

WELLS REAL ESTATE INVESTMENT TRUST INC  
Form DEF 14A  
April 22, 2004  
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## 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

Definitive Proxy Statement

Confidential, for Use of the Commission

Only (as permitted by Rule 14a-6(e)(2))

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-11(c) or  
§ 240.14a-12

## WELLS REAL ESTATE INVESTMENT TRUST, INC.

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(Name of Registrant as Specified in its Charter)

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

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**WELLS REAL ESTATE INVESTMENT TRUST, INC.**

**Notice of Annual Meeting of Stockholders**

**To Be Held July 20, 2004**

Dear Stockholder:

On Tuesday, July 20, 2004, Wells Real Estate Investment Trust, Inc. (Wells REIT), a Maryland corporation, will hold its 2004 annual meeting of stockholders at The Atlanta Athletic Club, 1930 Bobby Jones Drive, Duluth, Georgia 30097. The meeting will begin at 1:30 p.m. eastern daylight time.

We are holding this meeting to:

1. Elect 10 directors to hold office for one year terms expiring in 2005; and
2. Attend to other business properly presented at the meeting.

Your board of directors has selected April 22, 2004 as the record date for determining stockholders entitled to vote at the meeting.

This proxy statement, proxy card and our 2003 annual report to stockholders are being mailed to you on or about May 10, 2004.

WHETHER YOU PLAN TO ATTEND THE MEETING AND VOTE IN PERSON OR NOT, WE URGE YOU TO HAVE YOUR VOTE RECORDED AS EARLY AS POSSIBLE. STOCKHOLDERS HAVE THE FOLLOWING THREE OPTIONS FOR SUBMITTING THEIR VOTES BY PROXY: (1) VIA THE INTERNET; (2) BY TELEPHONE; OR (3) BY MAIL, USING THE ENCLOSED PROXY CARD. BECAUSE WE ARE A WIDELY-HELD REIT WITH MORE THAN 125,000 STOCKHOLDERS, **YOUR VOTE IS VERY IMPORTANT! YOUR IMMEDIATE RESPONSE WILL HELP AVOID POTENTIAL DELAYS AND MAY SAVE US SIGNIFICANT ADDITIONAL EXPENSES ASSOCIATED WITH SOLICITING STOCKHOLDER VOTES.**

BY ORDER OF THE BOARD OF DIRECTORS

Leo F. Wells, III  
Chairman

Atlanta, Georgia

April 26, 2004

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*PROXY STATEMENT*

*DATED APRIL 22, 2004*

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**QUESTIONS AND ANSWERS**

We are providing you with this proxy statement, which contains information about the items to be voted upon at our annual stockholders meeting. To make this information easier to understand, we have presented some of the information below in a question and answer format.

**Q: Why did you send me this proxy statement?**

A: We sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote your shares at the 2004 annual stockholders meeting. This proxy statement summarizes information that we are required to provide to you under the rules of the Securities and Exchange Commission (SEC) and which is designed to assist you in voting.

**Q: What is a proxy?**

A: A proxy is a person who votes the shares of stock of another person who could not attend a meeting. The term proxy also refers to the proxy card. When you return the enclosed proxy card, you are giving us your permission to vote your shares of common stock at the annual meeting. The people who will vote your shares of common stock at the annual meeting are Leo F. Wells, III, Douglas P. Williams, or Randall D. Fretz. They will vote your shares of common stock as you instruct, unless you return the proxy card and give no instructions. In this case, they will vote FOR all of the director nominees and in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in their discretion, for any other proposals to be voted upon. They will not vote your shares of common stock if you do not return the enclosed proxy card. This is why it is important for you to return the proxy card to us (or otherwise vote your shares) as soon as possible whether or not you plan on attending the meeting in person.

**Q: When is the annual meeting and where will it be held?**

A: The annual meeting will be held on Tuesday, July 20, 2004, at 1:30 p.m. at The Atlanta Athletic Club, 1930 Bobby Jones Drive, Duluth, Georgia 30097.

