Dispute Notice") within one hundred eighty (180) days after the billings, readings, or calculations, that are the subject of such determination, time being of the essence with respect to the giving of such Tenant's Electricity Dispute Notice) and if Landlord's Electric Consultant and Tent's Electric Consultant shall be unable to reach agreement within thirty (30) days, then such two consultants shall designate a third consultant shall be binding and conclusive on both Landlord and Tenant. If the determination of such third consultant shall substantially confirm the findings of Landlord's Electric Consultant (i.e. within five (5%) percent), then Tenant shall pay the cost of such third consultant. If such third consultant shall make a determination substantially different from that of both Landlord's and Tenant's Electric Consultants (or is within five percent (5%) of both such determinations), then the cost of such third consultant shall be borne equally by Landlord and Tenant. In the event that Landlord's Electric Consultant and Tenant's Electric Consultant shall be unable to agree upon the designation of a third consultant within thirty (30)days after Tenant's Electric Consultant shall have made its determination (different from that of Landlord's Electric Consultant by more than five (5%) percent), then either Landlord or Tenant shall have the right to request the American Arbitration Association in the City of New York to designated a third consultant whose decision shall be conclusive and binding upon the parties, and the costs of such third consultant shall be borne as hereinbefore provided in the case of a third consultant designated by the Landlord's and Tenant's Electric Consultants. Pending the resolution of any contest pursuant to the terms hereof, Tenant shall pay the Additional Rent on account of electricity determined by Landlord's Electric Consultant and upon the resolution of such contest, appropriate adjustment in accordance with such resolution of such Additional Rent payable by Tenant on account of electricity shall be made retroactive to the date of the determination of Landlord's Electric Consultant.

HEATING, VENTILATION AND AIR CONDITIONING ("HVAC")

9. The Landlord shall install, operate and maintain an adequate and suitable year-round environmental control system and appurtenances which shall be capable of providing the following (provided that occupancy does not exceed one person per 100 square feet of usable floor are [for purposes of this Lease, usable floor area shall be deemed to be equal to 80% of rentable square feet] in the Demised Premises and total electric load for all power consumed in the Demised Premises [including, without limitation, for lighting, business equipment, HVAC systems providing cooling to the Demised Premises [i.e., the NYS HVAC Plant and system and the Base Building HVAC Plant and system]):

A. Year-round daily ventilation, during Regular Business Hours introducing a minimum of 20 CFM/person of fresh air, tempered as required, in accordance with the latest issue in effect of the American Society of Heating, Refrigeration and Air Conditioning Engineers, Inc. (ASHRAE) on weather data and design conditions for one percent frequency of design-dry bulb and mean coincident wet-bulb.

B. The air conditioning or cooling portion of said system shall be capable of maintaining, when required, inside conditions of not more than 78 degrees F dry bulb (+ or – 2 degrees) and 50% relative humidity (+ or – 2 percent) when the outside ambient temperature is that which is specified for the cooling season in the State Energy Conservation Construction Code for the locale in which the Demised Premises are located. Conference and hearing rooms shall be capable of maintaining temperature conditions as stated above by means of an independent thermostatic control or each conference hearing room. Use of a dedicated variable air volume box will be acceptable if temperature requirements can be maintained at full room occupancy load, otherwise a separate air conditioning system will be required. Outside air tempered as required, shall be supplied for ventilation as stated in Paragraph (A) above.

C. The hearing portion of the said system shall be capable of maintaining heat, when necessary, for the proper comfort and of the occupants, which shall be not less than 68 degrees F or more than 75 degrees F, throughout the Demised Premises.

D. The Landlord shall pay all costs of fuel for heat, service, maintenance, including filter changes and water charges for the above facilities to the Demised Premises for the duration of occupancy by the Tenant; provided however, that Tenant shall pay the cost of electric energy consumed by the above facilities in accord with the provisions of Clause No.8 above. Landlord shall provide air conditioning for the Demised Premises during the air conditioning season and at such other times as shall be necessary to comply with the requirements set forth in Clause No. 9B above, on Monday through Friday from 7:00 AM to 6:00 PM daily on State business days and on Saturdays from 8:00 AM to 1:00 PM (other than Saturdays that are State holidays), which for the purposes of this Lease constitute Tenant's "Regular Business Hours".

E. It is understood and agreed that Tenant shall pay Landlord an overtime charge if HVAC is requested for the Demised Premises beyond Tenant's Regular Business Hours:

The charge through and including December 31, 1997 shall be at the rate of:

(i) with respect to floors two (2) through six (6), $175 per hour for a single floor, and $25 per hour for each additional floor within floors two (2) through six (6); and

(ii) with respect to the NYS Street Level Space (which shall count as one floor for purposes hereof) and floors seven (7) through eleven (11), $175 per hour for a single floor, and $25 per hour for each additional floor within the NYS Street Level Space and floors seven (7) through eleven (11),

which amounts shall be increase on January 1, 1998 and on each January 1 st thereafter by the same percentage increase in Operating Expenses for the immediately prior calendar year. Thus, for example, if Operating Expenses for the 1997 calendar year are two (2%) percent greater than Operating Expenses for the 1996 calendar year, the above stated dollar amounts will be increased by two (2%) percent each as of January 1, 1998.

A daily record of overtime HVAC use charges is to be maintained by the individual directors of the occupying New York State executive and administrative agencies in the Demised Premises requesting overtime HVAC. Said record to be submitted to and reconciled with the Landlord's own records on monthly basis. It is further understood and agreed that the Tenant shall notify the Landlord, in writing, 24 hours is advance of its requirement for overtime HVAC as defined above. (Friday notification for Sunday use).

Except as may be set forth to the contrary in this Lease, there shall be no charge to the Tenant for use of the Demised Premises beyond Tenant's Regular Business Hours should HVAC not be requested.

ELEVATOR SERVICE AND BUILDING ACCESS

10. The Landlord shall, at its expense, furnish adequate elevator service and access to the Building during Regular Business Hours, and have on elevator subject to call at all other times. Except as specifically provided to the contrary elsewhere in this Lease (e.g., with respect to casualties or other emergency situations), Tenant shall have access to the Demised Premises at will (it being acknowledged that Tenant shall have control of its own private entrance on Beaver Street, subject to the terms of this Lease). The elevator (or any or all of them, if more than one) may be operated by automatic control or by manual control, as Landlord shall determine at any time or from time to time. Landlord shall provide freight elevator service and use of the Building loading dock on a first come-first served basis (i.e., no advance scheduling) 8:00 a.m. to 6:00 p.m., Monday through Friday, excluding days that are not State business days. Freight elevator service to the Demised Premises and use of the Building loading dock shall also be provided on a reserved basis at all other times, upon the payment of Landlord's then established non-discriminatory and reasonable charges therefore which shall be Additional Rent hereunder. The use of the elevators and the Building loading dock shall be subject to the Rules and Regulations annexed hereto as Exhibit "E" and made a part hereof.

WATER

11. Landlord shall furnish, at its own expense, adequate hot and cold potable water to the floors on which the Demised Premises are located sufficient for reasonable drinking, lavatory, toilet, washroom and ordinary cleaning purposes. If Tenant uses water for any other purpose Landlord may install and maintain, at Tenant's expense, meters to measure Tenant's consumption of cold water and/or hot water for such other purposes. Tenant shall reimburse Landlord for the quantities of cold and hot water shown on such meters on demand. In the event Tenant shall be required to make payments pursuant to this Clause, Tenant shall pay to Landlord a reasonable charge for such service which shall bear a reasonable relationship to Landlord's cost for providing such service.

JANITOR SERVICE/COMMON AREA MAINTENANCE

12A.1 Unless Tenant exercises the option set forth in Clause No. 12A.2 hereof, Landlord shall have no obligation to provide any cleaning services to any portion of the Demised Premises or the Building, except that Landlord shall, whether or not Tenant exercises the option set forth in the Clause 12A.2 hereof: (i) clan all exterior windows on office floors and on the street level as and when deemed necessary in Landlord's reasonable opinion, weather permitting and (ii) remove from the Building all rubbish placed by tenant at the locations and in the manner designated by Landlord. Tenant (unless it has exercised the option set forth in Clause No. 12A.2 hereof), at its sole cost and expense, shall (i) cause to be cleaned the Demised Premises, the Beaver Street entry lobby and the street level lobby serving Tenant's Cleaning/Security/HVAC Envelope (as defined in Clause No. 66G hereof), the elevator cabs of the passenger elevators serving Tenant's Cleaning/Security/HVAC Envelope, all of the toilets and core areas on the floors on which the Demised Premises are located and the interior surfaces of all of the windows of the Demised Premises and Tenant's Cleaning/Security/HVAC Envelope, all in accordance with the cleaning specifications set forth in Clause No. 12A.3 and (ii) bring Tenant's rubbish to a location designated by Landlord, in the manner and at the times designated by Landlord. At no time shall Tenant place any waste of any kind in any public areas. If Tenant does so, then everything so placed shall deemed abandoned and/or of no value to Tenant and Landlord may have the same removed and disposed of a t Tenant's expense, which, shall be deemed Additional Rent payable by Tenant within 30 days after Tenant is billed therefore. This remedy is in addition to all other remedies Landlord may have under this Lease. Tenant shall pay to Landlord on demand the costs incurred by Landlord for removal from the Building any refuse and rubbish of Tenant in excess of that normally accumulated in business office occupancy or at times other than Landlord's standard refuse and rubbish removal times.

