
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Schedule 14D-9

SOLICITATION/RECOMMENDATION STATEMENT PURSUANT TO SECTION 14(d)(4) OF THE SECURITIES EXCHANGE ACT OF 1934

WELLS REAL ESTATE INVESTMENT TRUST, INC.

(Name of Subject Company)

WELLS REAL ESTATE INVESTMENT TRUST, INC.

(Name of Person Filing Statement)

Common Stock, Par Value \$0.01 Per Share
(Title of Class of Securities)

(CUSIP Number of Class of Securities)

Douglas P. Williams
Executive Vice President and Treasurer
Wells Real Estate Investment Trust, Inc.
6200 The Corners Parkway
Norcross, Georgia 30092-3365
(770) 449-7800

(Name, Address and Telephone Number of Person Authorized to Receive
Notice and communications on Behalf of the Person Filing Statement)

Copies to:
Donald Kennicott, Esq.
Holland & Knight LLP
1201 West Peachtree Street, N.E.
One Atlantic Center, Suite 2000
Atlanta, Georgia 30309-3400
(404) 817-8500

☐ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

INTRODUCTION

This Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") relates to an offer (the "Offer") by Sutter Opportunity Fund 3, LLC and Robert E. Dixon (collectively, the Offerors") to purchase up to 1,000,000 shares (the "Shares") of the outstanding common stock, par value \$0.01 per share (the "Common Stock"), of Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), at a price of \$7.00 per share, less the amount of any dividends declared or paid with respect to the Common Stock between November 15, 2004 and December 20, 2004. The Offer was amended by the Offerors on November 23, 2004 by extending the Offer until December 31, 2004.

Item 1. Subject Company Information.

(a) The name of the subject company is Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), and the address and telephone number of its principal executive offices is 6200 The Corners Parkway, Norcross, Georgia 30092-3365, (770) 449-7800.

(b) The title of the class of equity securities to which this Schedule 14D-9 relates is the Company's Common Stock, of which there were 468,799,580 shares outstanding as of October 31, 2004.

Item 2. Identity and Background of Filing Person

(a) The filing person's name, address and business telephone number are set forth in Item 1(a) above, which information is incorporated herein by reference. The website of the Company's advisor is <http://www.wellsref.com>. The information on the Company's website should not be considered a part of this Schedule 14D-9.

(b) This Schedule 14D-9 relates to the tender offer by the Offerors pursuant to which the Offerors have offered to purchase, subject to certain terms and conditions, up to 1,000,000 outstanding shares of Common Stock at a cash purchase price of \$7.00 per share. The Offer is on the terms and subject to the conditions described in the Tender Offer Statement on Schedule TO filed by the Offerors with the Securities and Exchange Commission ("SEC") on November 15, 2004, and amended by Amendment No. 1 to Schedule TO filed with the SEC on November 23, 2004 (together with the exhibits thereto, the "Schedule TO"). The value of the consideration offered, together with all of the terms and conditions applicable to the tender offer, is referred to in this Schedule 14D-9 as the "Offer."

According to the Offer to Purchase filed by the Offerors as Exhibit (a)(1) to the Schedule TO, the business address and telephone number of the Offerors is 220 Montgomery Street, Suite 2100, San Francisco, California 94104, (415) 788-1441.

Item 3. Past Contacts, Transactions, Negotiations and Agreements

Material agreements, arrangements or understandings, and actual or potential conflicts of interest, between the Company or its affiliates and the Company's executive officers, directors or affiliates are described in the excerpts from the Company's previous filings with the Securities and Exchange Commission, which are filed as Exhibits to this Schedule 14D-9 and incorporated herein by reference.

There are no material agreements, arrangements or understandings, or any actual or potential conflicts of interest, between the Company or its affiliates and the Offerors or their executive officers, directors or affiliates.

