

WELLS REAL ESTATE INVESTMENT TRUST INC

Form POS AM

March 11, 2004

Table of Contents

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.

Michael K. Rafter, Esq.

Holland & Knight LLP

One Atlantic Center, Suite 2000

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
(State or other

Jurisdiction of Incorporation)

58-2328421
(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.

Table of Contents

[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.

Table of Contents

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.

Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST INC - Form POS AM

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

Table of Contents

TABLE OF CONTENTS

<u>Questions and Answers About this Offering</u>	1
<u>Prospectus Summary</u>	10
<u>Risk Factors</u>	17
<u>Investment Risks</u>	17
<u>Real Estate Risks</u>	22
<u>Section 1031 Exchange Program Risks</u>	25
<u>Federal Income Tax Risks</u>	27
<u>Retirement Plan Risks</u>	28
<u>Suitability Standards</u>	28
<u>Estimated Use of Proceeds</u>	30
<u>Management</u>	31
<u>General</u>	31
<u>Committees of the Board of Directors</u>	33
<u>Executive Officers and Directors</u>	34
<u>Compensation of Directors</u>	38
<u>Independent Director Stock Option Plan</u>	38
<u>Independent Director Warrant Plan</u>	40
<u>2000 Employee Stock Option Plan</u>	40
<u>Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents</u>	41
<u>The Advisor</u>	43
<u>The Advisory Agreement</u>	44
<u>Shareholdings</u>	46
<u>Affiliated Companies</u>	47
<u>Management Decisions</u>	49
<u>Management Compensation</u>	49
<u>Stock Ownership</u>	53
<u>Conflicts of Interest</u>	54
<u>Interests in Other Real Estate Programs</u>	54
<u>Other Activities of Wells Capital and its Affiliates</u>	55
<u>Competition</u>	55
<u>Affiliated Dealer Manager</u>	56
<u>Affiliated Property Manager</u>	56
<u>Lack of Separate Representation</u>	56
<u>Joint Ventures with Affiliates of Wells Capital</u>	56
<u>Receipt of Fees and Other Compensation by Wells Capital and its Affiliates</u>	56
<u>Certain Conflict Resolution Procedures</u>	57
<u>Investment Objectives and Criteria</u>	58
<u>General</u>	58
<u>Acquisition and Investment Policies</u>	59
<u>Development and Construction of Properties</u>	61
<u>Terms of Leases and Tenant Creditworthiness</u>	61
<u>Joint Venture Investments</u>	62
<u>Section 1031 Exchange Program</u>	63
<u>Borrowing Policies</u>	64
<u>Disposition Policies</u>	65
<u>Investment Limitations</u>	65
<u>Change in Investment Objectives and Limitations</u>	67

Table of Contents

<u>Description of Real Estate Investments</u>	67
<u>General</u>	67
<u>Joint Ventures with Affiliates</u>	71
<u>Description of Properties</u>	74
<u>Property Management Fees</u>	99
<u>Real Estate Loans</u>	99
<u>Selected Financial Data</u>	101
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	101
<u>General</u>	101
<u>Liquidity and Capital Resources</u>	102
<u>Cash Flows From Operating Activities</u>	102
<u>Cash Flow From Investing Activities</u>	103
<u>Cash Flows From Financing Activities</u>	103
<u>Results of Operations</u>	103
<u>Property Operations</u>	104
<u>Funds From Operations</u>	105
<u>Inflation</u>	106
<u>Critical Accounting Policies</u>	106
<u>Straight-Lined Rental Revenues</u>	107
<u>Operating Cost Reimbursements</u>	107
<u>Real Estate</u>	107
<u>Deferred Project Costs</u>	107
<u>Deferred Offering Costs</u>	107
<u>Prior Performance Summary</u>	108
<u>Publicly Offered Unspecified Real Estate Programs</u>	109
<u>Federal Income Tax Considerations</u>	117
<u>General</u>	117
<u>Requirements for Qualification as a REIT</u>	119
<u>Failure to Qualify as a REIT</u>	124
<u>Sale-Leaseback Transactions</u>	124
<u>Taxation of U.S. Stockholders</u>	124
<u>Treatment of Tax-Exempt Stockholders</u>	126
<u>Special Tax Considerations for Non-U.S. Stockholders</u>	127
<u>Statement of Stock Ownership</u>	129
<u>State and Local Taxation</u>	129
<u>Tax Aspects of Our Operating Partnership</u>	129
<u>ERISA Considerations</u>	132
<u>Plan Asset Considerations</u>	134
<u>Other Prohibited Transactions</u>	135
<u>Annual Valuation</u>	136
<u>Description of Shares</u>	137
<u>Common Stock</u>	137
<u>Preferred Stock</u>	137
<u>Meetings and Special Voting Requirements</u>	137
<u>Restriction on Ownership of Shares</u>	138
<u>Dividends</u>	139
<u>Dividend Reinvestment Plan</u>	140
<u>Share Redemption Program</u>	141
<u>Restrictions on Roll-Up Transactions</u>	142
<u>Business Combinations</u>	143
<u>Control Share Acquisitions</u>	143

Table of Contents

<u>The Operating Partnership Agreement</u>	143
<u>General</u>	143
<u>Capital Contributions</u>	144
<u>Operations</u>	144
<u>Exchange Rights</u>	145
<u>Transferability of Interests</u>	145
<u>Plan of Distribution</u>	146
<u>General</u>	146
<u>Underwriting Compensation and Terms</u>	146
<u>Subscription Procedures</u>	150
<u>Supplemental Sales Material</u>	151
<u>Legal Opinions</u>	152
<u>Experts</u>	152
<u>Changes in Principal Accountant</u>	152
<u>Audited Financial Statements</u>	152
<u>Unaudited Financial Statements</u>	153
<u>Additional Information</u>	153
<u>Glossary</u>	153
<u>Financial Statements</u>	154
<u>Prior Performance Tables</u>	210
<u>Subscription Agreement</u>	Exhibit A
<u>Amended and Restated Dividend Reinvestment Plan</u>	Exhibit B

Table of Contents

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.

Table of Contents**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:

<u>Property Name</u>	<u>Tenant</u>	<u>Building Type</u>	<u>Location</u>
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 Ophthalmics, 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

Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST INC - Form POS AM

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

Table of Contents

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

Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST INC - Form POS AM

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.

Table of Contents

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

Table of Contents

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:

<u>Quarter</u>	<u>Approximate Amount (Rounded)</u>	<u>Annualized Percentage Return on an Investment of \$10 per Share</u>
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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST INC - Form POS AM

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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:

<u>Type of Compensation</u>	<u>Form of Compensation</u>	<u>Estimated \$\$ Amount for Maximum Offering (330,000,000 shares)</u>
<i>Offering Stage</i>		
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)
<i>Acquisition and Development Stage</i>		
Acquisition and Advisory Fees	3.0% of gross offering proceeds	\$99,000,000
Acquisition Expenses	0.5% of gross offering proceeds	\$16,500,000
<i>Operational Stage</i>		
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

Table of Contents

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.

Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST INC - Form POS AM

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST INC - Form POS AM

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

Table of Contents

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

Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST INC - Form POS AM

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.)

Table of Contents

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;

Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST INC - Form POS AM

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.

Table of Contents

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.

Table of Contents

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

Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST INC - Form POS AM

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

Table of Contents

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 a