12A.2 Tenant shall have the right (the "Cleaning Inclusion Right"), which right Tenant may exercise by written notice to Landlord not later than the date that is one hundred eighty (180) days after the date on which this Lease is executed and delivered by the parties, time being of the essence, to require Landlord to provide cleaning services in accordance with the provisions of Clause No. 12A.3 below (which Clause No. 12A.3 shall be applicable to Landlord only in the event that Tenant exercises the Cleaning Inclusion Right). In the event that Tenant exercises the Cleaning Inclusion Right in accordance with the terms hereof:

(i) the provisions of Clause No. 12A.1 hereof shall thereafter be inapplicable;

(ii) the provisions of Clause No. 12A.3 below shall thereafter be applicable;

(iii) the amounts of Base Rent per rentable square foot per annum set forth in Clause No. 3A hereof shall be increased (x) form eighteen dollars and twenty-five cents ($18.25) to nineteen dollars and twenty-five cents ($19.25) and (y) from twenty dollars and fifty cents

($20.50) to twenty-one dollars and fifty cents ($21.50), respectively; and

(iv) the costs of providing the cleaning set forth in Clause No. 12A.3 (grossed up to 100% occupancy pursuant to the provisions of Clause No. 41 hereof and, if such cleaning commences on any day other than January 1[st], further grossed up to reflect the amount that would have been incurred by Landlord if such cleaning had been provided for a full calendar year) shall be included in the Operating Expenses for the Base Operating Year and each calendar year thereafter.

12A.3 The Landlord shall provide janitor service for the common areas of the Building utilized by the Tenant and to the Demised Premises to keep the same in order without cost to Tenant except that in the event Tenant requires additional cleaning services over the specifications provided for in herein all costs associated with such additional services will be the sole responsibility of the Tenant.

It is understood and agreed that the janitor service to be furnished under this Lease, which shall be performed will be performed nightly five (5) nights per week shall include the following: No Saturday, Sunday or State Holiday services. (Holidays are those days stated in the applicable State Law.)

SUPERVISION

A competent supervisor will be assigned to the Building both day and night. This nighttime supervisor required to verify that the work has been completed in all tenant areas, that all Venetian blinds have been lowered and set in a uniform appearance that all lights have turned off, windows closed, doors locked and offices left in a neat and orderly appearance for the next day’s business.

CLEANING CREW

The cleaning contractor’s employees shall be instructed to work behind locked doors, and will only open a door for members of their cleaning crew who have been assigned to remove rubbish or other like material from tenant’s premises during the nighttime cleaning operation.

PORTER & MATRON SERVICES

A daytime porter and matron will be assigned to the Demised Premises to replenish toilet tissue and sanitary napkins and soap and paper towels, and to maintain the lavatories in an orderly condition throughout the day. The sanitary napkins referred to in the immediately preceding sentence shall placed in a vending machine (i.e., they will not be provided free of charge).

FLOORING

All stone, ceramic tile, marble terrazzo, wood and other untreated or treated, non-carpeted flooring to be swept rightly; washing and waxing of such flooring shall be done at Tenant’s expense at Tenant’s request; provided, however, that Landlord, at Landlord’s expense, shall “damp mop” once every two (2) weeks an aggregate area within the Demised Premises (the “Damp Mop Area”) not to exceed 8,000 usable square feet to be designated by Tenant.

All linoleum, rubber, asphalt tile and other similar type of flooring that may be waxed or treated to be swept nightly; washing and waxing of such flooring will be done at Tenant's expense subject, however, to Landlord's obligations set forth in the immediately preceding paragraph with respect to the Damp Mop Area.

All carpeting and rugs will be carpet swept or vacuum cleaned nightly.

Shampooing or spot cleaning of carpets or rugs will be done at Tenant's expense and only upon Tenant's written request.

<u>OFFICE CLEANING</u>

Dust and wipe clean all furniture, files, fixture, window sills and convector enclosure tops nightly; wash said sills and tops when necessary. Horizontal surfaces of window frames to be dusted nightly.

Wastepaper baskets and cigarette urns are too emptied and trash removed from the premises daily to locations designated by Landlord. Wastepaper baskets are to be clean, odor free, and lined each day.

Tenant shall sort separate wastepaper and other rubbish, hereafter referred to as "wastes" generated within the Demised Premises. Landlord shall remove all such source separated wastes causing the same to be disposed of for purposes of recycling and materials recovery in accordance with all laws, rules, orders, ordinances and regulations at any time issued or in force and applicable in the borough, city, county, or other municipality in which the Demised Premises are located.

Removal of "wet rubbish" (as such term is generally defined in the rubbish removal industry) including, without limitation, cafeteria, kitchen type or coffee station wet rubbish or refuse, shall be done at Tenant's expense.

Wash clean all water fountains and coolers nightly, remove all fingerprints and smudges nightly.

Dust all chair rails, trims and baseboards within reach as necessary.

Dust all doors and ventilating louvers within reach nightly.

Dust and wipe clean all telephones nightly.

Clean all unpainted metal and remove finger marks nightly, treat as necessary.

Check all private stairwells throughout the premises and keep in clean condition.

Vertical surfaces, such as walls, partitions, doors and bucks of all public corridors and lobbies to be dusted, spot cleaned, treated and polished as often as necessary, but, in the case of public and service elevator corridors on floors above the ground floor not more than once a month.

Washing or polishing of vertical surfaces, such as walls, partitions, elevator hatch doors, entrance doors and bucks including service elevator lobbies shall be done at Tenant's expense.

<u>LAVATORIES (Core Toilets</u>)

Seep and wash lavatory floors nightly; using proper approved disinfectants. Machine scrub lavatory floors with proper disinfectants once every two weeks or more frequently when directed by Landlord.

Wash and polish all mirrors, powder shelves, bright work fixtures and enameled surface in lavatories, including flushometer piping and toilet seat hinges nightly.

Scour, wash and disinfect all basins, bowls and urinals throughout lavatory nightly using an odorless disinfectant. Wash both sides of all toilet seats nightly.

Dust and clean, washing where necessary, all partitions tile walls, dispensers and receptacles in lavatories nightly.

Wash waste cans and receptacles in lavatories when necessary but at least once a week.

Empty paper towel receptacles and sanitary disposal receptacles nightly and remove waste and other material to locations designated by Landlord.

Fill all toilet tissue holders nightly (tissue to be furnished by Landlord).

Wash and polish all wall tiles and stall surfaces of lavatories once every two weeks or more frequently when directed by Landlord.

Soap and paper towel products for tenant's use will be furnished and installed by the Landlord using Landlord's contractor as required.

The cleaning, maintaining and furnishing of lavatory supplies for executive toilets other than core units will done as part of the janitor services provided herein; provided, however, that Landlord, at Landlord's expense, will perform such services at no cost to Tenant for not more than five (5) executive toilets throughout the Demised Premises and for all Uni-Sex Toilets installed by Landlord in the Demised Premises pursuant to the terms of Clause No. 38 hereof.

HIGH DUSTING

Do all high dusting quarterly, which includes the following:

Dust all pictures, frames, charts, graphs and similar wall hanging not reached in nightly

cleaning.

Dust all vertical surfaces, such as walls partitions, doors and bucks and other surfaces not reached in nightly cleaning except as otherwise herein provided.

Dust all pipes, ventilating and air conditioning louvers, ducts, high moldings and other high areas not reached in nightly cleaning.

Dust all exterior surfaces of lighting fixtures including glass and plastic enclosures.

Washing and relamping of all fixtures will be done by Landlord's contractor at Tenant's expense and only upon Tenant's written request.

Dust and inspect all Venetian blinds. Washing, restringing, retaping and minor repair or replacement will be done at Tenant's expense. If Tenant fails to maintain blinds, Landlord may, at its sole option, repair blinds at Tenant's expense.

GLASS CLEANING

All interior glass (other than windows), partition glass and glass doors will be cleaned nightly or as necessary.

Mail chute and glass and floor directory glass will be cleaned once every five weeks.

All exterior windows on office floors will be cleaned, as necessary, approximately once every six months, weather permitting.

All interior glass windows on the office floors will be cleaned, as necessary, approximately once every six months.

Maintenance and Trimming: Grass, shrubs, trees surrounding the building to be clipped and trimmed. Use of chemicals shall be in accord with all applicable State and Federal laws.

Sidewalks, Entrances, and Parking Areas: Remove refuse and debris daily. In winter remove snow and ice from the walkway and parking area entrances and spread de-icer as needed.

Landlord will be responsible to protect State property from damage or soiling while performing said work and must make every effort to the work site clean and free from debris, spillage, rubble, as a result of performing said work.

Landlord is prohibited from using State equipment, furniture or property for the purpose of accomplishing the work; except as provided in Clause No. 12A (4) below.