Item 4. The Solicitation or Recommendation**(a) Solicitation or Recommendation.**

The Board of Directors of the Company, at a telephonic meeting held on November 23, 2004, evaluated and assessed the terms of the Offer, as well as other relevant facts and information. At such meeting, the Board unanimously determined that the Offer was not in the best interests of the stockholders of the Company and concluded to recommend that the Company's stockholders reject the Offer and not tender their Shares to the Offerors pursuant to the Offer.

Accordingly, the Board of Directors unanimously recommends that the Company's stockholders reject the Offer and not tender Shares for purchase pursuant to the Offer.

(b) Reasons for the Recommendation

In reaching the conclusions and in making the recommendation described above, the Board of Directors consulted with the Company's management, as well as the Company's legal advisors, and took into account several factors, including but not limited to, their belief that the Offer undervalues the Common Stock based on the Company's historical financial performance, asset holdings and future opportunities.

The foregoing discussion of the information and factors considered by the Board of Directors is not meant to be exhaustive. The members of the Board of Directors evaluated various factors in light of their knowledge of the business, financial condition, assets and prospects of the Company. The recommendation of the Board of Directors was made after considering the totality of the information and factors involved.

In light of the factors considered above, the Board of Directors has unanimously determined that the Offer is not in the best interests of the Company's stockholders. **Accordingly, the Board of Directors unanimously recommends that the stockholders reject the Offer and not tender their Shares to the Offerors for purchase pursuant to the Offer.**

(c) Intent to Tender

To the best knowledge of the Company, none of the Company's executive officers, directors, affiliates or subsidiaries currently intends to tender Shares held of record or beneficially by such person for purchase pursuant to the Offer.

Item 5. Person/Assets Retained, Employed, Compensated or Used

Not applicable.

Item 6. Interest in Securities of the Subject Company

(a) Except as described below, during the past 60 days, no transactions with respect to the Common Stock have been effected by the Company or, to the Company's best knowledge, by any of its executive officers, directors, affiliates or subsidiaries.

Name of Purchaser	Date of Transaction	Nature of Transaction	Number of Shares of Common Stock	Price
Company	Oct. 1 – Nov. 29	share redemption*	106	\$ 9.40
Company	Oct. 1 – Nov. 29	share redemption*	3,198	\$ 9.55
Company	Oct. 1 – Nov. 29	share redemption*	1,414	\$ 9.90
Company	Oct. 1 – Nov. 29	share redemption*	261,336	\$10.00
Company	October 27, 2004	repurchase**	1,346,754	\$ 9.54

* Redemptions were pursuant to the Company's share redemption program.

** The Company repurchased certain shares as part of the settlement of pending litigation.

Item 7. Purposes of the Transaction and Plans or Proposals

(a) The Company has not undertaken and is not engaged in any negotiations in response to the Offer which relate to: (i) a tender offer or other acquisition of the Company's securities by the Company, any of its subsidiaries or any other person; (ii) an extraordinary transaction, such as a merger, reorganization or liquidation involving the Company or any of its subsidiaries; (iii) a purchase, sale or transfer of a material amount of assets of the Company or any of its subsidiaries; or (iv) any material change in the present dividend rate or policy, or indebtedness or capitalization of the Company.

(b) There is no transaction, board resolution, agreement in principle, or signed contract in response to the Offer which relates to or would result in one or more matters referred to in Item 7(a) immediately above.

Item 8. Additional Information

(a) The information contained in all of the Exhibits referred to in Item 9 below is incorporated herein by reference in its entirety.

(b) Certain statements contained in this report on Schedule 14D-9 other than historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend for all such forward-looking statements to be covered by the "safe harbor" provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements include statements about our future plans, strategies and prospects including, but not limited to, our ability to generate sufficient cash from operating activities to enable us to pay dividends to stockholders; our ability to refinance maturing debt on favorable terms; our ability to maintain compliance with covenants on term debt; the level of capital requirements at our properties; our ability to qualify as a "real estate investment trust" ("REIT") in future periods; and the expected outcome of pending litigation. Such statements are subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue" or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only

as of the date this report is filed with the Securities and Exchange Commission. We make no representation or warranty (express or implied) about the accuracy of any such forward-looking statements contained in this Schedule 14D-9, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Any such forward-looking statements are subject to unknown risks, uncertainties and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements, including our ability to generate positive cash flow from operations, provide dividends to stockholders and maintain the value of our real estate properties, may be significantly hindered. Following are some of the risks and uncertainties, although not all risks and uncertainties, which could cause actual results to differ materially from those presented in certain forward-looking statements:

