

WELLS REAL ESTATE INVESTMENT TRUST INC

Form DEFM14A

February 26, 2007

Table of Contents

Index to Financial Statements

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

WELLS REAL ESTATE INVESTMENT TRUST, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box)

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common stock, par value \$0.01 per share of Wells Real Estate Investment Trust, Inc.

(2) Aggregate number of securities to which transaction applies:
19,568,641 shares of common stock of Wells Real Estate Investment Trust, Inc.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The filing fee is based on (i) \$8.9531, the negotiated per-share price for common stock of Wells Real Estate Investment Trust, Inc., multiplied by (ii) 19,568,641, the number of shares of common stock of Wells Real Estate Investment Trust, Inc. to be issued, multiplied by (iii) 0.000107, the merger consideration multiplier in accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended.

(4) Proposed maximum aggregate value of transaction:
\$175,200,000

(5) Total fee paid:
\$18,746.40

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Index to Financial Statements

WELLS REAL ESTATE INVESTMENT TRUST, INC.

6200 The Corners Parkway

Norcross, Georgia 30092-3365

February 26, 2007

Dear Stockholder:

On February 5, 2007, we sent you a letter that addressed a number of important matters. Included in these matters was an agreement to acquire or internalize our third-party advisor companies which provide the day-to-day operations for Wells REIT.

Enclosed is a letter from the Chairman of the Special Committee of our Board of Directors, a proxy statement that explains these matters in detail, a notice of a special stockholders meeting, and a proxy card so that you may vote on four important proposals.

We encourage you to read all of these documents carefully and to vote on these four proposals as soon as possible. The deadline for receiving your vote is April 11, 2007. Remember, your individual vote is very important.

For more information and to hear directly from Donald Moss, one of the independent directors of our Board, please visit our Web site at www.wellsreit.com. As always, if you have questions, please contact your financial representative or the Wells Client Services Department at 800-557-4830 or send an e-mail to investor.services@wellsref.com.

Thank you for your continued trust and confidence as a Wells REIT investor.

Sincerely,

Leo F. Wells, III
Chairman of the Board of Directors
Wells Real Estate Investment Trust, Inc.

Enclosures

Table of Contents

Index to Financial Statements

WELLS REAL ESTATE INVESTMENT TRUST, INC.

6200 The Corners Parkway

Norcross, Georgia 30092-3365

To Our Stockholders:

You are cordially invited to attend the Special Meeting of Stockholders of Wells Real Estate Investment Trust, Inc. to be held on April 11, 2007, at The Atlanta Athletic Club, 1930 Bobby Jones Drive, Duluth, Georgia 30097 at 1:30 p.m. Eastern time (such meeting, and any adjournments or postponements thereof, the Special Meeting). Our board of directors (the Board) and officers look forward to greeting you personally. Enclosed for your review are the proxy card, proxy statement, and notice setting forth the business to come before the Special Meeting.

At the Special Meeting, you are being asked to consider and vote on the following four proposals:

The Internalization Proposal. A proposal to approve the internalization of the Advisor (defined below) with and into Wells Real Estate Investment Trust, Inc. (which we refer to in the accompanying proxy statement as the Internalization Proposal) by approving the Definitive Merger Agreement (defined below) and the transactions contemplated thereby (which we refer to in the proxy statement as both the Internalization and the Internalization Transaction). Since we commenced operations in 1998, our day-to-day operations, including investment analysis, acquisitions, financings, development, due diligence, asset management, property management and certain administrative services, such as financial, tax and regulatory compliance reporting, have been provided by Wells Capital, Inc. (Wells Capital) and Wells Management Company, Inc. (Wells Management), both of which are wholly owned subsidiaries of Wells Real Estate Funds, Inc. (Wells REF), pursuant to certain advisory, asset management and property management agreements. Such advisory, asset management and property management agreements have since been transferred and contributed to Wells Real Estate Advisory Services, Inc. (WREAS), and WREAS is currently responsible for providing the services formerly rendered to us by Wells Management and Wells Capital. In addition, certain of our properties having primarily government tenants are being managed by Wells Government Services, Inc. (WGS). WREAS and WGS are both wholly-owned subsidiaries of Wells Advisory Services I, LLC (WASI) (references to the Advisor in the accompanying proxy statement include, collectively, WREAS, WGS and their predecessors, as applicable, including those portions of the operations of Wells Capital and Wells Management which previously provided advisory and management services to us under such advisory, asset management and property management agreements). In the Internalization, all of the outstanding shares of the capital stock of WREAS and WGS will be exchanged for a total consideration of \$175 million, comprised entirely of 19,546,302 shares of our common stock (the Internalization Consideration), which constitutes approximately 4.2% of our currently outstanding common stock. Wells Capital will also exchange its 20,000 limited partnership units in Wells OP for 22,339 shares of our common stock as part of the Internalization Transaction. Upon consummation of the Internalization, WREAS and WGS will be our wholly-owned subsidiaries, and the Advisor's employees will become our employees. In connection with the Internalization, we will no longer pay the fees and expense reimbursements associated with our existing advisory and asset management agreements and certain of our property management agreements to our external advisors, and we will become self-advised. Our executive officers and certain of our directors, including our new Chief Executive Officer and President, Donald A. Miller, CFA, and another individual currently affiliated with Wells REF who may become one of our executive officers collectively own economic interests in WASI, which is the sole stockholder of WREAS and WGS, and will indirectly receive as a result of the Internalization an aggregate of approximately \$168 million in shares of our common stock valued at the same per-share amount used to determine the amount of shares to be issued to WASI as the Internalization Consideration. Even if approved by our stockholders, the Internalization Proposal will not be implemented unless other conditions to the Internalization are satisfied. We may waive certain of these conditions in our sole discretion;