12A.4 Landlord and its cleaning contractor and their employees shall have access after 6:00 p.m. to the Demised Premises and the use of Tenant's light, power and water in the Demised Premises to the extent reasonably required for the purpose of cleaning the Demised Premises. At no time shall Tenant place any waste of any kind in any public areas. If Tenant does so, then everything so placed shall be deemed abandoned and/or of no value to tenant and Landlord may have the same removed and disposed of at Tenant's expense, which shall be deemed Additional Rent payable by Tenant within 10 days after Tenant is billed therefore. This remedy is in addition to all other remedies Landlord may have under this Lease. Landlord shall not be required to clean any portions of the Demised Premises used for the preparation, serving or consumption of food or beverages, data processing or reproducing operations or, except to the extent required by Clause No. 12a.3, private lavatories or toilets. Tenant shall pay to Landlord on demand, as Additional Rent the costs incurred by Landlord for (a) extra cleaning work in the Demised Premises required because of (i) misuse or neglect on the part of Tenant or its subtenants or its or their employees or visitors, (ii) the use of portions of Demised Premises for special purposes requiring greater or more difficult cleaning work than office areas (iii) interior glass partitions or unusual quantity of interior glass surfaces, (iv) non-Building Standard materials or finished installed by Tenant or at its request and(v) the use of the Demised Premised by Tenant other than during Regular Business Hours, and (b) removal from the Demised Premises and the Building of any refuse and rubbish of Tenant in excess of that normally accumulated in business office occupancy or at times other than Landlord's standard cleaning times.

12A.5 Landlord shall provide security for the Building and the Real Property (excluding Tenant's Cleaning/Security/HVAC Envelope) to the same extent as is provided by landlords of comparable buildings in the City of New York. Landlord may provide such security in the form of guards, pass keys, electronic surveillance systems, or otherwise, as Landlord shall elect in its sole discretion. The provision of such security services shall not constitute a representation or warranty by Landlord that the Demised Premises or the Building shall at all times be safe or secure and shall not render Landlord liable for any loss of or damage to any property, or for any injury to any person, except as may otherwise be set forth expressly in this Lease. Tenant, at its sole cost and expense shall provide security for Tenant's Cleaning/Security/HVAC Envelope. Such security shall meet the standards generally met for provided by landlords of comparable buildings in the City of New York and, at a minimum, shall require the posting of at least one security guard in the Beaver Street lobby on a twenty-four (24) per day, three hundred sixty-five (365) day per year basis, which security guard shall (i) be responsible for manning the remote enunciator panel of the Building's Class E System to be installed by Landlord in the lobby of Tenant's Cleaning/Security/HVAC Envelope and (ii) fully cooperate with Landlord's security guard or guards in responding to life-safety alarms and any other emergencies. Nothing contained herein shall be deemed to permit Tenant to exclude Landlord form providing such additional security to Tenant's Cleaning/Security/HVAC Envelope as Landlord may reasonably deem fit.

12A.6 Tenant acknowledges that Landlord will not be providing any services to the First Floor Office and Storage Space or to the Beaver/New Street Retail Space, and that Tenant, at its own cost and expense, shall provide all services to such space, including, without limitation, cleaning (in accordance with the specification set forth in Clause No. 12A.3 hereof) and utilities, regardless of whether Tenant exercises the Cleaning Inclusion Right. Notwithstanding the foregoing, Landlord, at Tenant's written request, will provide cleaning to the Fist Floor Office and Storage Space at Tenant's sole cost and expense which, shall be payable as Additional Rent hereunder.

PEST MANAGEMENT

12B. Landlord shall implement and maintain its cost an Integrated Pest Management (IPM) program for Tenant's Cleaning/Security/HVAC Envelope; provided, however, that the cost of such program with respect to the NYS Street Level Space and any kitchens or cafeterias (other than coffee stations normal in size and number) in the Demised Premises shall be at Tenant's expense. The portion of the cost incurred by Landlord for such IPM within the Demised Premises is hereafter referred to, for purposes of Clause No. 41 hereof, as "Landlord's Demised Premises IPM Cost." The program shall provide for an overall plan which minimizes the use of toxic pesticides, and provides for an on-going practical least toxic approach to preventing and/or treating pest infestation. It should provide for technical training for Landlord's employees directly involved in IPM, establish and inspection program to identify infested zones, type of infestation, and their pest population levels, and detail procedures to be implemented should a pest infestation problem develop.

Landlord shall initially employ nonchemical means to eliminate pest infestation localizing treatment whenever necessary to defined affected area, using baits and traps rather than traditional chemical applications. At a minimum, semi-annual inspections (spring and fall) shall be conducted by Landlord or Landlord's contactor to identify and correct structural conditions allowing pests access (interior and exterior cracks, openings, crevices and ledges, etc.) The preventative measures of this program shall include controls to ensure proper cleaning/maintenance, handling and disposal of food and organic waste products, and reviews of environmental conditions or practices of Tenant which increase the potential of pest problems.

Applications of pesticides should be avoided unless subsequent inspection or monitoring indicates the continued presence of pests in a specific area after non-chemical means have been exhausted or have been found to be ineffective. An actual specimen or recent sign of the pest must be confirmed before pesticides are applied. The least toxic pesticide, of the pesticides available to treat a specific problem, shall be selected. All pesticides used must be registered with the United States Environmental Protection Agency and appropriate state and/or local jurisdictions and use of all pesticides shall be in strict accordance with the manufacturer's label instructions and all applicable federal, state, and local laws and regulations.

Landlord and each Tenant agency shall each designate an on-site liaison to review and coordinate necessary IPM activities. Each tenant agency shall be given an opportunity to review, and reasonable time to comment on the content and coordinate with the schedule of events specified in the IPM program. This opportunity will be provided through notification from Landlord prior to the implementation of the IMP plan. Pesticide treatment(s), when necessary, shall be scheduled for late Friday afternoons or evenings unless alternative times for such treatment applications are scheduled by mutual agreement with Tenant IPM liaisons. Each Tenant agency shall be notified of the location(s) of planned pesticide and herbicide treatments 24 hours prior to chemical application(s). Landlord shall furnish Tenant IPM liaisons with Material Safety Date Sheets

(MSDSs) for all pesticides and herbicides in use and pending use prior to any use within Tenant’s Cleaning/Security/HVAC Envelope.

REPAIRS

13A. Landlord shall at its own cost and expense throughout the term of this Lease, take good care of, and maintain in good working order and condition, the Demised Premises and the common areas of the Building affecting the Demised Premises and the fixtures and appurtenances therein (excluding Tenant’s Property [as defined in Clause No. 16E below]), including, without limitation, the windows of the Building and the vertical and horizontal portions of the Base Building Systems, except that Landlord shall have no responsibility to make any repairs required as a result of (i) the acts of any agents, licensees, contractors, or any person claiming by, through or under Tenant or (ii) the acts of the Tenant or its employees; all of which repairs to the demised Premises of the Building (whether ordinary or extraordinary, structural or no-structural or foreseen or unforeseen) shall be the responsibility of the Tenant, which responsibility shall survive the expiration or earlier termination of this Lease. Notwithstanding the foregoing, Landlord shall have no responsibility to repaint any walls or replace any wall coverings or to replace or repair any carpeting, floor tiles or other floor coverings to the extent that the need for any such repainting, replacement of results from “ordinary wear and tear” form Tenant’s use of the Demised Premises. Subject to the last paragraph of this Clause No. 13A, Tenant shall promptly make at Tenant’s expense, all repairs in and to the Demised Premises for which Tenant is responsible in a manner which will not interfere with the use of the Building by other occupants, and using only the contractor for the trade or trades in question, selected from a list of at least three (3) contractors per trade submitted by Landlord, except with respect to the life-safety system of the Building where only (1) alternative may be listed for such purpose, provided, however, any repairs in or to the Building and/or the systems and equipment thereof for which Tenant is responsible shall be performed by Landlord at Tenant’s expense. Landlord shall repair and maintain, at Tenant’s cost and expense, the horizontal portions of the HVAC and plumbing systems if such repair is due to the negligence or mistreatment by Tenant or its employees, agents, contractors, licensees, or invitees, or if such repair is required as a result of any Tenant’s Changes or changes in the layout of the Demised Premises or changes in Tenant’s manner of use of the Demised Premises, and to the extent that such repair or maintenance is not caused by any of the foregoing items, the cost of such maintenance and repair shall be borne by Landlord and included in Operating Expenses. Notwithstanding anything to the contrary contained herein, Landlord shall not include in Operating Expenses any costs for maintaining and repairing for other tenants of the Building (i) horizontal portions of the Base Building Systems (including, without limitation, HVAC, plumbing and electric) and (ii) all non-structural items in the premises demised to such other tenants including, without limitation, tenant improvements, such as executive toilets, partitions and door locks (items(i) and (ii) being hereinafter collectively referred to as “Tenant Improvement Repairs”). Subject to the provisions hereof, Landlord shall perform Tenant Improvement Repairs in the Demised Premises and the cost thereof shall be included in Operating expenses in the manner set forth in the next to last paragraph of this Clause NO. 13A Tenant agrees to give prompt notice to Landlord of any defective condition in the Demised Premises, including the plumbing, heating, air –conditioning or ventilation system or electrical lines located in, servicing or passing through the Demised Premises, and except as otherwise expressly provided in this Lease, there shall no allowance to Tenant for diminution of rental value, and Tenant’s obligations hereunder shall not be reduced or abated in any manner whatsoever and Landlord shall have no liability to Tenant, by reason of any inconvenience, annoyance or injury to additions or improvements in or to any portion of the Building or the Demised Premises, or in and to the fixtures, appurtenances or equipment thereof, which Landlord is required or permitted this Lease or required by law, to make in or to same, and Landlord shall utilize its good faith efforts to minimize interference with Tenant’s business; provided, however, that Landlord shall not be obligated to perform such work on an overtime premium-pay basis. When used in this Lease, the term “repair” shall be deemed to include such restoration and replacement as may be necessary to achieve and/or maintain good working order and condition.