General economic risks

- Adverse changes in general economic conditions or local conditions;
- Adverse economic conditions affecting the particular industry of one or more of our tenants;

Real estate risks

- Our ability to achieve appropriate occupancy levels resulting in sufficient rental amounts;
- Supply of or demand for similar or competing rentable space which may impact our ability to retain or obtain new tenants at lease expiration at acceptable rental amounts;
- Tenant ability or willingness to satisfy obligations relating to our existing lease agreements;
- Actual property operating expenses, including property taxes, insurance, property management fees, and other costs at our properties may differ from anticipated costs;
- Our ability to secure adequate insurance at reasonable and appropriate rates to avoid uninsured losses or losses in excess of insured amounts;
- Discovery of previously undetected environmentally hazardous or other undetected defects or adverse conditions at our properties;
- Our ability to invest dividend reinvestment plan proceeds to acquire properties at appropriate amounts that provide acceptable returns;
- Unexpected costs of capital expenditures related to tenant build-out projects, tenant improvements, lease-up costs, or other unforeseen capital expenditures;
- Our ability to sell a property when desirable at an acceptable return, including the ability of the purchaser to satisfy any continuing obligations to us;

Financing and equity risks

- Our continued access to adequate credit facilities or other debt financing and refinancing as appropriate;
- Our ability to pay amounts to our lenders before any distributions to our stockholders;
- Changes in interest rates related to variable rate debt outstanding under our lines of credit, if any;
- Possible requirements by lenders that we enter into restrictive covenants relating to our operations and our ability to satisfy such restrictions;
- Possible limitations on our ability to borrow funds in the future that may result from our participation in the Section 1031 exchange program sponsored by affiliates of Wells Capital, Inc. (the “Advisor”);
- Future demand for our equity securities through our dividend reinvestment plan;
- Potential changes to our share redemption program or dividend reinvestment plan;
- The amount of redemptions or prices paid for redeemed shares approved by our board of directors in future periods;

Other operational risks

- Our ability to continue to qualify as a REIT for tax purposes;
- Our dependency on our Advisor, its key personnel and its affiliates for various administrative services;
- Our Advisor's ability to attract and retain high quality personnel who can provide acceptable service levels to us and generate economies of scale for us over time;
- Administrative operating expenses, including increased expenses associated with operating as a public company, may differ from our estimates;
- Changes in governmental, tax, real estate, environmental and zoning laws and regulations and the related costs of compliance;
- Our ability to maintain compliance with any governmental, tax, real estate, environmental and zoning laws and regulations in the event that such position is questioned by the respective authority; and
- Our ability to generate cash flow to be able to maintain our dividend at its current level.

Item 9. Materials to Be Filed as Exhibits

<u>Exhibit No.</u>	<u>Document</u>
(e)(1)	Excerpts from the Prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002
(e)(2)	Excerpts from Cumulative Supplement No. 16 dated April 30, 2004 to the Prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002
(e)(3)	Excerpts from the Dividend Reinvestment Plan Prospectus of Wells Real Estate Investment Trust, Inc. dated August 10, 2004
(e)(4)	Excerpts from the Definitive Proxy Statement of Wells Real Estate Investment Trust, Inc. dated April 22, 2004
(e)(5)	Excerpts from the Form 10-Q of Wells Real Estate Investment Trust, Inc. for the quarter ended September 30, 2004