Table of Contents

Index to Financial Statements

The Pre-Listing Charter Amendment Proposal. Approval of an amendment and restatement of our articles of incorporation (the Articles), in order to modify certain provisions to reflect that we have become self-advised (the Pre-Listing Charter Amendment Proposal). Even if approved by our stockholders, this proposal will not be implemented unless the Internalization occurs;

The Post-Listing Charter Amendment Proposal. Approval of a further amendment and restatement of our Articles, which will become effective in the event of a future listing of our common stock, if any, on a national securities exchange or quotation of our common stock by The NASDAQ Stock Market, Inc. or an over-the-counter market (the Listing), to modify certain provisions to conform more closely to the charters of other real estate investment trusts (REITs) whose securities are publicly traded and listed (Listed REITs) (the Post-Listing Charter Amendment Proposal). There can be no assurance that we will determine to list our common stock or, if we make such determination, that we will successfully list our common stock. Even if approved by our stockholders, this proposal will not be implemented unless the Internalization occurs and until shortly before a Listing, if any, of our common stock;

The Incentive Plan Proposal. Approval and adoption of our 2007 Omnibus Incentive Plan (the Incentive Plan Proposal). If approved by our stockholders, this proposal will be implemented regardless of whether the other proposals to be considered at the Special Meeting are approved by our stockholders; and

Other Proposals. Any other matters that properly may be presented at the Special Meeting including proposals to adjourn the Special Meeting with respect to proposals for which insufficient votes to approve were cast and, with respect to any such proposals, to permit further solicitation of additional proxies by our Board.

The accompanying proxy statement contains a more complete description of the Internalization Proposal, certain potential conflicts of interest that may exist among us, our executive officers and some of our directors, and the Advisor and its stockholders, and each of the other proposals described above. A copy of the merger agreement dated as of February 2, 2007 by and among us and WASI, Wells Capital, Wells Management, Wells REF, WREAS, WGS, and our wholly-owned subsidiaries, WRT Acquisition Company, LLC and WGS Acquisition Company, LLC (the Definitive Merger Agreement), the operative document which describes the material terms of the Internalization, is attached as **Appendix A** to the accompanying proxy statement. We urge you to carefully review the accompanying proxy statement and appendices, which discuss each of the proposals in more detail.

Benefits of Internalization and Potential Listing

We believe that converting from our current externally advised structure to a self-advised or internally advised management structure would result in many important benefits, including:

Improving our financial operations based upon our belief that an Internalization Transaction would be accretive over time to our earnings per share and our funds from operations (FFO) per share as a result of the reduction in operating costs that will result from us no longer having to pay advisory, property management and other fees and expense reimbursements to our external advisors under our existing advisory and asset management agreements and certain of our property management agreements (FFO generally means the amount of a company's net earnings after taxes adjusted to include real estate depreciation and amortization for a specified period of time). No assurances can be given, however, that any such accretion in our earnings per share or FFO per share would actually occur;

Establishing an internal management team which would be fully dedicated and solely focused on our Company's strategic plans for enhancing stockholder value;

Better positioning us for a future Listing, partially based on our belief that there is a perception in the marketplace that an internalized structure, among other things, achieves a better alignment of interests

Table of Contents

Index to Financial Statements

between management and the stockholders and eliminates certain conflicts of interest associated with having an external advisor. No assurances can be given, however, that a Listing will actually occur or, if it did occur, that being self-advised would result in a more successful Listing; and

Improving retention of our key management personnel, as we anticipate that our key management personnel will have an equity stake in our company.

In connection with considering a potential Internalization Transaction, our Board also considered the benefits of a potential Listing, including, among other things, creating significantly greater liquidity for our stockholders, increasing our stockholders' autonomy in connection with the management of their cash and tax positions, allowing us greater access to capital markets to fund our future growth, and enabling us to pursue certain growth strategies. In addition, our current Articles require that, in the event a Listing does not occur on or before January 30, 2008, we are required to immediately undertake an orderly liquidation and sale of our assets and distribute the net sales proceeds from such liquidation to our stockholders. Based on these factors, we intend to consider a Listing following the consummation of the Internalization Transaction, if and when market conditions and other circumstances make it desirable or it is otherwise in the best interests of our stockholders to do so. No assurance can be given that, if a determination is made to List, we will be able to successfully implement a Listing or that market conditions existing in the future will make it desirable for us to do so. While we believe that the Internalization Transaction should help facilitate a Listing, the Internalization Transaction we are proposing is not contingent upon the completion of a Listing. Even if a Listing does occur, an active trading market for our common stock may not develop or, if it does develop initially, may not be sustained. Further, the price at which our common stock may trade in the future is unknown.