**Q: How many shares of common stock can vote?**

A: As of April 22, 2004, there were 464,758,501 shares of our common stock issued and outstanding. Every stockholder is entitled to one vote for each share of common stock held.

**Q: What is a quorum ?**

A: A quorum consists of the presence in person or by proxy of stockholders holding at least 50% of the outstanding shares. There must be a quorum present in order for the annual meeting to be a duly held meeting at which business can be conducted. If you submit a properly executed proxy card, even if you abstain from voting, then you will at least be considered part of the quorum.

**Q: What may I vote on?**

A: You may vote on the election of nominees to serve on the board of directors.



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**Q: How does the board of directors recommend I vote on the proposal?**

A: The board of directors recommends a vote FOR each of the nominees for election as director.

**Q: Who is entitled to vote?**

A: Anyone who owned our common stock at the close of business on April 22, 2004, the record date, is entitled to vote at the annual meeting.

**Q: How do I vote?**

A: You may vote your shares of common stock either in person or by proxy. Whether you plan to attend the meeting and vote in person or not, we urge you to have your vote recorded. **Stockholders have the following three options for submitting their votes by proxy: (1) via the Internet; (2) by telephone; or (3) by mail, using the enclosed proxy card.** If you have Internet access, we encourage you to record your vote on the Internet. It is convenient, and it saves us significant postage and processing costs. In addition, when you vote via the Internet or by phone prior to the meeting date, your vote is recorded immediately and there is no risk that postal delays will cause your vote to arrive late and, therefore, not be counted. For further instructions on voting, see your enclosed proxy card in this proxy statement. If you attend the annual meeting, you may also submit your vote in person, and any previous votes that you submitted, whether by Internet, phone or mail, will be superseded by the vote that you cast at the annual meeting. If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares of common stock will be voted FOR the nominees for director and in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in their discretion, for each of the other proposals to be voted upon at the annual meeting.

**Q: Will my vote make a difference?**

A: Yes. Your vote is needed to ensure that the proposal can be acted upon. Because we are a widely-held REIT (with more than 125,000 stockholders and, unlike most other public companies, no large brokerage houses own substantial blocks of our shares), **YOUR VOTE IS VERY IMPORTANT! Your immediate response will help avoid potential delays and may save us significant additional expenses associated with soliciting stockholder votes.** We encourage you to participate in the governance of the Wells REIT.

**Q: What if I return my proxy card and then change my mind?**

A: You have the right to revoke your proxy at any time before the meeting by:

- (1) notifying Douglas P. Williams, our Secretary;
- (2) attending the meeting and voting in person; or
- (3) returning another proxy card dated after your first proxy card which is received before the annual meeting date.

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**Q: How will voting on any other business be conducted?**

A: Although we do not know of any business to be considered at the annual meeting other than the election of directors, if any other business is properly presented at the annual meeting, your signed proxy card gives authority to Leo F. Wells, III, our President, Douglas P. Williams, our Executive Vice President and Secretary, or Randall D. Fretz, our Senior Vice President, or any of them, to vote on such matters in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in their discretion.

**Q: When are the stockholder proposals for the next annual meeting of stockholders due?**

A: All stockholder proposals to be considered for inclusion in the 2005 proxy statement must be submitted in writing to Douglas P. Williams, Secretary, Wells Real Estate Investment Trust, Inc., 6200 The Corners Parkway, Norcross, Georgia 30092-3365, by December 27, 2004.

**Q: Who pays the cost of this proxy solicitation?**

A: We will pay all the costs of soliciting these proxies. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to our stockholders.

**Q: Is this proxy statement the only way that proxies are being solicited?**

A: No. In addition to mailing proxy solicitation material, our directors and employees, as well as third party proxy service companies we retain, may also solicit proxies in person, via the internet, by telephone or by any other electronic means of communication we deem appropriate.