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

By: /s/ Douglas P Williams

Douglas P. Williams
Executive Vice President and Treasurer

Date: November 29, 2004

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Document</u>
(e)(1)	Excerpts from the Prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002
(e)(2)	Excerpts from Cumulative Supplement No. 16 dated April 30, 2004 to the Prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002
(e)(3)	Excerpts from the Dividend Reinvestment Plan Prospectus of Wells Real Estate Investment Trust, Inc. dated August 10, 2004
(e)(4)	Excerpts from the Definitive Proxy Statement of Wells Real Estate Investment Trust, Inc. dated April 22, 2004
(e)(5)	Excerpts from the Form 10-Q of Wells Real Estate Investment Trust, Inc. for the quarter ended September 30, 2004

EXHIBIT (E)(1)

**EXCERPTS FROM THE PROSPECTUS OF
WELLS REAL ESTATE INVESTMENT TRUST, INC.
DATED JULY 26, 2002**

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.

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.

EXHIBIT (E)(2)

**EXCERPTS FROM CUMULATIVE SUPPLEMENT NO. 16 DATED APRIL 30, 2004
TO THE PROSPECTUS OF WELLS REAL ESTATE INVESTMENT TRUST, INC.
DATED JULY 26, 2002**

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.

Formation of Wells REIT II

Wells REIT II is a recently formed REIT also sponsored and advised by 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, Neil H. Strickland, and W. Wayne Woody) are also directors of Wells REIT II. Wells REIT II's registration statement for the sale of up to \$6 billion in common stock was declared effective by the SEC on November 26, 2003. 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.

EXHIBIT (E)(3)

**EXCERPTS FROM THE DIVIDEND REINVESTMENT PLAN PROSPECTUS OF
WELLS REAL ESTATE INVESTMENT TRUST, INC.
DATED AUGUST 10, 2004**

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 in connection with the proceeds received from the DRP.

<u>Form of Compensation and Entity Receiving</u>	<u>Determination Of Amount</u>	<u>Estimated Maximum Dollar Amount (1)</u>
<i>Selling Commissions – Wells Investment Securities, Inc.</i>	5.0% of DRP proceeds before reallocation of commissions earned by Participating Dealers. Wells Investment Securities, Inc., our Dealer Manager, will reallocate commissions to broker-dealers having Participants in the DRP which have executed a DRP Selling Agreement at the time of each dividend payment date.	\$47,750,000
<i>Acquisition and Advisory Fees and Reimbursement of Acquisition Expenses – Wells Capital or its Affiliates (2)</i>	3.5% of DRP proceeds, except to the extent such proceeds are used by the Wells REIT to fund share repurchases under our share redemption program	\$33,425,000 (3)

(Footnotes to “Management Compensation”)

- (1) The estimated maximum dollar amounts are based on the reinvestment of a maximum of 100,000,000 shares offered pursuant to this prospectus at \$9.55 per share. However, it is possible that the actual purchase price will be higher than \$9.55 per share if 95% of the estimated share value, as determined by our board of directors, is an amount that is higher than \$9.55.
- (2) Notwithstanding the method by which we calculate the payment of acquisition and advisory fees and expenses, as described in the table, the total of all such fees and 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 with DRP proceeds, as required by the NASAA Guidelines.
- (3) While we intend to use some portion of DRP proceeds to fund share repurchases under our share redemption program, for illustration purposes only, we have assumed that no funds are used for the repurchase of shares under our share redemption program, thereby reflecting the maximum possible amount that could be paid to Wells Capital, as our advisor, from DRP 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.

Please see the sections entitled, “Executive Compensation” and “Certain Relationships and Related Transactions” in our Definitive Proxy Statement filed with the SEC on April 22, 2004 for additional information regarding compensation payable to Wells Capital and its affiliates.

EXHIBIT (E)(4)

**EXCERPTS FROM THE DEFINITIVE PROXY STATEMENT
OF WELLS REAL ESTATE INVESTMENT TRUST, INC.
DATED APRIL 22, 2004**

EXECUTIVE COMPENSATION

Our executive officers do not receive compensation directly from us for services rendered to us. Our executive officers are also officers of Wells Capital, our advisor, and its affiliates and are compensated by these entities, in part, for their services to us. Please see the discussion of the fees paid to the advisor and its affiliates contained in the “Certain Relationships and Related Transactions” section below.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership of Advisor in Wells Operating Partnership, L.P.