We believe any future Listing will be more likely to be successful if we are self-advised. A vast majority of Listed REITs, including REITs like us that own predominantly office and industrial commercial properties, are self-advised. We believe the prevalence of the self-advised model reflects a marketplace preference for Listed REITs that are self-advised and that, if our common stock were Listed, investors and market analysts would view us more favorably if we were self-advised, as opposed to being externally advised. If the Board elects to pursue a Listing, no further stockholder action would be required to do so.

The Internalization, which our Board is recommending for your approval, will be effectuated pursuant to the Definitive Merger Agreement. In connection with the Internalization, we have entered into an employment agreement with Donald A. Miller, CFA, our new Chief Executive Officer and President, and may enter into other employment agreements with one or more other individuals associated with the Advisor or its affiliates, including an individual currently affiliated with Wells REF who may become one of our executive officers.

Our executive officers and certain of our directors are affiliates of the Advisor and own interests in WASI, the parent of WREAS and WGS. These relationships result in those officers and directors having material financial interests in the Internalization. In part, to address these potential conflicts of interest and to satisfy certain requirements contained in our Articles, our Board formed a special committee consisting of four of our independent directors, who are not our officers and who have no financial interest in the Advisor or in the consideration paid in connection with the Internalization (the Special Committee). The Special Committee was authorized, among other things: to evaluate and investigate certain future strategic alternatives available to us, including, among other things, potentially becoming internally advised via the acquisition of, or merger with, certain of the real estate acquisition, disposition, property and asset management and support businesses currently conducted and provided to us by Wells REF and its affiliates; to consider and negotiate the terms of any such transaction; and to make a recommendation to the Board on whether to pursue any such transaction. In evaluating the Internalization, the Special Committee engaged and consulted with its own legal and financial advisors and considered various factors which are more fully described in the accompanying proxy statement.

In anticipation of the Internalization, we are proposing to amend and restate our Articles to reflect that we will be self-advised effective on the closing of the Internalization. To facilitate a possible future Listing, we are

Table of Contents

Index to Financial Statements

proposing a second set of amendments to our Articles that would become effective only upon consummation of a Listing, to conform more closely with the charters of other Listed REITs. In connection with these amendments to our Articles, we also will amend our bylaws (the Bylaws) in order to make certain conforming and other changes; however, such changes to our Bylaws will not require action by our stockholders.

Additionally, in anticipation of the Internalization, our Board has authorized, and is recommending that you approve, the adoption of a 2007 Omnibus Incentive Plan. This plan was established by the Special Committee and our newly established compensation committee, which worked with an employment compensation consultant to survey and study the market compensation ranges of our competitors, and is designed to help us to attract, retain and motivate highly qualified individuals and more directly align the interests of our management with those of our stockholders. Certain employment agreements with our senior management following the Internalization will provide, among other things, for long-term incentive compensation awards that will be paid pursuant to the plan we are proposing for adoption. If the 2007 Omnibus Incentive Plan is not approved by our stockholders, it could materially adversely affect our ability to retain senior management and attract qualified replacements and other personnel.

Our Board recommends that you vote **FOR** each of the proposals to be considered and voted on at the Special Meeting (Messrs. Leo F. Wells, III and Douglas P. Williams, who have material financial interests in the Internalization, recused themselves from consideration of the Board's recommendation with respect to the Internalization Proposal).

Your vote is very important. Regardless of the number of shares of our common stock that you own, it is very important that your shares be represented at the Special Meeting. You may authorize your proxy over the Internet, as well as by telephone or by mailing a proxy card. Authorizing your proxy over the Internet, by telephone, or by written proxy will ensure your representation at the Special Meeting if you choose not to attend in person. Please complete the proxy card and return it in the accompanying postage-paid envelope or grant your proxy by telephone or over the Internet, even if you plan to attend the Special Meeting. If you attend the Special Meeting in person, you may, if you wish, withdraw your proxy and vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

W. Wayne Woody
Independent Director of

Wells Real Estate Investment Trust, Inc.
Chairman of the Special Committee

Atlanta, Georgia

February 26, 2007

Table of Contents

Index to Financial Statements

NOTICE OF SPECIAL MEETING

WELLS REAL ESTATE INVESTMENT TRUST, INC.

6200 The Corners Parkway

Norcross, Georgia 30092-3365

Proxy Statement and

Notice of Special Meeting of Stockholders

To Be Held April 11, 2007

To Our Stockholders:

You are cordially invited to attend the Special Meeting of Stockholders of Wells Real Estate Investment Trust, Inc. to be held on April 11, 2007, at The Atlanta Athletic Club, 1930 Bobby Jones Drive, Duluth, Georgia 30097 at 1:30 p.m. Eastern time (such meeting, and any adjournments or postponements thereof, the Special Meeting).