The cost of Tenant Improvement Repairs performed by Landlord in the Demised Premises shall be "grossed up" to 100% as if such Tenant Improvement Repairs were provided to all tenants in the Building, including Tenant, at Landlord's cost. The adjustment of Operating Expenses to be performed pursuant to the terms of the immediately preceding sentence shall be performed (i) as if such other tenants of the Building had the same installations and frequency of repair and maintenance as Tenant and (ii) only with respect to calendar years during which Landlord incurs actual costs for such repairs or maintenance performed in the Demised Premises. Thus, for example, if Landlord incurred $100 in a calendar year for repairs to an executive rest room of Tenant, the amount to be included in Operating Expenses for such calendar year for executive rest room repair would be $226 (i.e., $100 divided by Tenant's Proportionate Share of 44.24%); provided, however that if Landlord incurred $600 in the same calendar year for repairs to an executive rest room of a tenant other than Tenant, the amount to be included in the Operating Expenses for such calendar year or years for executive rest room repair would be $0, even if Landlord incurred costs to repair executive rest room of other tenants. To the extent, if any, that the cost of Tenant Improvement Repairs performed by Landlord in the Demised Premises would be required to be capitalized under generally accepted accounting principles, consistently applied, such costs shall be included in Operating Expenses as follows:

(i) any individual cost of five thousand ($5000) dollars or less shall be expensed (i.e., included in full in the calendar year incurred); and

(ii) any individual cost exceeding five thousand ($5000) dollars shall be amortized or depreciated, as the case of may be, on a straight-line basis over the number of full calendar years remaining in the Term (including the calendar year in which such cost is incurred) without regard to the useful life of the item in question, together with simple interest on the unamortized portion thereof at a rate per annum equal to the Interest Rate in effect as of December 31 of the year in which such expenditure is made, and included in Operating Expenses until such cost has been fully amortized or depreciated (e.g., if a cost of $10,000 is incurred in the next to last full calendar year of the Term for an item with a six year useful life, such cost will be amortized over two years, rather than six years).

For purposes of Clause No. 3C hereof, the term "Unamortized Tenant Improvement Repair Costs" shall mean the unamortized or undepreciated portion, if any, as of this time of the termination this Lease by Tenant pursuant to the terms of Clause No. 3 hereof, of any costs required to be amortized or depreciated pursuant to clause (ii) of the immediately preceding sentence.

It is understood and agreed by and between the parties hereto that in the case of any repairs for which Landlord is not responsible pursuant to the preceding paragraph or any other provisions of this Lease, Landlord agrees, if so requested by Tenant, to provide Tenant with estimates of the cost of any such repair, Upon approval of such estimate by Tenant (which approval shall be deemed given if not withheld within thirty (30) days), Landlord shall promptly proceed with such repairs. Payment by Tenant to Landlord shall be made within thirty (30) days of completion of such repairs and upon submission of a written invoice therefore. Except in the case of an emergency, Landlord shall also notify Tenant advance in writing before making any single Tenant Improvement Repair that Landlord anticipates will cost in excess of $10,000, and such written notice shall include Landlord's estimate and Landlord and Tenant are unable to agree upon a revised estimate, Tenant shall promptly make such Tenant Improvement Repair at Tenant's sole cost and expense.

COMPLIANCE WITH LAWS

13b. Except as hereinafter provided, Landlord shall, throughout the term of the Lease, make any alterations, repairs, or improvements to the Demised Premises or Tenant's Cleaning/Security/HVAC Envelope that are required by "Legal Requirements" (as hereinafter defined). Tenant agrees that it will not use the Demised Premises or Tenant's Cleaning/Security/HVAC Envelope for any purpose or in any manner which shall be violative of Legal Requirements and shall give prompt notice to Landlord of nay notice it receives of the violation of any Legal Requirements with respect to the Demised Premises or Tenant's Cleaning/Security/HVAC Envelope or the use of occupation thereof. Notwithstanding the first sentence of this Clause No. 13B, Tenant shall, at Tenant's expense, company with all present and future Legal Requirements in respect of the Demised Premises and Cleaning/Security/HVAC Envelope and the use and occupation thereof, and the abatement of any nuisance caused by Tenant in, on or about the Demised Premises or Tenant's Cleaning/Security/HVAC Envelope that does not require the performance of any alterations, repairs of improvements; provided, however, that Tenant shall be required to make alterations, repairs or improvements in or to the Demised Premises or Tenant's Cleaning/Security/HVAC Envelope that are required by Legal Requirements if the need for such alterations, repairs are improvements arises from any of the following items: (i) Tenant's particular manner of use of the Demised Premises (as opposed to mere use of the Demised Premises for administrative and executive offices), (ii) any cause or condition created by or at the instance created by or at the instance of Tenant, (iii) any improvement or improvements installed by or on behalf Tenant in the Demised Premises (including, without limitation, Tenant's Work and Tenant's Changes), or (iv) the breach of any of Tenant's obligations under this Lease, and Tenant shall pay all the costs, expenses, fines, penalties, and damages which may be imposed by a public authority upon Landlord or any holder of a Superior Lease or Superior Mortgage by reason of or arising out of Tenant's failure to fully and promptly comply with and observe the provisions of this Clause No. 13B. In addition, Tenant shall, at Tenant's expense, be responsible for any alterations, repairs or improvements necessary in order to comply with Legal Requirements affecting portions of the Building outside the Demised Premises if the need for such repairs or improvements arises from any of items (i) through (v) set forth in the immediately preceding sentence. Thus, for example, if a law of general applicability is passed that requires that every office building located in New York City must have a unisex handicap bathroom on each and every floor thereof, regardless of Tenant's use of the Demised Premises, Landlord, at Landlord's expense would be obligated to comply therewith; however, if a law is passed that requires at all entry doors to government premises must be mad of bullet-proof glass or metal, Tenant at Tenant's expense, would be obligated to comply therewith because the need for such compliance would arise by reason of Tenant's particular manner of use of the Demised Premises. With respect to any repairs or improvements which affect portions of the Building outside the Demised Premises or any Base Building Systems, including, without limitation the electrical, HVAC, plumbing or mechanical systems, for which Tenant is responsible pursuant to this Clause No. 13B, same shall be performed by Landlord at Tenant's expense. Nothing contained herein shall be construed to make Tenant responsible for any alterations, repairs or improvements necessary in order to comply with Legal Requirements if the need for such compliance arises out of (i) the conversion of the Building to the condominium form of ownership or (ii) the delivery of the Demised Premises and the Tenant Work to Tenant in a condition that violates any then-current Legal Requirements.

As used herein "Legal Requirements" shall mean the requirements of every statue, law, ordinance, regulation, rule, requirement, order or directive, now or hereafter made by any Federal, state or local government or any department, political subdivision, bureau, agency, office or officer thereof, or any other government authority having jurisdiction, including the City of New York (a "Government Authority") with respect to and applicable to (i) the Real Property and the Demised Premises and appurtenances thereto, and/or (ii) the condition, equipment, maintenance, use or occupation of the Demised Premises, including the making of an alteration or addition in or to any structure upon, connected with or appurtenant to the Demised Premises.

LANDLORD’S RIGHT OF ENTRY

14. The Tenant shall permit the Landlord and its agents and representatives at all usual proper times to enter the Demised Premises for the purposes of inspection or sale; and for the Landlord to make repairs and improvements to all parts of the Building and to comply with all governmental orders and requirements applicable to the Building. The Landlord, in exercising its rights under this Clause, shall not unreasonably interfere with the Tenant’s access, use and occupancy of the Demised Premises; provided, however that Landlord shall not be obligated to perform such repairs and improvements on an overtime or premium-pay basis.

TO LET SIGNS

15. The Tenant shall permit the Landlord during the six (6) months next prior to the expiration of the Term to place the usual notices of “To Let” upon the exterior of the Demised Premises.

DESTRUCTION OF PREMISES

16. A. If the Demised Premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give immediate notice thereof to Landlord and this Lease shall continue full force and effect except as hereinafter set forth.

B. If the Building or the Demised Premises shall be partially or totally damaged or destroyed by fire or other casualty (and if this Lease shall not be terminated as in this Clause No. 16 hereinafter provided), then (a) Landlord shall restore and rebuild the Building and the Demised Premises (excluding Tenant’s Property [as defined in Clause No. 16E below]) with reasonable dispatch after notice to it of the damage or destruction and the collection of the insurance proceeds attributable to such damage, and (b) Tenant shall repair or replace Tenant’s Property with reasonable dispatch after such damage or destruction provided, however that for so long as the Tenant hereunder is The People of the State of New York, Tenant shall have the right, in its sole discretion, to determine the timing of and the extent to which Tenant wishes to repair of State of New York, the proceeds of policies carried by Tenant pursuant to the provisions of Clause No. 52 hereof providing coverage for Tenant’s improvements and betterments and (ii) the amount, if any, by which the costs of repairing and restoring Tenant’s improvements and betterments as estimated by reputable contractor designated by Landlord exceeds the available insurance proceeds therefore. The amounts due in accordance with subparagraphs (i) and (ii) above shall be Additional Rent under this Lease and payable by Tenant to Landlord within thirty (30) days after being billed therefore. Any excess proceed of policies carried by Tenant pursuant to the provisions of Clause No. 52 hereof providing coverage for Tenant’s improvements and betterments remaining after Landlord completes its restoration and rebuilding of the Demised Premises shall be apportioned between Landlord Tenant in accordance with the provisions set forth in Clause No. 16I hereof.