Wells Capital currently owns 20,000 limited partnership units of Wells Operating Partnership, L.P., 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 the shares of the Wells REIT that Wells Capital acquires are subject to the provisions of Rule 144 promulgated under the Securities Act, 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, Wells Capital 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 hereafter 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.

Compensation to Advisor and its Affiliates

Our executive officers, Leo F. Wells, III, Douglas P. Williams and Randall D. Fretz, are also executive officers of Wells Capital, our advisor, which is a wholly-owned subsidiary of Wells Real Estate Funds, Inc. Mr. Wells is the sole director of Wells Capital and the sole shareholder and the sole director of Wells Real Estate Funds, Inc. In addition, Messrs. Fretz and Williams are both executive officers and directors of Wells Investment Securities, Inc., the dealer manager of the offering of shares of our common stock. Mr. Wells is an executive officer and sole director of Wells Management Company, Inc., our property manager, which is also a wholly owned subsidiary of Wells Real Estate Funds, Inc.

Administration of our day-to-day operations is provided by Wells Capital pursuant to the terms of an advisory agreement between Wells REIT and Wells Capital. Wells Capital also serves as our consultant in connection with policy decisions to be made by our board of directors and renders such other services as the board of directors deems appropriate. Wells Capital also bears a portion of the expenses of providing executive personnel and office space to us. Wells Capital is at all times subject to the supervision of our board of directors and only has such authority as we may delegate to it as our agent.

Wells Capital was paid acquisition and advisory fees equal to 3.0% of gross offering proceeds for services in identifying the properties and structuring the terms of the acquisition and leasing of the properties, as well as the terms of any mortgage loans. In addition, Wells Capital is currently being paid reimbursement of acquisition expenses equal to 0.5% of gross offering proceeds. We paid approximately \$87.3 million in acquisition and advisory fees and acquisition expenses to Wells Capital with respect to the year ended December 31, 2003.

Wells Capital also received reimbursement of up to 3.0% of gross offering proceeds for organization and offering expenses, including legal, accounting, printing and other accountable offering expenses. We paid approximately \$21.5 million to Wells Capital as reimbursement for organization and offering expenses expended on our behalf with respect to the year ended December 31, 2003.

We also reimbursed Wells Capital and its affiliates for certain administrative and operating expenses relating to administration of our business on an on-going basis. Pursuant to the advisory agreement, we may not make reimbursements for administrative and operating expenses in excess of the greater of 2.0% of our average invested assets or 25.0% of our net income for such year. We paid approximately \$3.9 million in administrative and operating expense reimbursements to Wells Capital and its affiliates with respect to the year ended December 31, 2003.

Wells Investment Securities received selling commissions of up to 7.0% of gross offering proceeds for services in connection with the offering of shares, substantially all of which has been or will be paid as commissions to other broker-dealers participating in the offering of our shares. In addition, Wells Investment Securities is entitled to receive a dealer manager fee for expenses incurred in connection with marketing our shares, sponsoring educational conferences and paying the employment costs of the dealer manager's wholesalers equal to 2.5% of gross offering proceeds, a portion of which may be reallocated to participating broker-dealers. We paid approximately \$239.9 million in selling commissions and dealer manager fees to Wells Investment Securities with respect to the year ended December 31, 2003, of which amount approximately \$207.2 million was reallocated by Wells Investment Securities, Inc. to participating broker-dealers.

Pursuant to an asset/property management agreement among Wells REIT, Wells OP and Wells Management, we currently pay Wells Management property management, leasing and asset management 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 is 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 are currently authorized to 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). We paid approximately \$14.1 million in property management, leasing and asset management fees to Wells Management with respect to the year ended December 31, 2003.