At the Special Meeting, you are being asked to consider and vote on the following four proposals:

The Internalization Proposal. A proposal to approve the internalization of the Advisor (defined in the proxy statement) with and into Wells Real Estate Investment Trust, Inc. (which we refer to in the accompanying proxy statement as the Internalization Proposal) by approving the Definitive Merger Agreement (defined in the proxy statement) and the transactions contemplated thereby (which we refer to as both the Internalization and the Internalization Transaction). In the Internalization, all of the outstanding shares of capital stock of WREAS and WGS (as each is defined in the proxy statement) will be exchanged for a total consideration of \$175 million, comprised entirely of 19,546,302 shares of our common stock (the Internalization Consideration). Upon consummation of the Internalization, WREAS and WGS will be our wholly-owned subsidiaries, and we will become self-advised. Pursuant to the terms of the Definitive Merger Agreement, approval of this proposal requires the affirmative vote of the holders of at least a majority of our outstanding shares of common stock entitled to vote thereon (excluding for this purpose shares of common stock beneficially owned by any affiliates of Wells Real Estate Funds, Inc., Wells Capital, Inc., Wells Management Company, Inc. or Wells Advisory Services I, LLC). Even if approved by our stockholders, the Internalization Proposal will not be implemented unless other conditions to the Internalization are satisfied. We may waive certain of these conditions in our sole discretion;

The Pre-Listing Charter Amendment Proposal. Approval of an amendment and restatement of our articles of incorporation (the Articles), in order to modify certain provisions to reflect that we have become self-advised (the Pre-Listing Charter Amendment Proposal). Approval of this proposal requires the affirmative vote of the holders of at least a majority of our outstanding shares of common stock entitled to vote thereon. Even if approved by our stockholders, this proposal will not be implemented unless the Internalization occurs;

The Post-Listing Charter Amendment Proposal. Approval of a further amendment and restatement of our Articles, which will become effective in the event of a future listing of our common stock, if any, on a national securities exchange or quotation of our common stock by The NASDAQ Stock Market, Inc. or an over-the-counter market (the Listing), to modify certain provisions to conform more closely to the charters of other real estate investment trusts whose securities are publicly traded and listed (the Post-Listing Charter Amendment Proposal). Approval of this proposal requires the affirmative vote of the holders of at least a majority of our outstanding shares of common stock entitled to vote thereon. There can be no assurance that we will determine to list our common stock or, if we make such determination, that we will successfully list our common stock. Even if approved by our stockholders, this proposal will not be implemented unless the Internalization occurs and until shortly before a Listing, if any, of our

common stock;

The Incentive Plan Proposal. Approval and adoption of our 2007 Omnibus Incentive Plan (the Incentive Plan Proposal). Approval of this proposal requires the affirmative vote of the holders of at

Table of Contents

Index to Financial Statements

least a majority of our outstanding shares of common stock represented in person or by proxy at the Special Meeting and actually voted on the matter (a majority of votes cast), so long as the total votes cast represent at least 50% of the shares entitled to vote at the Special Meeting. If approved by our stockholders, this proposal will be implemented regardless of whether the other proposals to be considered at the Special Meeting are approved by our stockholders; and

Other Proposals. Any other matters that properly may be presented at the Special Meeting including proposals to adjourn the Special Meeting with respect to proposals for which insufficient votes to approve were cast and, with respect to any such proposals, to permit further solicitation of additional proxies by our Board.

These items of business are described for you in detail in the accompanying proxy statement. We encourage you to read the proxy statement, and the documents attached as appendices to the proxy statement, carefully and in their entirety. Only holders of record of our shares of common stock at the close of business on February 20, 2007 will be entitled to receive notice of, and to vote at, the Special Meeting or at any adjournments or postponements thereof.

You are cordially invited to attend the Special Meeting in person. All stockholders, whether or not they plan to attend the Special Meeting, are requested to complete, date and sign the enclosed proxy card and return it promptly in the envelope provided. You also may authorize your proxy by telephone or via the Internet by following the instructions on the proxy card. **It is important that your shares be voted.** By returning your proxy promptly, you can help us avoid additional expenses by helping to ensure that a quorum is met so the Special Meeting can be held. If you decide to attend the Special Meeting, you may revoke your proxy and vote your shares of common stock in person.

BY ORDER OF THE BOARD OF DIRECTORS

Leo F. Wells, III
Chairman

Atlanta, Georgia

February 26, 2007

Table of Contents

Index to Financial Statements

WELLS REAL ESTATE INVESTMENT TRUST, INC.