C. If all or part of the Demised Premises shall be damaged or destroyed or rendered completely or partially untenantable on account of fire or other casualty, the Base Rent and the Additional Rent hereunder shall be abated inn the proportion that the untenantable are of the Demised Premises bears to the total fare of the Demised Premises (computed in accordance with the Standard of Measurement annexed hereto as Exhibit “L”, for the period from the date of damage or destruction to (i) the date the damage to the Demised Premises (exclusive of Tenant’s Property) shall be substantially repaired (provided, however, that if in Landlord’s judgment such repairs would have been substantially completed an earlier date but for Tenant’s acts or omissions, then the Demised Premises shall be deemed to have been repaired substantially on such earlier date and nay reduction or abatement shall cease)or (ii) if the Building and not the Demised Premises so damaged or destroyed, the date on which the Demised Premises shall be made tentable; provided, however, should Tenant or any of its subtenants reoccupy a portion of the Demised Premises for business purposes during the period the repair work is taking place and prior to date Additional Rent allocable to such reoccupied portion, based upon the proportion which the are of the reoccupied portion of the Demised Premises bears to the total area of the Demised Premises (computed in accordance with the Standard of Measurement annexed hereto as Exhibit "L"), shall be payable by Tenant from the date of such occupancy. Landlord will act in good faith to keep Tenant informed as to the progress of repairs to the Demised Premises and/or the Building, as the case may be, and to give Tenant reasonable advance notice of the date on which the Demised Premises are anticipated to be rendered tentable, taking info account the circumstances (e.g., date on which the Demised Premises will be rendered tenantable if the casualty in question results in damage that can be repaired in a relatively short period of time, such as thirty (30) days or less).

D. If (i) the Building shall be totally damaged or destroyed by fire or other casualty, or if the Building shall be so damaged or destroyed by fire or the other casualty (whether or not the Demised Premises are damaged or destroyed) that its repair or restoration requires more than two hundred seven (270) days from the date of the casualty or the expenditure of more than forty (40%) percent of the full insurable value of the Building immediately prior to the casualty or (ii) if during the last two (2) years of the term of this Lease the Demised Premised shall be totally or substantially (i.e., for this purpose, more than twenty-five (25%) damaged percent) damaged or destroyed (as estimated in any such case by a reputable contractor, registered architect or licensed professional engineer designated by; Landlord), then in any such case Landlord may terminate this Lease giving Tenant notice to such effect within one hundred twenty (120) days after the date of the casualty (herein called "Landlord's Notification Period"). For the purpose of Clause only, " full insurable value" shall mean replacement cost less the cost footings, foundations and other structures below the street and first floors of the Building.

E. Tenant acknowledges that Landlord will not carry insurance on Tenant's furniture and/or furnishings or fixtures or equipment, improvements or appurtenances removable by Tenant (hereinafter collectively referred to as "Tenant's Property") and agrees that Landlord will not be obligated to repair any damage thereto or replace the same, and Tenant agrees to look solely to its insurance (to the extent Tenant is required to carry same pursuant to Clause No. 52 hereof) for recovery of any damage to or loss of Tenant's Property. If Tenant shall fail to maintain such insurance (to the extent Tenant is required to carry same pursuant to Clause No. 52 hereof) Landlord shall have the right to obtain insurance in Tenant's name on Tenant's Property and the cost thereof shall be Additional Rent hereunder and payable by Tenant to Landlord on demand. Notwithstanding anything to contrary in the immediately preceding sentence, Tenant hereby acknowledges and agrees that for so long as the Tenant hereunder is The People of the State of New York, Landlord shall have the right, but not the obligation, at any time at Landlord's expense (which expense shall be includable in Operating Expenses), to purchase personal property insurance in Tenant's name and there shall be any damage of any Tenant's Property, Tenant will cooperate with the insurance company and prepare and submit appropriate claims and documentation in connection therewith.

F. Tenant hereby waives the provisions of Section 227 of the Real Property Law of the State of New York and agrees that the provisions of this Clause shall govern and control in lieu thereof.

G. (a) Subject to the provisions of subparagraph (b) of this Clause No. 16G, Tenant shall not be entitled to terminate this Lease and Landlord shall have no liability to Tenant for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Demised Premises or of the Building pursuant to this Clause No. 16. Landlord shall have no liability to Tenant for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Demised Premises or of the Building pursuant to this Clause No. 16. Landlord shall use reasonable efforts to make such repair or restoration promptly and in such manner as not unreasonably to interfere with Tenant's use and occupancy of the Demised Premises, but Landlord shall not required do such repair or restoration work except during Regular Business Hours.

(b) In case of any fire or other casualty mentioned in this Clause No. 16: (i) in the event of a fire or other casualty which affects the Demised Premises and/or other portions of the Building, if Landlord shall not have substantially completed the making of the required repairs and resorted and rebuilt the Building and the Demised Premises within twenty-one (21) months from the date of such fire or other casualty in the event of a fire or other casualty which affects both the date of such fire or other casualty in the event of a fire of other casualty which affects the Demised Premises only, or (ii) if, in the reasonable estimation of a reputable independent contractor, registered architect or licensed professional engineer engaged by Landlord (a copy of fire or to the casualty and which shall be set forth the time period estimated to be required for substantially completing such repairs), the required repairs cannot be substantially completed with such twenty-one (21) month period or eighteen (18) month period, as the case may be or (y) in the case of clause (ii) above, the date on which Landlord furnished such estimate to Tenant, and in either case, if such notice is given, the term of this Lease shall terminate on the thirtieth (30th) day after Landlord's receipt of such notice unless the Building and/or the Demised Premises, as the case may be, shall have been restored prior to the expiration of such thirty (30) day period. Notwithstanding anything to the contrary set forth in this Clause No. 16G(b), if the above-referenced estimate of a reputable independent contractor, registered architect or licensed professional engineer indicated that the required repairs cannot be substantially completed within such twenty-one (21) month period or eighteen (18) month period, as the case may be, from the date of such fire or casualty, and right to terminate this Lease pursuant to clause (i) above, the twenty-one (21) month period or eighteen (18) month period described therein shall be deemed to be replaced by the time period set forth in such estimate, Thus for example, if the damage is restricted to the Demised Premises and the estimate indicates that it will take twenty (20) months to substantially repair such damage, unless Tenant exercises its right to terminate this Lease on the basis of such estimate, Landlord shall have twenty (20) months, rather than eighteen (18) months, to substantially repair such damage before Tenant shall have right to terminate pursuant to clause (i) above.

H. Landlord and Tenant each agree to use diligent efforts to cooperate with each other and with their respective insurers (to the extent that Tenant is required to carry insurance pursuant to the terms of this Lease) in order to facilitate the collection of all insurance proceeds (including, without limitation, rent insurance proceeds) applicable to damage and destruction of the Building or the Demised Premises by fire or other casualty.

I. In the event that this Lease is terminated pursuant to any provision of this Clause No. 16, Landlord shall be entitled to receive all proceeds of policies covering all improvements and betterments in the demised Premises. In the event that this Lease is not terminated pursuant to any provision of this Clause No. 16, then: (i) Tenant shall be entitled to receive any excess proceeds of policies covering improvements and betterments in the Demised Premises if Tenant is carrying and paying for the insurance on such improvements and betterments and (ii) Landlord shall be entitled to receive any excess proceeds of any policies covering improvements and betterments in the Demised Premises if the Landlord is carrying and paying or the insurance eon such improvements and betterments.

SET OFF

17A. Except as otherwise provided herein, so long as Tenant is not in default of any of these obligations hereunder, in the event Landlord refused or fails to make repairs or provide services for which it is responsible under the terms and conditions of this Lease the Tenant, upon thirty (30) days written notice [five (5) State business days in emergency cases] to the landlord ("Tenant's Self-Help Notice"), shall have the right ("Tenant's Self-Help Right"), but not the obligation, to make such repairs or provide such services after the expiration of such thirty (30) day or five (5) State business day period (the "Self-Help Notice Period"), deducting all the costs incurred thereby from the rental which is or shall be owing Landlord. Notwithstanding foregoing, in the case of a default which cannot with due diligence be cured within thirty (30) days [five (5) State business days in emergency cases], if Landlord shall, after written notice thereof from Tenant, proceed promptly and with all due diligence to commence to cure the same and thereafter to prosecute the curing of such default with all due diligence, the time of Landlord within which to cure the same shall be extended for such period as may be necessary for the curing thereof with all due diligence. The provisions of this paragraph are in addition to, and not in lieu of, any and all rights and remedies available to Tenant pursuant to the provisions of this Lease, including, without limitation, the provisions of sub clause No. 68 hereof (Interruption of Services).

17B. Notwithstanding anything herein to the contrary, the remedies afforded Tenant in this paragraph shall not apply if Landlord, after such notice, has commenced to cure and diligently continues to perform such work and services as are appropriate in such event. This Lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on the part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of its obligations under this Lease or to supply or is delayed making any repair, additions, alterations or decorations or is unable to supply or is delayed in set forth in Clause No. 60 hereof (Force Majeure). Notwithstanding anything to contrary contained in the immediately preceding sentence, if in any calendar year: (i) Landlord is unable to render a particular service (such as cleaning, if Tenant elects to require Landlord to clean the Demised Premises), (ii) Landlord realizes an actual savings (i.e., net of any expenses incurred by Landlord in attempting to restore such service) in costs as the result of its inability to render such service (the "Service Interruption Savings"), (iii) Tenant does not receive any abatement of the rental payable hereunder as the result of such inability of Landlord to render such and (iv) the Operating Expenses for such calendar year are less than the Base Operating Year Expense, then Landlord shall pay to Tenant an amount equal to Tenant's Proportionate Share of the lesser (x) the amount of the Service Interruption Savings, (y) the amount included in the Base Operating Year Expenses for such service or (z) the amount by which the Operating Expenses for such calendar year are less than the Base Operating Year Expenses.