STOCK OWNERSHIP

The following table shows, as of March 31, 2004, 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 common stock, (2) our directors, (3) our executive officers, and (4) all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Shares	Percentage
Leo F. Wells, III 6200 The Corners Parkway Norcross, GA 30092-3365	3,174	*
Douglas P. Williams 6200 The Corners Parkway Norcross, GA 30092-3365	1,124	*
Randall D. Fretz 6200 The Corners Parkway Norcross, GA 30092-3365	6,845	*

	Shares Beneficially Owned	
	Shares	Percentage
Michael R. Buchanan (1) 1630 Misty Oaks Dr. Atlanta, GA 30350	1,000	*
Richard W. Carpenter (2) Realmark Holdings 5570 Glenridge Drive Atlanta, GA 30342	4,500	*
Bud Carter (2) The Executive Committee 100 Mount Shasta Lane Alpharetta, GA 30022-5440	25,377	*
William H. Keogler, Jr. (2) 469 Atlanta Country Club Drive Marietta, GA 30067	4,500	*
Donald S. Moss (2) 114 Summerour Vale Duluth, GA 30097	96,140	*
Walter W. Sessoms (2) 5995 River Chase Circle NW Atlanta, GA 30328	56,747	*
Neil H. Strickland (2) Strickland General Agency, Inc. 3109 Crossing Park Norcross, GA 30091	5,574	*
W. Wayne Woody (3) 78 Lindbergh Dr. NE, #80 Atlanta, GA 30305	500	*
All officers and directors as a group (4)	205,481	*

* Less than 1% of the outstanding common stock.

(1) Includes options to purchase up to 1,000 shares of common stock, which are exercisable within 60 days of March 31, 2004.

(2) Includes options to purchase up to 4,500 shares of common stock, which are exercisable within 60 days of March 31, 2004.

(3) Includes options to purchase up to 500 shares of common stock, which are exercisable within 60 days of March 31, 2004.

(4) Includes options to purchase an aggregate of up to 28,500 shares of common stock, which are exercisable within 60 days of March 31, 2004.

EXHIBIT (E)(5)

**EXCERPTS FROM THE FORM 10-Q OF
WELLS REAL ESTATE INVESTMENT TRUST, INC.
FOR THE QUARTER ENDED SEPTEMBER 30, 2004**

6. 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. On November 2, 2004, Wells REIT entered into an Advisory Agreement with the Advisor covering the period from January 30, 2004 through December 31, 2004. Wells REIT and the Advisor are currently negotiating the terms of a new Advisory Agreement which is expected to be executed in the fourth quarter of 2004 and to become effective on January 1, 2005.

Under the terms of the Advisory Agreement, Wells REIT is required to pay the Advisor the following for services rendered:

- 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 by the Advisor on behalf of Wells REIT, not to exceed 3% of gross offering proceeds;
- For any property sold by Wells REIT, a disposition fee of the lesser of 50% of a competitive real estate commission or 3.0% of the sales price of the property, subordinated to the payment of dividends to stockholders equal to the sum of the stockholders' invested capital plus an 8% return on invested capital;
- Incentive fee of 10% of net sales proceeds remaining after stockholders have received distributions equal to the sum of the stockholders' 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 acquisition expenses, as well as organizational and offering costs are shown below for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Acquisition and advisory fees & acquisition expenses	\$ 1.6 million	\$ 25.5 million	\$ 5.2 million	\$ 61.0 million
Organizational and offering costs	\$ 0.2 million	\$ 4.2 million	\$ 0.4 million	\$ 14.7 million

Wells REIT incurred no disposition, incentive or listing fees during the nine months ended September 30, 2004 or 2003.