6200 The Corners Parkway

Norcross, Georgia 30092-3365

PROXY STATEMENT

General Information

This proxy statement is furnished by the board of directors (the Board) of Wells Real Estate Investment Trust, Inc., a Maryland corporation, in connection with the solicitation by our Board of proxies to be voted at the Special Meeting of Stockholders to be held on April 11, 2007, at The Atlanta Athletic Club, 1930 Bobby Jones Drive, Duluth, Georgia 30097 at 1:30 p.m. Eastern time (such meeting, and any adjournments or postponements thereof, the Special Meeting) for the purposes set forth herein and in the accompanying Notice of Special Meeting of Stockholders. Only holders of record of our shares of common stock, par value \$0.01 per share (our shares of common stock), at the close of business on February 20, 2007 (the Record Date) will be entitled to receive notice of, and to vote at, the Special Meeting. **This proxy statement and the proxy card are first being mailed on or about March 2, 2007 to stockholders of record as of the Record Date.**

As of the Record Date, 465,880,187 of our shares of common stock were outstanding and entitled to vote. Each share of common stock entitles the holder thereof to one vote on each of the matters to be voted upon at the Special Meeting. Pursuant to our charter (the Articles), our directors and officers and their respective affiliates will be prohibited from voting on the Internalization Proposal (as defined below).

Proxy and Voting Procedures

Any proxy, if received in time, properly signed and not revoked, will be voted at the Special Meeting in accordance with the directions of the stockholder granting the proxy. If no directions are specified, the proxy will be voted **FOR**:

The Internalization Proposal. A proposal to approve the internalization of the Advisor (defined below) with and into Wells Real Estate Investment Trust, Inc. (which we refer to as the Internalization Proposal). Since we commenced operations in 1998, our day-to-day operations, including investment analysis, acquisitions, financings, development, due diligence, asset management, property management and certain administrative services, such as financial, tax and regulatory compliance reporting, have been provided by Wells Capital, Inc. (Wells Capital) and Wells Management Company, Inc. (Wells Management), both of which are wholly owned subsidiaries of Wells Real Estate Funds, Inc. (Wells REF), pursuant to certain advisory, asset management and property management agreements. Such advisory, asset management and property management agreements have since been transferred and contributed to Wells Real Estate Advisory Services, Inc. (WREAS), and WREAS is currently responsible for providing the services formerly rendered to us by Wells Management and Wells Capital. In addition, certain of our properties having primarily government tenants are being managed by Wells Government Services, Inc. (WGS). WREAS and WGS are both wholly-owned subsidiaries of Wells Advisory Services I, LLC (WASI) (references to the Advisor in this proxy statement include, collectively, WREAS, WGS and their predecessors, as applicable, including those portions of the operations of Wells Capital and Wells Management which previously provided advisory and management services to us under such advisory, asset management and property management agreements). In the Internalization, all of the outstanding shares of the capital stock of WREAS and WGS will be exchanged for a total consideration of \$175 million, comprised entirely of 19,546,302 shares of our common stock (the Internalization Consideration), which constitutes approximately 4.2% of our currently outstanding common stock. In connection with the Internalization, Wells Capital will also exchange its 20,000 limited partnership units in our operating partnership, Wells Operating Partnership, L.P. (Wells OP), for 22,339 shares of our common stock. Upon consummation of the Internalization, WREAS and WGS will be our wholly-owned subsidiaries, and the Advisor's employees will become our employees. In connection with the Internalization, we will no

Table of Contents

Index to Financial Statements

longer pay the fees and expense reimbursements associated with our existing advisory and asset management agreements and certain of our property management agreements to our external advisors, and we will become self-advised. Our executive officers and certain of our directors, including our new Chief Executive Officer and President, and another individual currently affiliated with Wells REF who may become one of our executive officers, through their ownership of economic interests in WASI, collectively own economic interests in the Advisor and will indirectly receive as a result of the Internalization an aggregate of approximately \$168 million in shares of our common stock valued at the same per-share amount used to determine the amount of shares to be issued to WASI as Internalization Consideration. Even if approved by our stockholders, the Internalization Proposal will not be implemented unless other conditions to the Internalization are satisfied. We may waive certain of these conditions in our sole discretion;

The Pre-Listing Charter Amendment Proposal. Approval of an amendment and restatement of our Articles, which will become effective upon consummation of the Internalization, to modify certain provisions to reflect that we have become self-advised (the Pre-Listing Charter Amendment Proposal). Even if approved by our stockholders, this proposal will not be implemented unless the Internalization occurs. Further, our Board reserves the right not to implement the Pre-Listing Charter Amendment Proposal even if it is approved by our stockholders if, prior to such implementation, our Board determines that the implementation of the Pre-Listing Charter Amendment Proposal is not in our best interest;

The Post-Listing Charter Amendment Proposal. Approval of a further amendment and restatement of our Articles, which will only become effective in the event of a future listing of our common stock, if any, on a national securities exchange, including the New York Stock Exchange, Inc. (the NYSE), or quotation of our common stock by The NASDAQ Stock Market, Inc. (the NASDAQ) or an over-the-counter market (the Listing) to modify certain provisions to conform more closely to the charters of other real estate investment trusts (REITs) whose securities are publicly traded and listed (Listed REITs) (the Post-Listing Charter Amendment Proposal). There can be no assurance that we will determine to list our common stock or, if we make such determination, that we will successfully list our common stock. Even if approved by our stockholders, this proposal will not be implemented unless the Internalization occurs and until shortly before a Listing, if any, of our common stock. Further, our Board reserves the right not to implement the Post-Listing Charter Amendment Proposal even if it is approved by our stockholders if, prior to such implementation, our Board determines that the implementation of the Post-Listing Charter Amendment Proposal is not in our best interest; and

The Incentive Plan Proposal. Approval and adoption of our 2007 Omnibus Incentive Plan (the Incentive Plan Proposal). If approved by our stockholders, this proposal will be implemented regardless of whether the other proposals to be considered at the Special Meeting are approved by our stockholders.