17C. In the event that tenant gives a Tenant's Self-Help Notice and Landlord in good faith disputes Tenant's contention that landlord has failed to make repairs or provided services to such an extent as would entitle Tenant to exercise Tenant's Self-Help Right pursuant to the terms hereof, Landlord, at any times prior to the expiration of the Self-Help Notice Period, shall have the right to give a notice to Tenant ("Landlord's Self-Help Dispute Notice") disputing Tenant's right to exercise Tenant's Self-Help Right. In the event that Landlord timely gives a Landlord Self-Help Dispute Notice, Tenant shall not have the right to exercise Tenant's Self-Help Right unless and until tenant obtains a declaratory judgment from a court of competent jurisdiction to the effect that Tenant is entitled to exercise Tenant's Self-Help Right in accordance with the provisions of this Lease.

SUBORDINATION

18A. This Lease, and all rights of Tenant hereunder, are and shall be subject and subordinate in all respects to all present and future ground leases, overriding leases, overriding leases and underlying leases of the Land or the Building or the portion thereof in which the Demised Premises are located in whole or in part ("Superior Leases"); to all mortgages and building loan agreements which may now or hereafter affect the Land or the Building or any of such Superior Leases ("Superior Mortgages"), whether or not the Superior Leases or Superior Mortgages shall also cover other lands or buildings; to each and every advance made or hereafter to be made under the Superior Mortgages; and to all renewals, modifications, replacement and extensions of the Superior Mortgages and spreaders, consolidations and extensions of the Superior Mortgages. This Clause shall be self-operative and not further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall promptly execute and deliver at its own cost and expense an instrument, in recordable form if required, that Landlord, the lessor of any Superior Lease (each, a "Superior Lessor") or the holder of any Superior Mortgage (each, a "Superior Mortgage") or any of their respective successors in interest may reasonably request to evidence such subordination, Tenant agrees, without father instruments of attornment or other instruments in each case, (i) that Tenant will attorn to the lessor under any Superior Lease, or the holder of any Superior Lease, or the holder of any Superior Mortgage, as the case may be, (ii) that Tenant will waive the provisions of any statue or role of law now or hereafter in effect which may give or propose to give Tenant any right of electing to terminate this Lease or to surrender possession of the Demised Premises in the event a Superior Lease is terminated or a Superior Mortgage is foreclosed and (iii) that Tenant shall take no steps to terminate this Lease without giving written notice to said lessor under the Superior Lease, or holder of a Superior Mortgage, and a reasonable opportunity to cure (without such lessor or holder being obligated to cure), any default on the part of the Landlord under Lease.

18.B With respect to Superior Mortgages and Superior Leases which mayo be executed on or after the date of this Lease, the holder of any such Superior Mortgages shall offer to enter into a subordination, non-disturbance and attornment agreement with Tenant in recordable form, on the customary form of such holder or lessor which shall provide in substance that so long as no default exists hereunder beyond any applicable grace period (if any), Tenant shall not be disturbed in its possession of the Demised Premises and shall also contain substantive provisions substantially similar to those contained in the form annexed hereto as Exhibit "K" (herein called a "Standard SNDA Agreement").

QUIET ENJOYMENT

19. The Landlord covenants with the Tenant that the Tenant, on complying with the terms he of this Lease, shall and may peacefully and quietly have the use of and enjoy the said Demised Premises.

CONDITION OF PREMIES

20. The Tenant shall at the end of the Term quit and surrender the Demised Premises as good order and condition as when received normal wear and tear and damage by the elements including, among other things, fire, excepted.

NOTICE

21. Any notice by the Tenant to the Landlord shall be deemed to be duly given if mailed by certified mail, return receipt requested, postage prepaid, addressed to Landlord a the address above, and any notice by the Landlord to the Tenant shall be deemed to be duly given if mailed by certified mail, return receipt requested, postage prepaid, addressed to the:

Commissioner of General Services
Office of General Services
C/O Chief, Bureau of Leases
Governor Nelson A. Rockefeller Empire State Plaza
Corning Tower Building, 26th Floor
Albany, New York 12242

A copy of each notice, statement, demand, request or other communication hereunder to Landlord shall be sent simultaneously to:

Concord U.S. Property, (no. 1) L.P.
c/o Concord Pacific Developments
1095 West Pender Street, Suite 900
Vancouver, British Columbia
V6E 2M6 Canada
Attention: Mr. Jon Markoulis

-and-

O&Y Concord 60 Broad Street Company
c/o Concord Properties
60 Broad Street
New York, New York 10004
Attention: Mr. Jonathon Coven

-and-

Bachner, Talley, Polevoy & Misher, L.L.P.
380 Madison Avenue
New York, New York 10017
Attention: Martin D. Polevoy, Esq.

Each notice statement, demand, request or other communication required or permitted pursuant to this Lease or otherwise shall be in writing unless specified in this Lease, and shall be deemed to have been given, rendered or made on the second day form the day so mailed to different state, in which case it shall be deemed to have been given on the third day after mailing. By giving the other party at least ten (10) days' prior notice, either party may, by notice given as above provided, designate a different address or addresses for notices. Notwithstanding anything to the contrary contained ion the foregoing, Landlord may send any rent bills or vouchers required to be sent by Landlord in pursuant to this Lease by regular mail.

NEW LANDLORD

22. In case the Demised Premise or the building of which the same is a part shall be sold, conveyed, transferred, assigned, leased or sublet, or if the landlord shall sell, convey, transfer or assign this Lease or rents due under this Lease, or if for any reason there shall be a change in the manner of which rental reserved hereunder shall be paid to Landlord, proper written notice of such change shall be filed immediately by the Landlord with the Commissioner of General Services. No notice given to the State in cases provided in this paragraph shall be deemed sufficient until filed as herein provided.

In the event the Demised Premises or the Building of which the same is a part shall be sold, transferred, assigned, leased or sublet, or if the Landlord shall sell, transfer, or assign this Lease or the rents due hereunder, to a person or persons employed by the State of New York and subject to the provisions of Section 73 of the Public Officers Law, or if subsequent to the execution of this Lease it is found that Landlord is such a person, then upon written notice to Landlord, or its successors and assigns Tenant shall have the right to cancel this Lease effective as of the date given in said notice.

BROKERAGE FEES

23. Landlord and Tenant each represent to one another that they have no dealings or communications with any broker or agent other than Julien J. Studley, Inc. (“Studley”) and Edward Minskoff Equities, Inc. (“Minskoff”) in connection with this Lese or the negotiation thereof. Landlord shall pay or cause to be paid to Studley and Minskoff any commissions, compensation or charges to which Studley and Minskoff are entitled in connection with this Lease.

MERGER CLAUSE

24. It is understood and agreed by and between the parties hereto that no representations or promises have been made in respect to the Demised Premises other than those contained herein or except those as may be contained in a rider attached to and mad a part of this Lease.

LANDLORD’S INTEREST

25. The Landlord represents that the Demised Premises above described are owed by the Landlord in fee simple absolute or leased for period exceeds the herein Term. Landlord shall provide Tenant with a copy of pertinent underlying and ground leases.

NO DEVIATIONS

26. It is understood and agreed by and between the parties hereto that the agency in possessions is not authorized to allow any deviations from the provisions of this Lease, including among others, substitutions for, or additions to, items of construction or alterations, or commit the State in any way.

REMOVAL OF PERSONAL PROPERTY

Any and all articles of personal property including, without limitation, business and trade fixtures, machinery equipment, cabinet work, furniture, movable partitions, carpeting and water coolers, owned or installed by the Tenant at its sole expense (excluding such items installed by Landlord as part of Landlord’s Work, as hereinafter defined) are and shall remain the property of the Tenant and may be removed by it at any time during the Term or holdover period, but Tenant shall not be required to remove them at the end of the Term or holdover period, but Tenant providing that if such fixtures, machinery, equipment, cabinet work, furniture, moveable partitions, carpeting and water coolers not so removed shall be deemed abandoned and may either be retained by Landlord as a property or disposed of without accountability, at Tenant’ sole cost and expense in such manner as Landlord may see fit. Notwithstanding anything to the contrary contained herein, in the event that any of the foregoing items of personal property cannot be removed without permanent structural damage or defacement of the Building, same shall not be removed by Tenant and shall remain in the Demised Premises as the end of the Term.

ALTERATIONS BY TENANT

28A. After completion of the work described in the Work Letter, Tenant may at any time and from time to time, at its sole expense, make alterations, additions, installations, substitutions, improvements, and decorations (hereinafter collectively called “changes” and, as applied to changes provided for in this Clause No. 28, “Tenant Changes”) in and to the Demised Premises, excluding structural changes and changes affecting the Base Building Systems, on the conditions set forth in the following subclauses (a) through (g).