**Q: If I share my residence with another Wells REIT stockholder, how many copies of the Annual Report and Proxy Statement should I receive?**

A: The Securities and Exchange Commission (SEC) has adopted a rule concerning the delivery of disclosure documents. The rule allows us to send a single set of any annual report, proxy statement, proxy statement combined with a prospectus, or information statement to any household at which two or more stockholders reside if they share the same last name or we reasonably believe they are members of the same family. This procedure is referred to as Householding. This rule benefits both you and the Wells REIT. It reduces the volume of duplicate information received at your household and helps the Wells REIT reduce expenses. Each stockholder subject to Householding will continue to receive a separate proxy card or voting instruction card.

The Wells REIT will deliver promptly, upon written or oral request, a separate copy of the Annual Report or Proxy Statement, as applicable, to a stockholder at a shared address to which a single copy of the document was previously delivered. If you received a single set of disclosure documents for this year, but you would prefer to receive your own copy, you may direct requests for separate copies to the following address: Wells REIT Investor Services Department at P.O. Box 2828, Norcross, Georgia 30091-2828 or call us at 1-800-557-4830.

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**Q: What if I consent to have one set of materials mailed now, but change my mind later?**

A: Call or write the Wells REIT to cancel the Householding instructions for yourself. You will then be sent a separate Annual Report and Proxy Statement within 30 days of receipt of your instruction.

**Q: The reason I receive multiple sets of materials is because some of the stock belongs to my children. What happens when they move out and no longer live in my household?**

A: When there is an address change for one of the members of the household, materials will be sent directly to the stockholder at his/her new address.

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**CERTAIN INFORMATION ABOUT MANAGEMENT**

**Information Regarding the Board of Directors and Committees**

The entire board of directors of Wells Real Estate Investment Trust, Inc. (Wells REIT) considers all major decisions concerning our business, including all property acquisitions. However, the board has established (i) an Audit Committee, (ii) a Compensation Committee, (iii) a Nominating and Corporate Governance Committee, (iv) an Asset Management Committee, (v) a Shareholder Relations, Communications and Development Committee, and (vi) a Finance and Planning Committee so that important items within the purview of these committees can be addressed in more depth than may be possible in a full board meeting.

**The Audit Committee**

***General***

Our board of directors adopted an amended and restated charter for the Audit Committee on October 21, 2003 (Audit Committee Charter) in accordance with the Securities Exchange Act of 1934, as amended, a copy of which is attached as Appendix A to this proxy statement. The Audit Committee Charter imposes a duty on the audit committee to pre-approve all auditing services performed for the Wells REIT by our independent auditors, as well as all permitted non-audit services (including the fees and terms thereof) in order to ensure that the provision of such services does not impair the auditor's independence. Unless a type of service to be provided by our independent auditors has received general pre-approval, it will require specific pre-approval by the Audit Committee.

All requests or applications for services to be provided by our independent auditors that do not require specific pre-approval by the Audit Committee will be submitted to management and must include a detailed description of the services to be rendered. Management will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by our independent auditors.

Requests or applications to provide services that require specific pre-approval by the Audit Committee will be submitted to the Audit Committee by both our independent auditors and the Principal Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence. The Chairman of the Audit Committee has been delegated the authority to specifically pre-approve all services not covered by the general pre-approval guidelines established herein, up to an amount not to exceed \$75,000 per occurrence. Amounts requiring pre-approval in excess of \$75,000 per occurrence require specific pre-approval by all members of the Audit Committee prior to engagement of Ernst & Young LLP, our current independent auditors. All amounts specifically pre-approved by the Chairman of the Audit Committee in accordance with this policy are to be disclosed to the full Audit Committee at the next regularly scheduled meeting.

The members of the Audit Committee are Walter W. Sessoms, William H. Keogler, Jr., Donald S. Moss, Neil H. Strickland, and W. Wayne Woody. The members of the Audit Committee are all independent directors and, while our shares are not listed for trading on any national securities exchange, such independent directors meet the current independence and experience requirements of the New York Stock Exchange (NYSE) and applicable rules and regulations of the SEC. The board of directors has determined that W. Wayne Woody satisfies the requirements for an audit committee financial expert and has designated W. Wayne Woody as our audit committee financial expert in

accordance with applicable SEC rules. During the past fiscal year, the Audit Committee held eight meetings.