Unless otherwise specified, a proxy also will confer authority on the persons named therein to vote in their discretion on any other matters that properly may be presented at the Special Meeting, including proposals to adjourn the Special Meeting in respect of proposals for which insufficient votes to approve were cast in order to permit solicitation of additional proxies by our Board in respect of those proposals.

Our Board recommends that you vote **FOR** each of the proposals to be considered and voted on at the Special Meeting (Messrs. Leo F. Wells, III and Douglas P. Williams, who have material financial interests in the Internalization, recused themselves from consideration of the Board's recommendation with respect to the Internalization Proposal).

Appraisal Rights

Under Maryland law and our Articles, you will not be entitled to rights of appraisal with respect to the Internalization Proposal. Accordingly, to the extent that you object to the Internalization Proposal, you will not

Table of Contents

Index to Financial Statements

have the right to have a court judicially determine (and you will not receive) the fair value for your shares of common stock under the provisions of Maryland law governing appraisal rights. However, if you do not vote in favor of Pre-Listing Charter Amendment Proposal or the Post-Listing Charter Amendment Proposal and otherwise comply with the relevant statutory provisions of Maryland law governing appraisal rights, you may be entitled to rights of appraisal under Maryland law with respect to the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal. Because we are not aware of any applicable authority as to whether amendments to our Articles such as those contemplated by the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal would be deemed to substantially adversely affect your rights as a stockholder, in the event you wish to make your own determination of whether you have rights of appraisal with respect to the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal, we encourage you to consider applicable Maryland law and to consider engaging Maryland counsel. We reserve the right to challenge your determination, if any, as to whether rights of appraisal exist in connection with the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal. For a discussion regarding your appraisal rights under Maryland law, see Explanation of Maryland Appraisal Rights Statute. See also **Appendix G** hereto, which sets forth the relevant statutory provisions.

Proxies

You can revoke any proxy you previously gave at any time before votes are tabulated at the Special Meeting (1) by delivering a written statement to Douglas P. Williams, our secretary (the Secretary), expressly stating that the proxy is revoked, (2) by completing and properly executing a new proxy card that is dated later than the date of your prior proxy card and delivering it to our Secretary at or before the Special Meeting, or (3) by attending the Special Meeting and voting in person. Attendance at the Special Meeting will not, in and of itself, constitute revocation of a proxy.

A proxy card is enclosed for your use. The proxy card contains instructions for responding either by telephone, by Internet or by mail. Votes cast in person or by proxy at the Special Meeting will be tabulated and a determination will be made as to whether or not a quorum is present by the inspectors of election appointed for the Special Meeting. The presence, in person or by proxy, of stockholders entitled to cast at least 50% of the votes entitled to be cast by all stockholders of record as of February 20, 2007 will constitute a quorum for the transaction of business at the Special Meeting.

We will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence or absence of a quorum. With respect to the Internalization Proposal, the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal, abstentions will have the effect of a vote cast against the proposal. With respect to the Incentive Plan Proposal, abstentions will have no effect, provided that the total votes cast represent at least 50% of the shares entitled to vote. If the total votes cast on the Incentive Plan Proposal represent less than 50% of the shares entitled to vote, abstentions would have the effect of a vote against the Incentive Plan Proposal.

If a broker returns an executed proxy card, but marks the card to reflect a withholding of voting authority on matters as to which the broker is not permitted to vote (a broker non-vote), the holder of the shares of common stock covered by the proxy card will be treated as present for quorum purposes. The effect of broker non-votes on voting will be as follows: (1) with respect to the Internalization Proposal, the Pre-Listing Charter Amendment Proposal and the Post-Listing Charter Amendment Proposal, broker non-votes will have the effect of a vote cast against the proposal; and (2) with respect to the Incentive Plan Proposal, broker non-votes will have no effect, provided that the total votes cast represent at least 50% of the shares entitled to vote at the Special Meeting, but if the total votes cast represent less than 50% of the shares entitled to vote at the Special Meeting, then broker non-votes would have the effect of a vote against the Incentive Plan Proposal. If a broker returns a properly executed proxy card, but does not provide voting instructions or an intent to abstain as to any matter, the shares represented by that proxy card will be considered present for quorum purposes and those shares will be voted on such matters in accordance with the recommendations of our Board or, in the absence of such a recommendation, in the proxy holder's discretion.