(a) The outside appearance, character and use of the Building shall be unaffected, the structural strength of the Building shall not be weakened or impaired, and the value of the Building shall not, in the opinion of Landlord, be lessened.

(b) No part of the Building outside of the Demised Premises shall be physically affected.

(c) The proper functioning of the mechanical, electrical, sanitary and other Base Building Systems shall not be adversely affected.

(d) After performing the work involved in making such changes, Tenant shall on Landlord's written request restore the Demised Premises to their condition prior to the making of any changes permitted by this Clause No. 28, reasonable wear and tear excepted.

(e) Such changes will not result in a violation of, or require a change in, the certificate of occupancy applicable to the Building or to the Demised Premises.

(f) Before proceeding with any change (exclusive of changes in items constituting Tenant's Property and changes, such as carpeting, that are merely cosmetic in nature), Tenant shall submit to Landlord, for Landlord's approval in writing, which approval should not be unreasonable withheld or delayed, plans and specifications for the work to be done, and if such change requires approval by or notice to the lessor of a Superior Lease or he holder of a Superior Mortgage, Tenant shall not proceed with the change until such approval has been received, or such notice shall have been given, as the case may be, and all applicable conditions and provisions of said Superior Lease or Superior Mortgage with respect to the proposed change or alteration have been met or compiled with such notice as case may be. Any change for which approval has been received shall be performed strictly in accordance with the approved plans and specifications, and no amendments or additions tot such plans and specifications shall be made without the prior written consent of Landlord. No consent of Landlord shall, however, be required for any non-structural alteration which costs less than ten thousand dollars ($10,000.00) and which does not require a building or alteration permit. Tenant shall not be permitted to make part of the Demised Premises any materials, fixtures or articles which are subject to liens, conditional sales contracts, security agreements for chattel mortgages.

(g) Tenant shall comply with all other terms and conditions of this Lease (including, without limitation, the Alterations Rules and Regulations annexed hereto as Exhibit 1 and made a part hereof) in connection with Tenant's Changes.

28B. In connection with any Tenant's Changes, Landlord shall be entitled to charge Tenant a reasonable fee to cover Landlord's legal, engineering, architectural and other costs of reviewing plans and specifications, ensuring compliance with all laws, codes, rules and regulations, monitoring the conformity of the work to the plans and specifications, and similar matters. Such costs shall include without limitation both Landlord's out-of-pocket costs and an appropriate allocation of Landlord's general overhead.

28C. All Tenant's Changes shall at all times comply with all Legal Requirements and all rules and regulations of Landlord. Tenant, at its expense, shall obtain all necessary governmental permits and certificates for the commencement and prosecution of Tenant's Changes and for final approval thereof upon completion, and shall cause Tenant's Changes to be performed in compliance with the same and all applicable requirements of insurance bodies and in good and first-class workmanlike manner, using materials and equipment which are new at least equal in quality and class to the original installations of the Building. Tenant's Changes shall be performed (i) so as not to interfere with the occupancy of any other tenant in the Building, (ii) so as not to delay, or impose any additional expense upon Landlord in the construction, maintenance or operation of the Building, and (iii) by contractors or mechanics approved by Landlord. Throughout the performance of Tenant's Changes, Tenant shall cause all contractors and subcontractors performing any portion of such work to carry workmen's compensation insurance in statutory limits and general liability insurance for any occurrence on, in or about the Building. Landlord and its managing agent shall be named as parties insured under such general liability insurance, in such limits as Landlord may reasonably prescribe and with insurers reasonably satisfactory to Landlord. Tenant shall furnish Landlord with evidence satisfactory to Landlord that such insurance is in effect at or before the commencement of Tenant's Changes and, on request, at reasonable intervals thereafter during the continuance of Tenant's Changes. No Tenant's Changes shall involve the removal of any fixtures, equipment or other property in the Demised Premises unless (i) Landlord's prior written consent is first obtained and (ii) such fixtures, equipment or other property shall be promptly replaced, at Tenant's expense and free of superior title, liens, and claims, with fixtures, equipment or other property (as the case may be) of like utility and at least equal value (which replaced fixtures, equipment, or other property shall thereupon become the property of Landlord)

28D. Tenant will not at any time, prior to or during the Term, either directly or indirectly, use any contractors, labor or materials in or about the Demised Premises or the Building which would, in Landlord's opinion, create any difficulty with other contractors or labor engaged by Tenant or Landlord or others or would in any way disturb harmonious labor relations in the construction, maintenance or operation of the Building.

28E. All of Tenant's Changes by whoever performed, shall be performed only during the regular working hours of the service employee groups employed by Landlord. If Tenant desires to perform work through contractors, agents, or employees, Tenant shall pay as Additional Rent the cost of employing such additional help as shall be required under the rules and regulations of the service employee groups employed by Landlord in connection with the Building. Payment shall be made by Tenant to Landlord within 30 days after Tenant is billed therefor.

28F. Tenant will promptly upon the completion of any Tenant's changes delivered to landlord "as-built" drawings of the Tenant's changes Tenant has performed or caused to the performed in the Demised Premises, and (a) if any Tenant's Changes are then proposed or in progress, Tenant's drawings and specifications, if any, for such Tenant Changes and (b) if any Tenant's Changes by Landlord for Tenant were performed or are then proposed or in progress, "the as-built" drawings, if any, or the drawings and specifications, as the case may be, for such Tenant's Changes, Tenant's possession.

28G. Tenant shall keep records of Tenant's Changes costing in excess of $5,000 and of the cost there of. Tenants shall, within forty-five (45) days after demand by Landlord, furnish to Landlord copies of such records and cost If landlord shall require same in connection with any proceeding to reduce the assessed Valuation of Real Property or for any other reason or purpose.

28H. All fixtures, equipment, improvements and appurtenances attached to or built into the Demised Premises at or prior to the Commencement Date or during the Term shall be and remain a part of the Demised Premises, shall be deemed the property landlord, and shall not be removed by Tenant accept as expressly provided in this Lease.

ALTERATIONS BY LANDLORD

29. Upon Tenant's written request, Landlord shall act as Tenant's representative for the performance of Tenant Changes requested by Tenant that cost in excess of Five Thousand ($5,000.00) Dollars. Landlord's performance of this function on behalf of Tenant shall be at no cost or expense to Landlord, and Landlord shall incur no liability in connection therewith except to the extent of Landlord's gross negligence or willful misconduct. It is expressly understood that with respect to Tenant Changes performed pursuant to this Clause No. 29, Landlord shall not be obligated to enter into any contracts ("Tenants Contract") with any construction managers, general contractors, subcontractors, architect, engineers, or other professionals (collectively, "Tenant's Contractors") that will engage in the performance, design or supervision of Tenant changes. Landlord's sole responsibility under this No. 29 shall be to arrange for such Tenant's Contractors to enter into Tenant's Contracts for the performance of such Tenant Changes and Landlord shall have no liability to Tenant for errors, omissions, negligence or misconduct of such Tenant's Contractors. Without limiting the generality of the immediately preceding sentence, Tenant acknowledges that Landlord will not be required to supervise or inspect the Tenant Changes performed by Tenant's Contractors, and that Tenant shall look solely to Tenant's Contractors, and not to Landlord, in the event that there are defects or delays in the construction of Tenant Changes by Tenant's Contractors. All Tenant's Contractors negotiated by Landlord pursuant to this Clause No. 29 shall require that the Tenant Changes contemplated thereby be performed in accordance with the provisions of Clause No. 28 hereof and the Rules and Regulations for Alterations annexed hereto as Exhibit "I". In connection with any Tenant's Changes, Landlord shall entitled to charge Tenant a reasonable fee to cover Landlord's legal, engineering, architectural and other costs of reviewing plans and specifications, ensuring compliance with all laws, codes, rules and regulations, monitoring the conformity of the work to the plans and specifications, and similar matters. Such costs shall include without limitation both Landlord's out-of-pocket costs and an appropriate allocation of Landlord's general overhead.

NON-DISCRIMINATION

30.A. In accordance with Article 15 of the Executive Law (also known as the Human Rights Law) and all other State and Federal statutory and constitutional non-discrimination provisions, the Contractor all will not discriminate against any employee or applicant for employment because of race, creed, color, sex, national origin, age disability or marital status. Furthermore, in accordance with Section 220-e of the Labor Law, if this is a contract for the construction, alteration or repair of any public building or public work for the manufacture, sale or distribution of materials, equipment or supplies, and to the extent that this contract shall be performed within the State of New York, Contractor agrees that neither it nor its subcontractors shall, by reason of race, creed, color, disability, sex or national origin: (a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; (b) discriminates against or intimidate any employee hired of the performance of work under this contract. If this is a building service contract as defined in Section 230 of the Labor Law, then, in accordance with Section 239 thereof, Contractor agrees that neither it nor its subcontractors shall by reason of race, creed, color, national origin, age, sex or disability: 9a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; or (b) discriminate against or intimidate any employee hired for the performance of work under this contract. Contractor is subject to fines of $50.00 per person per day for any violation of Section 220-e or Section 239 as well as possible termination of this contract and forfeiture of all moneys due hereunder for a second or subsequent violation.

MINORITY AND WOMEN OWNED BUSINESS ENTERPRISE PARTICIPATION

30B. The Commissioner of General Services recognizes the need to take affirmative action to ensure that Minority and Women-Owned Business Enterprises are given the opportunity for meaningful participation in support services related to leases for State occupied premises. In order to realize this objective, the Commissioner of General Services encourages the use of Minority and Women-Owned Business Enterprises in the provision of lease tenant services, with respect to building maintenance, HVAC services, procurements, insurance, renovation, security and under comparable tenant services.