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The Audit Committee's primary function is to assist our board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls which our management has established, and our audit and financial reporting process. The Audit Committee will fulfill these responsibilities primarily by carrying out the activities enumerated in the Audit Committee Charter and in accordance with current laws, rules and regulations.

### ***Changes in Principal Accountant***

**Dismissal of Arthur Andersen LLP.** On May 8, 2002, the Audit Committee of our board of directors recommended to the board of directors the dismissal of Arthur Andersen LLP (Andersen) as our independent public accountants, and our board of directors approved the dismissal of Andersen as our independent public accountants, effective immediately.

Andersen's report on the consolidated financial statements of the Wells REIT for the year ended December 31, 2001 did not contain an adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal year ended December 31, 2001, and through the date of Andersen's dismissal, there were no disagreements with Andersen on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused Andersen to make reference to the subject matter in connection with its report on the consolidated financial statements of the Wells REIT for such year and there were no reportable events as set forth in Item 304(a)(1)(v) of Regulation S-K.

**Engagement of Ernst & Young LLP.** On June 26, 2002, our board of directors approved the recommendation of the Audit Committee to engage Ernst & Young LLP (Ernst & Young) to audit the financial statements of the Wells REIT, effective immediately. During the fiscal year ended December 31, 2001, and through June 26, 2002, the Wells REIT did not consult Ernst & Young with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the consolidated financial statements of the Wells REIT, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

During the year ended December 31, 2003, Ernst & Young served as our independent auditors and provided certain tax and other services. Ernst & Young representatives will be present at the annual meeting of stockholders and will have the opportunity to make a statement if they desire to do so. In addition, the Ernst & Young representatives will be available to respond to appropriate questions posed by any stockholders. The Audit Committee and the board of directors have selected Ernst & Young to continue as independent auditors to audit our financial statements for the year ended December 31, 2004.

### ***Fees Paid to Principal Auditor***

**Arthur Andersen LLP.** The Audit Committee reviewed the audit and non-audit services performed by Andersen, as well as the fees charged by Andersen for such services. The aggregate fees billed to us for professional accounting services, for the fiscal year ended December 31, 2002, are set forth in the table below.

	<u>2002</u>
Audit fees	\$ 41,000
Audit-related fees	\$ 0
Tax fees	\$ 0
All other fees	\$ 0
	<u>          </u>
Total	\$ 41,000
	<u>          </u>

For purposes of the preceding table, the professional fees are classified as stated below.

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**Ernst & Young LLP.** The Audit Committee also reviewed the audit and non-audit services performed by Ernst & Young, as well as the fees charged by Ernst & Young for such services. In its review of the non-audit service fees, the Audit Committee considered whether the provision of such services is compatible with maintaining the independence of Ernst & Young. The aggregate fees billed to us for professional accounting services, including the audit of the Wells REIT's annual financial statements by Ernst & Young for the years ended December 31, 2003, and 2002, are set forth in the table below.

	2003	2002
Audit fees	\$ 615,895	\$ 342,073
Audit-related fees	\$ 212,026	\$ 0
Tax fees	\$ 341,533	\$ 19,005
All other fees	\$ 0	\$ 0
<b>Total</b>	<b>\$ 1,169,454</b>	<b>\$ 361,078</b>

For purposes of the preceding table, the professional fees are classified as follows:

**Audit Fees** These are fees for professional services performed for the audit of our annual financial statements and the required review of financial statements included in our Form 10-Q filings, subsidiary audits, equity investment audits and other procedures to be performed by the independent auditors to be able to form an opinion on our consolidated financial statements. These fees also cover services that are normally provided by independent auditors in connection with statutory and regulatory filings or engagements, and services that generally independent auditors reasonably can provide, such as services associated with filing registration statements, periodic reports and other filings with the SEC, attestation of management reports on internal controls pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the Act), and audits of acquired properties or businesses or statutory or financial audits for our subsidiaries or affiliates.