Table of Contents

Index to Financial Statements

Our Special Meeting may be adjourned with respect to proposals for which insufficient votes to approve were cast. With respect to proposals for which an insufficient number of votes to approve are received, our Board may continue to solicit proxies. For those proposals for which sufficient votes to approve have been received, we may take such action contained therein.

Solicitation Expenses

We will pay all the costs of soliciting these proxies. In addition to these mailed proxy materials, employees of our affiliates and The Bank of New York, our proxy solicitor, may also solicit proxies in person, by telephone, or by other means of communication. Employees of affiliates will not be paid any additional compensation for soliciting proxies, and The Bank of New York will be paid an administrative fee of approximately \$4,000 and \$0.22 per phone vote and \$0.07 per Internet vote, plus out-of-pocket expenses for its basic solicitation services, which include review of proxy materials, dissemination of brokers search cards, distribution of proxy materials, solicitation of brokers, banks, and institutional holders, and delivery of executed proxies. We may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to beneficial owners.

Where to Obtain More Information

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act). We file reports, proxy statements and other information with the SEC. You may read and copy these reports, proxy statements and other information at the SEC's Public Reference Section at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet Web site, located at www.sec.gov, that contains reports, proxy statements and other information regarding companies and individuals that file electronically with the SEC.

The information contained in this proxy statement speaks only as of the date indicated on the cover of this proxy statement unless the information specifically indicates that another date applies. The information that we later file with the SEC may update and supersede the information in this proxy statement.

Important Note

No person is authorized to make any representation with respect to the matters described in this proxy statement other than those contained herein and, if given or made, such representation must not be relied upon as having been authorized by us, the Advisor or any other person or entity. This proxy statement provides you with detailed information about the proposals to be considered and voted upon at the Special Meeting. The information in this proxy statement is current as of the date of this proxy statement. Stockholders are urged to carefully review this proxy statement, including the accompanying appendices, which discuss each of the proposals to be considered and voted upon at the Special Meeting in more detail.

We encourage you to carefully review the section of this proxy statement captioned Risk Factors beginning on page 26, which describes certain factors which should be considered in evaluating the Internalization Proposal and the other proposals to be voted on at the Special Meeting.

The date of this proxy statement is February 26, 2007.

Table of Contents

Index to Financial Statements

TABLE OF CONTENTS

<u>QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING</u>	1
<u>SUMMARY OF THE INTERNALIZATION PROPOSAL</u>	13
<u>RISK FACTORS</u>	26
<u>SELECTED FINANCIAL DATA OF THE ADVISOR</u>	33
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ADVISOR</u>	35
<u>Overview</u>	35
<u>Critical Accounting Policies</u>	35
<u>Liquidity and Capital Resources</u>	36
<u>Results of Operations</u>	36
<u>COMPARATIVE PER-SHARE DATA OF THE COMPANY AND THE ADVISOR</u>	38
<u>PROPOSAL I: THE INTERNALIZATION PROPOSAL</u>	39
<u>Our Company</u>	39
<u>Our Existing Advisory and Property Management Agreements</u>	40
<u>Property Management Offices</u>	42
<u>Formation of Wells Real Estate Advisory Services, Inc. and Assignment and Valuation of the Existing Advisory and Property Management Agreements</u>	43
<u>Reasons for Internalization and Potential Listing</u>	44
<u>Negotiation of the Internalization Transaction</u>	45
<u>Recommendations of the Special Committee and Our Board of Directors</u>	55
<u>Opinion of Houlihan Lokey</u>	58
<u>DESCRIPTION OF THE INTERNALIZATION TRANSACTION</u>	68
<u>General</u>	68
<u>Determination of Estimated Net Asset Value of Our Shares of Common Stock</u>	68
<u>Payment of Internalization Consideration</u>	68
<u>Closing</u>	69
<u>Escrow of Certain Shares of Our Common Stock at Closing</u>	69
<u>Acquisition of Property Management Offices and Property Management Agreements</u>	69
<u>Conduct of Business Prior to Closing</u>	71
<u>Certain Pre-Closing Covenants</u>	72
<u>Covenants Relating to Dividends</u>	74
<u>Covenants Concerning Post-Closing Employment Arrangements</u>	74
<u>Post-Closing Covenants</u>	74
<u>Conditions to Closing</u>	77
<u>Representations and Warranties</u>	79
<u>Indemnification</u>	82
<u>Amendment; Waiver; Assignment; Termination</u>	85
<u>Expenses</u>	86
<u>Temporary License to use the Name – Wells</u>	86
<u>Changes to our Board and Resolution of Certain Conflicts of Interest on our Board</u>	86
<u>Ancillary Agreements Related to Internalization</u>	87
<u>Escrow Agreement</u>	87
<u>Pledge and Security Agreement</u>	88