The Landlord, by entering into this lease, acknowledges an understanding of the State policy respecting the utilization of Minority and Women-Owned Business Enterprises herein stated and pledges to cooperate with the State in the implementation of this policy.

INTERNATIONAL BOYCOTT PROHIBITION

31. In accordance with Section 220-f of the Labor Law and Section 1349-h of the State Finance Law and the regulations of the Comptroller of the State of New York promulgated there under, the Landlord agrees, as a material condition of the Lease:

(a) That neither the Landlord nor any substantially owned or affiliated person, firm, partnership or corporation has participated, is participating, or shall participate in an international boycott in violation of the provisions of the United States Export Administration Act of 1969, as amended, or the Export Administration Act of 1979, as amended, or the regulations of the United States Department of Commerce promulgated there under;

(b) That if the Landlord or any substantially owned or affiliated person, firm, partnership or corporation has been convicted or subjected to final determination by the United States Department of Commerce or any other appropriate agency of the United States of a violation of the United States Export Administration Act of 1969, as amended or the Export Administration Act of 1979, as amended, or the regulations of the United States Department of Commerce promulgated there under, the Landlord shall notify the Comptroller of such conviction or determination in the manner prescribed by the Comptroller's regulations.

SIGNS

32. The Tenant may post and maintain such signs and notices with Landlord's prior written approval, which may not be unreasonably withheld or delayed, as is reasonably required to inform the public as to its location in the Building and shall have a right to have its name and other pertinent information on the lobby directory board. Notwithstanding the foregoing, all signs shall be so such construction and design as shall be equal to building standard, and no paper or temporary signs will be approved or permitted. Tenant shall

not be permitted to install any sign on the outside of the Building, provided however, that Tenant may install the Seal of the State of New York on the outside of the Building at the 25 Beaver Street main lobby entrance, provided that the size and material of such seal are reasonably acceptable to Landlord.

MARGINAL NOTES

33. The marginal notes as to contents of particular paragraphs herein are inserted only for convenience, and are in no way to be construed as a part of this Lease or as limitation of the scope of the particular paragraphs to which refer.

34. If Tenant shall request Landlord's consent and Landlord shall fail or refuse to give such consent, Tenant shall not be entitled to any damages for any withholding by Landlord of its consent, it being intended that Tenant's sole remedy shall be an action for specific performance or injunction, and that such remedy shall be available only in those cases where Landlord has expressly agreed in writing not to unreasonably withhold its consent or where as a matter of law Landlord may not unreasonably withhold its consent.

NECESSARY SIGNATURES

35. This Lease shall not be binding and effective upon the State of New York unless and until the same shall have been approved by the State Attorney General and the State Comptroller, as signified by their signatures (or the signatures of their representatives) on the signature page of this Lease. The Landlord has signed the within document to attest to its wiliness to accept all the terms and conditions of the document as currently included. Signature and execution by the Landlord shall not constitute a binding agreement ;until accepted in a timely manner as provided herein. The Landlord reserves the right to revoke its offer of the Lease by notice as provided in this Lease at any time prior to the execution of the Lease and delivery to the Landlord by the People of the State of New York with all approvals. At Landlord's option to be exercised by notice in writing sent in accordance with the terms hereof, this Lease shall be deemed null and void and of no force and effect in the event such approvals have not been obtained and delivered to Landlord on or before the sixtieth (60^{th}) day following delivery of this Lease to Tenant.

36. See Rider Clauses 37 through 68 attached hereto and made a part hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed in duplicate originals the day and year first written above.

LANDLORD:
O & Y CONCORD 60 BROAD STREET COMPANY
By: Concord U.S. Property (No. 1) L.P., a general partner
By: Concord U.S. Property (No. 1) Corp., a general partner

By: /s/ illegible

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TENANT:

APPROVED AS TO FORM

Attorney General

BY /s/ Stephen J. Hensel

Assistant Attorney General

****

THE PEOPLE OF THE STATE OF NEW YORK

Commissioner of General Services

BY /s/ illegible

Commissioner

****

APPROVED

/s/ illegible

Chief, Bureau of Leases

APPROVED

H. CARL MCCALL
State Comptroller

BY /s/ illegible

State Comptroller's No.

EXHIBIT 23.3

CONSENT OF ERNST & YOUNG LLP

EXHIBIT 23.3

Consent of Independent Auditors

We consent to the reference to our firm under the caption “Financial Statements” and to the use of our report dated January 31, 2002 on the Statement of Revenues over Certain Operating Expenses for the KeyBank Parsippany Building, in Post-Effective Amendment No. 7 to the Registration Statement (Form S-11 No. 333-85848) and related Prospectus of Wells Real Estate Investment Trust, Inc. for the registration of 330,000,000 shares of its common stock.

/s/ Ernst & Young LLP

New York, New York
March 5, 2004

EXHIBIT 23.4

CONSENT OF ERNST & YOUNG LLP

EXHIBIT 23.4

Consent of Independent Auditors

We consent to the reference to our firm under the captions "Financial Statements" and to the use of our reports dated January 24, 2003 on the consolidated financial statements and schedule of Wells Real Estate Investment Trust, Inc.; dated September 26, 2002 on the Statement of Revenues Over Certain Operating Expenses for the IRS Long Island Buildings; dated October 21, 2002 on the Statement of Revenues Over Certain Operating Expenses for the Harcourt Austin Building; dated November 26, 2002 on the Statement of Revenues Over Certain Operating Expenses for the NASA Buildings; dated November 26, 2002 on the Statement of Revenues Over Certain Operating Expenses for the Caterpillar Nashville Building; dated January 21, 2003 on the Statement of Revenues Over Certain Operating Expenses for the Nestle Building; dated May 5, 2003 on the Statement of Revenues Over Certain Operating Expenses for the US Bancorp Minneapolis Building; dated May 9, 2003 on the Statement of Revenues Over Certain Operating Expenses for the Aon Center Chicago Building; dated August 8, 2003 on the Statement of Revenues Over Certain Operating Expenses for the Cingular Atlanta Building; dated August 14, 2003 on the Statement of Revenues Over Certain Operating Expenses for the Lockheed Martin Rockville Buildings; dated August 20, 2003 on the Statement of Revenues Over Certain Operating Expenses for the Aventis Northern NJ Building; dated September 19, 2003 on the Statement of Revenues Over Certain Operating Expenses for the AIU Chicago Building; dated December 29, 2003 on the Statement of Revenues Over Certain Operating Expenses for the Bank of America Orange County Building; dated December 29, 2003 on the Statement of Revenues Over Certain Operating Expenses for the 1901 Market Street Philadelphia Building; and dated January 13, 2004 on the Statement of Revenues Over Certain Operating Expenses for the 60 Broad Street New York Building, in Post-Effective Amendment No. 7 to the Registration Statement (Form S-11 No. 333-85848) and related Prospectus of Wells Real Estate Investment Trust, Inc. for the registration of 330,000,000 shares of its common stock.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 5, 2004

EXHIBIT 24.1

POWER OF ATTORNEY

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Leo F. Wells, III and Douglas P. Williams, or either of them acting singly, as his true and lawful attorney-in-fact, for him and in his name, place and stead, to execute and sign any and all amendments, including any post-effective amendments, to the Registration Statement on Form S-11 of Wells Real Estate Investment Trust, Inc. or any additional Registration Statement filed pursuant to Rule 462 and to cause the same to be filed with the Securities and Exchange Commission hereby granting to said attorneys-in-fact and each of them full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things that said attorneys-in-fact or either of them may do or cause to be done by virtue of these presents.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Power of Attorney has been signed below, effective as of April 20, 2003, by the following persons and in the capacities indicated below.

Signatures	Title
/s/ Leo F. Wells, III Leo F. Wells, III	President and Director (Principal Executive Officer)
/s/ Douglas P. Williams Douglas P. Williams	Executive Vice President and Director (Principal Financial and Accounting Officer)
/s/ John L. Bell John L. Bell	Director
/s/ Michael R. Buchanan Michael R. Buchanan	Director
/s/ Richard W. Carpenter Richard W. Carpenter	Director
/s/ Bud Carter Bud Carter	Director
/s/ William H. Keogler, Jr. William H. Keogler, Jr.	Director
/s/ Donald S. Moss Donald S. Moss	Director
/s/ Walter W. Sessoms Walter W. Sessoms	Director
/s/ Neil H. Strickland Neil H. Strickland	Director

EXHIBIT 24.2

POWER OF ATTORNEY

POWER OF ATTORNEY

The person whose signature appears below hereby constitutes and appoints Leo F. Wells, III and Douglas P. Williams, or either of them acting singly, as his true and lawful attorney-in-fact, for him and in his name, place and stead, to execute and sign any and all amendments, including any post-effective amendments, to the Registration Statement on Form S-11 of Wells Real Estate Investment Trust, Inc. or any additional Registration Statement filed pursuant to Rule 462 and to cause the same to be filed with the Securities and Exchange Commission hereby granting to said attorneys-in-fact and each of them full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things that said attorneys-in-fact or either of them may do or cause to be done by virtue of these presents.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Power of Attorney has been signed below, effective as of July 25, 2003, by the following person and in the capacity indicated below.

Signatures	Title
/s/ W. Wayne Woody W. Wayne Woody	Director