**Audit-Related Fees** These are fees for assurance and related services that traditionally are performed by independent auditors, such as due diligence related to acquisitions and dispositions, attestation services that are not required by statute or regulation, statutory subsidiary or equity investment audits incremental to the audit of the consolidated financial statements and general assistance with the implementation of Section 404 of the Act and other SEC Rules promulgated pursuant to the Act.

**Tax Fees** These are fees for all professional services performed by professional staff in our independent auditor's tax division, except those services related to the audit of our financial statements. These include fees for tax compliance, tax planning and tax advice, including Federal, state and local issues. Services may also include assistance with tax audits and appeals before the IRS and similar state and local agencies, as well as Federal, state and local tax issues related to due diligence.

**All Other Fees** These are fees for other permissible work performed that do not meet the above-described categories, including assistance with internal audit plans and risk assessments.

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### ***Report of the Audit Committee***

The following Report of the Audit Committee to stockholders is not soliciting material and is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Wells REIT under the Securities Act of 1933 (Securities Act) or the Securities Exchange Act of 1934 (Exchange Act), whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Pursuant to the Audit Committee Charter adopted by the board of directors of the Wells REIT, the Audit Committee's primary function is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls which management has established, and the audit and financial reporting process. The Audit Committee is composed of five independent directors and met eight times in fiscal year 2003. Management of the Wells REIT has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. Membership on the Audit Committee does not call for the professional training and technical skills generally associated with career professionals in the field of accounting and auditing. In addition, the independent auditors have more available time and information than does the Audit Committee. Accordingly, the Audit Committee's role does not provide any special assurances with regard to the financial statements of the Wells REIT, nor does it involve a professional evaluation of the quality of the audits performed by the independent auditors.

In this context, in fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report on Form 10-K with management, including a discussion of the quality and the acceptability of the financial reporting and controls of the Wells REIT.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, their judgments as to the quality and the acceptability of the financial reporting and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards. The Audit Committee received from and discussed with the independent auditors the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) relating to that firm's independence from the Wells REIT. In addition, the Audit Committee considered the compatibility of non-audit services provided by the independent auditors with the auditors' independence.

The Audit Committee discussed with the independent auditors the overall scope and plans for their audits. The Audit Committee meets periodically with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the internal controls, and the overall quality of the financial reporting of the Wells REIT. The Audit Committee also discussed with the independent auditors all matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

In reliance on these reviews and discussions, the Audit Committee recommended to the board of directors that the audited financial statements of the Wells REIT be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2003 for filing with the Securities and Exchange Commission.

Walter W. Sessoms (Chairman), William H.

Keogler, Jr., Donald S. Moss, Neil H.

Strickland, and W. Wayne Woody



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### **The Compensation Committee**

The members of the Compensation Committee are Richard W. Carpenter, Bud Carter, William H. Keogler, Jr., Donald S. Moss, Walter W. Sessoms, and Neil H. Strickland. The primary function of the Compensation Committee is to administer the granting of stock options to selected employees of Wells Capital, Inc., our advisor (Wells Capital), and Wells Management Company, Inc., our property manager (Wells Management), based upon recommendations from Wells Capital, and to set the terms and conditions of such options in accordance with the 2000 Employee Stock Option Plan. During 2003, the Compensation Committee did not hold any meetings, and no employee stock options were issued.

### **The Nominating and Corporate Governance Committee**

The members of the Nominating and Corporate Governance Committee (formerly known as the Directors Nominating and Compensation Committee) are Bud Carter, William H. Keogler, Jr., Donald S. Moss, Walter W. Sessoms, and Neil H. Strickland. The members of the Nominating and Corporate Governance Committee are all independent directors and, while our shares are not currently listed for trading on any national securities exchange, such independent directors meet the current independence and experience requirements of the NYSE and applicable rules and regulations of the SEC. The primary functions of the Nominating and Corporate Governance Committee are: (1) identifying individuals qualified to serve on the board of directors, and for selecting, or recommending that the board of directors select, a slate of director nominees for election by the stockholders at the annual meeting; (2) developing and recommending to the board of directors a set of corporate governance policies and principles and to periodically re-evaluate such policies and guidelines for the purpose of suggesting amendments to them if appropriate; and (3) overseeing an annual evaluation of the board of directors and each of the committees of the board of directors. On February 17, 2004, our board of directors, by resolution of the board, adopted a Nominating and Corporate Governance Committee Charter. A current copy of the Nominating and Corporate Governance Committee Charter is available to stockholders on our website at [www.wellsref.com](http://www.wellsref.com). During 2003, the Nominating and Corporate Governance Committee did not hold any formal meetings.