Table of Contents

Index to Financial Statements

<u>Transition Services Agreement</u>	89
<u>Support Services Agreement</u>	91
<u>Registration Rights Agreement</u>	92
<u>Headquarters Sublease Agreement</u>	94
<u>Our New Chief Executive Officer and President</u>	96
<u>Employment Agreements</u>	96
<u>Certain Financial and Other Information Regarding the Internalization</u>	98
<u>Certain U.S. Federal Income Tax Considerations</u>	98
<u>Regulatory Matters</u>	101
<u>Common Share Ownership of Certain Beneficial Owners and Management</u>	101
<u>No Appraisal Rights in Connection with the Internalization Proposal</u>	102
<u>Vote Required to Approve the Internalization Proposal</u>	103
<u>Consequences of Failure to Approve the Internalization or if the Internalization Otherwise Does Not Occur</u>	103
<u>PROPOSAL II: THE PRE-LISTING CHARTER AMENDMENT PROPOSAL</u>	104
<u>Introduction</u>	104
<u>Amendments to Our Existing Articles Reflect That We Will Become Self-Advised if the Internalization Proposal Is Approved</u>	104
<u>Amendments to Our Existing Articles Relating to Amendments</u>	105
<u>Conforming Changes and Other Ministerial Modifications</u>	106
<u>Appraisal Rights</u>	106
<u>Vote Required</u>	106
<u>Consequences of Failure to Approve the Pre-Listing Charter Amendment Proposal</u>	107
<u>PROPOSAL III: THE POST-LISTING CHARTER AMENDMENT PROPOSAL</u>	108
<u>Introduction</u>	108
<u>Amendments to Our Articles to Conform More Closely to Charters of Listed REITs</u>	108
<u>Miscellaneous Modifications</u>	112
<u>Conforming Changes and Other Ministerial Modifications</u>	113
<u>Appraisal Rights</u>	113
<u>Conforming Amendments to Our Bylaws</u>	114
<u>Reverse Stock Split</u>	114
<u>Vote Required</u>	115
<u>Consequences of Failure to Approve the Post-Listing Charter Amendment Proposal</u>	115
<u>PROPOSAL IV: THE INCENTIVE PLAN PROPOSAL</u>	116
<u>Summary of the Plan</u>	116
<u>Awards Under the 2007 Omnibus Incentive Plan</u>	117
<u>Performance Goals</u>	119
<u>Adjustments in General; Certain Change-in-Control Provisions</u>	119
<u>Amendment and Termination</u>	120
<u>Certain U.S. Federal Income Tax Consequences</u>	120
<u>No Appraisal Rights in Connection with the Incentive Plan Proposal</u>	122
<u>Vote Required</u>	122
<u>Consequences of Failure to Approve the Incentive Plan Proposal</u>	122
<u>Compensation of Our Executive Officers and Directors</u>	122
<u>Outstanding Soliciting Dealer Warrants</u>	127

Table of Contents

Index to Financial Statements

<u>WELLS REAL ESTATE INVESTMENT TRUST, INC.</u>	128
<u>BUSINESS</u>	128
<u>General</u>	128
<u>Real Estate Investment Objectives</u>	128
<u>Financing Objectives</u>	129
<u>Operating Objectives</u>	129
<u>Employees</u>	129
<u>Insurance</u>	130
<u>Competition</u>	130
<u>Litigation Against Related Parties</u>	130
<u>PROPERTIES</u>	131
<u>Overview</u>	131
<u>Property Statistics</u>	131
<u>Certain Restrictions Related to our Properties</u>	133
<u>Unconsolidated Joint Ventures With Affiliates of Wells Capital</u>	134
<u>Lines of Credit and Notes Payable</u>	135
<u>LEGAL PROCEEDINGS</u>	136
<u>MARKET FOR WELLS REIT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	136
<u>Overview</u>	136
<u>Distributions</u>	137
<u>Redemptions</u>	138
<u>SELECTED FINANCIAL DATA</u>	139
<u>MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF WELLS REAL ESTATE INVESTMENT TRUST, INC.</u>	140
<u>Overview</u>	140
<u>General Economic Conditions and Real Estate Market Commentary</u>	140
<u>Liquidity and Capital Resources</u>	141
<u>Results of Operations</u>	144
<u>Funds from Operations</u>	154
<u>Election as a REIT</u>	157
<u>Inflation</u>	157
<u>Application of Critical Accounting Policies</u>	157
<u>Related-Party Transactions and Agreements</u>	159
<u>Commitments and Contingencies</u>	159
<u>Subsequent Events</u>	160
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS</u>	160
<u>EXPLANATION OF MARYLAND APPRAISAL RIGHTS STATUTE</u>	163
<u>IMPORTANT NOTICE REGARDING DELIVERY OF SECURITY HOLDER DOCUMENTS</u>	164
<u>STOCKHOLDER PROPOSALS</u>	164
<u>INDEX TO FINANCIAL STATEMENTS</u>	165
Appendix A	<u>Definitive Merger Agreement</u>
Appendix B	<u>Fairness Opinion of Houlihan Lokey Howard & Zukin Financial Advisors, Inc.</u>
Appendix C	<u>Form of Second Articles of Amendment and Restatement (the Pre-Listing Charter Amendment Proposal)</u>
Appendix D	<u>Form of Second Articles of Amendment and Restat</u>