Under the Advisory Agreement, the Advisor has agreed to reduce acquisition and advisory fees by the amounts attributable to shares redeemed under the share redemption program, as shown below for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Redemptions	\$ 6.2 million	\$ 10.1 million	\$ 93.7 million	\$ 41.1 million
Reduction of acquisition & advisory fee	\$ 0.2 million	\$ 0.4 million	\$ 3.3 million	\$ 1.4 million

Administrative Services Reimbursement

Wells REIT has no direct employees. The employees of the Advisor and Wells Management perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for Wells REIT. The Advisor and Wells Management bill Wells REIT for their services based on time spent by administrative personnel. These expenses are included in general and administrative expenses in the consolidated statements of income. These expenses totaled \$1.9 million and \$1.2 million for the three months ended September 30, 2004 and 2003, respectively, and \$5.7 million and \$3.2 million for the nine months ended September 30, 2004 and 2003, 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 currently pays asset and property management fees to Wells Management an amount equal to the lesser of (a) 4.5% of gross revenues or (b) 0.6% (per annum) of the net asset value of the properties (excluding vacant properties) owned by Wells REIT. These expenses totaled \$6.0 million and \$3.9 million for the three months ended September 30, 2004 and 2003, respectively, and \$14.6 million and \$9.0 million for the nine months ended September 30, 2004 and 2003, respectively. Effective July 1, 2004, Wells REIT and Wells Management agreed to clarify the terms of the agreement to (1) provide that third party management fees that are reimbursed by tenants do not reduce the fees payable to Wells Management and (2) allow Wells Management to bill Wells REIT asset and property management fees for certain properties occupied by government tenants. No amounts relating to periods prior to July 1, 2004 will be the obligation of Wells REIT as a result of this clarification. Lastly, a separate fee for the initial lease-up of newly constructed properties is generally paid in conjunction with the receipt of the first month's rent. Wells REIT incurred such fees of approximately \$0.1 million related to the expansion of TRW Denver (See Note 5) for the nine months ended September 30, 2004. These costs totaled approximately \$0.7 million for the nine months ended September 30, 2003.

Dealer Manager Agreement

Wells REIT entered into a dealer manager agreement with WIS, whereby WIS performed dealer manager services for offerings of Wells REIT during its four public offerings. For these services, WIS earned selling commissions of approximately 7% of the gross proceeds from the sale of the shares of Wells REIT, the majority of which have been reallocated to participating broker-dealers. Once the fourth offering was closed, Wells REIT registered additional shares under the dividend reinvestment plan (See Note 1), and lowered the selling commissions paid to WIS to 5% of gross dividend reinvestment proceeds raised. The amount of commissions incurred related to WIS is shown below for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Commissions	\$ 2.2 million	\$ 51.7 million	\$ 9.3 million	\$ 124.8 million
Portion of commissions reallocated	In excess of 99%	In excess of 99%	In excess of 99%	In excess of 99%

Additionally, WIS earned a dealer manager fee of 2.5% of the gross offering proceeds at the time the shares were sold under the four public offerings. Once the fourth offering was closed, Wells REIT eliminated the 2.5% dealer manager fee. Under the dealer manager agreement, up to 1.5% of gross offering proceeds was potentially reallocated to participating broker-dealers. The agreement originally in place, whereby WIS agreed to refund the 2.5% dealer manager fee for shares redeemed under Wells REIT's share redemption plan, was terminated effective January 1, 2004 during the third quarter of 2004. The termination of this agreement, along with the clarification of the asset and management fees mentioned above, resulted from ongoing negotiations between Wells REIT and its Advisor related to the terms of this year's Advisory Agreement and the terms of a new Advisory Agreement expected to be executed in the fourth quarter of 2004 and to become effective on January 1, 2005. As a result of this termination, Wells REIT recorded a refund to WIS of approximately \$2.3 million during the three months ended September 30, 2004. The amount of these fees, reductions, and reallocations are shown below for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Dealer manager fees	—	\$ 18.2 million	\$ 2.5 million	\$ 43.5 million
Reallowance of fees to broker dealers	—	\$ 8.7 million	\$ 1.3 million	\$ 20.8 million
Fees refunded related to share redemption	\$(2.3 million)	\$ 0.3 million	—	\$ 1.0 million

Due From Affiliates

Due from affiliates included in the consolidated balance sheets represents (1) Wells REIT's share of the cash to be distributed from its joint venture investments, (2) amounts owed by the Advisor relating to share redemptions, and (3) other amounts payable to Wells REIT from other related parties.