### ***Board Membership Criteria***

The Nominating and Corporate Governance Committee will annually review with the board of directors the appropriate experience, skills and characteristics required of board members in the context of the current membership of the board. This assessment should include, in the context of the perceived needs of the board at that time, issues of knowledge, experience, judgment and skills such as an understanding of the real estate industry or brokerage industry or accounting or financial management expertise. Other considerations include the candidate's independence from conflict with the Wells REIT and the ability of the candidate to attend board meetings regularly and to devote an appropriate amount of effort in preparation for those meetings. The term independence means that the candidate meets the definition of independent director contained in the Wells REIT charter and the current independence and experience requirements of the NYSE and applicable rules and regulations of the SEC. It also is expected that independent directors nominated by the board of directors shall be individuals who possess a reputation and hold positions or affiliations befitting a director of a large publicly held company and are actively engaged in their occupations or professions or are otherwise regularly involved in the business, professional or academic community. Moreover, as required by Section 2.2 of the Wells REIT charter, at least one director who is not an independent director must have at least three years of relevant experience demonstrating the knowledge and experience required to successfully acquire and manage the type of assets we acquire and manage, and at least one of our independent directors must have at least three years of relevant real estate experience.

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### ***Selection of Directors***

The board of directors is responsible for selecting its own nominees and recommending them for election by the stockholders. The board delegates the screening process necessary to identify qualified candidates to the Nominating and Corporate Governance Committee, in consultation with the President. Pursuant to Section 2.1 of the Wells REIT charter, however, the independent directors must nominate replacements for any vacancies among the independent director positions.

The Nominating and Corporate Governance Committee annually reviews director suitability and the continuing composition of the Board; it then recommends director nominees who are voted on by the full board of directors. All director nominees then stand for election by the stockholders annually.

In recommending director nominees to the board of directors, the Nominating and Corporate Governance Committee solicits candidate recommendations from its own members, other directors and management of our advisor, Wells Capital. The Nominating and Corporate Governance Committee may engage the services of a search firm to assist in identifying potential director nominees. The Nominating and Corporate Governance Committee will also consider suggestions made by stockholders and other interested persons for director nominees who meet the established director criteria set forth above. In order for a stockholder to make a nomination, the stockholder must satisfy the procedural requirements for such nomination as provided in Article II, Section 12 of our Bylaws. Any stockholder may request a copy of our Bylaws free of charge by calling our client services department at 1-800-557-4830.

In evaluating the persons nominated as potential directors, the Nominating and Corporate Governance Committee will consider each candidate without regard to the source of the recommendation and take into account those factors that the Nominating and Corporate Governance Committee determines are relevant.

### **The Asset Management Committee**

The members of the Asset Management Committee are Michael R. Buchanan, Richard W. Carpenter, and Walter W. Sessoms. The primary function of the Asset Management Committee is to review and advise the board of directors on investment criteria and acquisition policies, general economic environment in various real estate markets, existing or prospective properties or tenants, and portfolio diversification goals. During 2003, the Asset Management Committee held four meetings.

### **The Shareholder Relations, Communication and Development Committee**

The members of the Shareholder Relations, Communication and Development Committee are Bud Carter, William H. Keogler, Jr., Donald S. Moss, and Neil H. Strickland. The primary function of the Shareholder Relations, Communication and Development Committee is to advise the board of directors on various stockholders' issues including market conditions, issues relating to net proceeds raised from stockholders and communications with stockholders. During 2003, the Shareholder Relations, Communication and Development Committee held five meetings.



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### **The Finance and Planning Committee**

The members of the Finance and Planning Committee are Michael R. Buchanan, Richard W. Carpenter, and Bud Carter. The primary function of the Finance and Planning Committee is to review and advise the board of directors on the overall financial performance of the Wells REIT which includes issues related to net proceeds raised, fees and expenses, operating earnings, dividends, capital structure and budgetary and reporting processes. During 2003, the Finance and Planning Committee held five meetings.

### **Other Board Matters**

The members of the board of directors met 20 times during 2003, and, of the ten members of the board, no member attended fewer than 75% of the meetings held during the period for which he was a member.

### **Communications with Stockholders**

We have established several means for stockholders to communicate concerns to the board of directors. If the concern relates to our financial statements, accounting practices or internal controls, the concerns should be submitted in writing to the Chairman of our Audit Committee in care of our Secretary at our headquarters address. If the concern relates to our governance practices, business ethics or corporate conduct, the concern may be submitted in writing to the Chairman of our Nominating and Corporate Governance Committee in care of our Secretary at our headquarters address. If a stockholder is uncertain as to which category his or her concern relates, he or she may communicate it to any one of the independent directors in care of our Secretary.

### **Code of Ethics**

We have adopted a Code of Ethics that applies to all of our executive officers and directors, including but not limited to, our principal executive officer and principal financial officer. Our Code of Ethics can be found on our website at [www.wellsref.com](http://www.wellsref.com).

### **Compensation of Directors**

We pay each of our independent directors an annual retainer of \$12,000, \$2,500 per regularly scheduled board meeting attended, \$1,500 per regularly scheduled committee meeting attended (committee chairpersons receive an additional \$500 per committee meeting for serving in that capacity), and \$250 per special board meeting attended whether held in person or by telephone conference. Members of our Audit Committee are paid \$2,500 per meeting attended for each of the four meetings necessary to review our quarterly and annual financial statements. In addition, we have reserved 100,000 shares of common stock for future issuance upon the exercise of stock options granted to the independent directors pursuant to our Independent Director Stock Option Plan and 500,000 shares for future issuance upon the exercise of warrants to be granted to the independent directors pursuant to our Independent Director Warrant Plan. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. If a director also is an officer of the Wells REIT, we do not pay separate compensation for services rendered as a director.



**Table of Contents****Executive Officers and Directors**

We have provided below certain information about our executive officers and nominees for election as directors.

<u>Name</u>	<u>Position(s)</u>	<u>Age</u>	<u>Year First Became a Director</u>
Leo F. Wells, III	President and Director (term expiring in 2004; nominee for a term expiring in 2005)	60	1998
Douglas P. Williams	Executive Vice President, Treasurer, Secretary and Director (term expiring in 2004; nominee for a term expiring in 2005)	53	2000
Randall D. Fretz	Senior Vice President	51	N/A
Michael R. Buchanan	Director (term expiring in 2004; nominee for a term expiring in 2005)	56	2002
Richard W. Carpenter	Director (term expiring in 2004; nominee for a term expiring in 2005)	67	1998
Bud Carter	Director (term expiring in 2004; nominee for a term expiring in 2005)	65	1998
William H. Keogler, Jr.	Director (term expiring in 2004; nominee for a term expiring in 2005)	58	1998
Donald S. Moss	Director (term expiring in 2004; nominee for a term expiring in 2005)	68	1998
Walter W. Sessoms	Director (term expiring in 2004; nominee for a term expiring in 2005)	70	1998
Neil H. Strickland	Director (term expiring in 2004; nominee for a term expiring in 2005)	68	1998
W. Wayne Woody	Director (term expiring in 2004; nominee for a term expiring in 2005)	62	2003

**Leo F. Wells, III** is the President and a director of the Wells REIT and the President, Treasurer and sole director of Wells Capital, our advisor. Mr. Wells is also the President and a director of Wells Real Estate Investment Trust II, Inc. (Wells REIT II). He is also the sole stockholder, President and sole director of Wells Real Estate Funds, Inc., the parent corporation of Wells Capital, Wells Management, Wells Investment Securities, Inc. (Wells Investment Securities), and Wells & Associates, Inc. (Wells & Associates). He is also the President, Treasurer and sole director of:

Wells Management, our property manager;

Wells & Associates, a real estate brokerage and investment company formed in 1976 and incorporated in 1978, for which Mr. Wells serves as the principal broker; and

Wells Development Corporation, a company he organized in 1997 to develop real properties.