Economic Dependency

Wells REIT has engaged Wells Management and the Advisor to provide asset management services and supervise the management and leasing of properties owned by Wells REIT as well as other administrative responsibilities for Wells REIT including accounting services, shareholder communications, and investor relations. As a result of these relationships, Wells REIT is dependent upon Wells Management, the Advisor and other affiliates of the Advisor to provide certain services which are essential to Wells REIT including certain asset management and property management services, asset acquisition and disposition services and other administrative responsibilities under agreements, some of which have terms of one year or less.

The Advisor and Wells Management are both owned and controlled by WREF. The operations of the Advisor, Wells Management and WIS represent substantially all of the business of WREF. In light of their common ownership and their importance to WREF, Wells REIT focuses on the financial condition of WREF when assessing the financial condition of the Advisor and Wells Management. In the event that WREF becomes unable to meet its obligations as they become due, Wells REIT might be required to find alternative service providers.

For the three months ended September 30, 2004, revenues for WREF on a consolidated basis exceeded expenses by approximately \$6 million and WREF is also expecting revenues to exceed expenses during the fourth quarter. WREF believes it has adequate cash availability from both funds on hand and borrowing capacity through its credit facilities in order to meet its obligations. For the nine months ended September 30, 2004, operating expenses for WREF exceeded operating revenues by approximately \$11 million. In the first two quarters of 2004, WREF incurred net losses primarily as a result of revenues from acquisition, advisory, asset management services and property management services being less than the costs to provide such services. In planning for 2004, WREF anticipated it would incur short-term losses and reserved adequate funds to cover any shortfall in revenues due to the fact that Wells Real Estate Investment Trust II, Inc. ("Wells REIT II"), another sponsored product of WREF, was a new product that would generate revenues less than those realized in 2003.

Related-Party Transactions and Agreements

We have engaged Wells Management and the Advisor to provide asset management services and supervise the management and leasing of properties we own as well as other administrative responsibilities for us including accounting services, shareholder communications, and investor relations. As a result of these relationships, we are dependent upon Wells Management, the Advisor and other affiliates of the Advisor to provide certain services which are essential to us including certain asset management and property management services, asset acquisition and disposition services and other administrative responsibilities under agreements, some of which have terms of one year or less.

The Advisor and Wells Management are both owned and controlled by WREF. The operations of the Advisor, Wells Management and WIS represent substantially all of the business of WREF. In light of their common ownership and their importance to WREF, we focus on the financial condition of WREF when assessing the financial condition of the Advisor and Wells Management. In the event that WREF becomes unable to meet its obligations as they became due, we might be required to find alternative service providers.

For the three months ended September 30, 2004, revenues for WREF on a consolidated basis exceeded expenses by approximately \$5 million and the firm is also expecting revenues to exceed expenses during the fourth quarter. WREF believes it has adequate cash availability from both funds on hand and borrowing capacity through its credit facilities in order to meet its obligations. For the nine months ended September 30, 2004, operating expenses for WREF exceeded operating revenues by approximately \$12 million. In the first two quarters of 2004, WREF incurred net losses primarily as a result of revenues from acquisition, advisory, asset management services and property management services being exceeded by the costs for such services. In planning for 2004, WREF anticipated it would incur short term losses and reserved adequate funds to cover any shortfall in revenues due to the fact that Wells REIT II, another sponsored product of WREF, was a new product that would generate revenues less than those realized in 2003.

Conflicts of Interest

Our Advisor is also a general partner of or advisor to various entities including another REIT and several syndicated real estate limited partnerships. As such, there are instances where our Advisor, while serving in the capacity as general partner or advisor for these entities, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets. The compensation arrangements with our Advisor and its affiliates could influence our Advisor's and its affiliates' advice to us.

Additionally, certain members of our board of directors also serve on the board of directors of another REIT sponsored by our Advisor. These directors may face situations where decisions that benefit one entity may be detrimental to the other entity.