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

On August 26, 2003, Mr. Wells and Wells Investment Securities, Inc. entered into a Letter of Acceptance, Waiver and Consent (AWC) with the NASD relating to alleged rule violations. The AWC set forth the NASD's findings that Wells Investment Securities and Mr. Wells had violated conduct rules relating to the provision of non-cash compensation of more than \$100 to associated persons of NASD member firms in connection with their attendance at the annual educational and due diligence conferences sponsored by Wells Investment Securities in 2001 and 2002. Without admitting or denying the allegations and findings against them, Wells Investment Securities and Mr. Wells consented in the AWC to various findings by the NASD which are summarized in the following paragraph:

In 2001 and 2002, Wells Investment Securities sponsored conferences attended by registered representatives who sold its real estate investment products. Wells Investment Securities also paid for certain expenses of guests of the registered representatives who attended the conferences. In 2001, Wells Investment Securities paid the costs of travel to the conference and meals for many of the guests, and paid the costs of playing golf for some of the registered representatives and their guests. Wells Investment Securities later invoiced registered representatives for the cost of golf and for travel expenses of guests, but was not fully reimbursed for such. In 2002, Wells Investment Securities paid for meals for the guests. Wells Investment Securities also conditioned most of the 2001 conference invitations on attainment by the registered representatives of a predetermined sales goal for Wells Investment Securities products. This conduct violated the prohibitions against payment and receipt of non-cash compensation in connection with the sales of these products contained in NASD's Conduct Rules 2710, 2810, and 3060. In addition, Wells Investment Securities and Mr. Wells failed to adhere to all of the terms of their written undertaking made in March 2001 not to engage in the conduct described above, and thereby engaged in conduct that was inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of NASD Conduct Rule 2110.

Wells Investment Securities consented to a censure, and Mr. Wells consented to suspension from acting in a principal capacity with an NASD member firm for one year. Wells Investment Securities and Mr. Wells also agreed to the imposition of a joint and several fine in the amount of \$150,000. Although he is currently prohibited from acting in a principal capacity with Wells Investment Securities, Mr. Wells continues to engage in selling efforts and other non-principal activities on behalf of Wells Investment Securities.

**Douglas P. Williams** is the Executive Vice President, Secretary, Treasurer and a director of the Wells REIT and Wells REIT II. He is also a Senior Vice President of Wells Capital, our advisor. Mr. Williams is a Vice President, CFO, Treasurer and a director of Wells Investment Securities, Inc., our dealer manager, and is also a Vice President of:

Wells Real Estate Funds, Inc.; and

Wells Advisors, Inc.

Mr. Williams previously served as Vice President, Controller of OneSource, Inc., a leading supplier of janitorial and landscape services, from 1996 to 1999 where he was responsible for corporate-wide

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

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

**Randall D. Fretz** is a Senior Vice President of the Wells REIT and Wells REIT II. He is also a Senior Vice President of Wells Capital and the Chief of Staff and a Vice President of Wells Real Estate Funds, Inc. He also serves as a director of Wells Investment Securities, Inc. Mr. Fretz is primarily responsible for corporate strategy and planning and advising and coordinating the executive officers of Wells Capital on corporate matters and special projects. Prior to joining Wells Capital in 2002, Mr. Fretz served for seven years as President of US & Canada operations for Larson-Juhl, a world leader in custom art and picture-framing home decor. Mr. Fretz was previously the Division Director at Bausch & Lomb and also held various senior positions at Tandem International and Lever Brothers. Mr. Fretz holds a bachelor degree in each of Sociology and Physical Education from McMaster University in Hamilton, Ontario. He also earned a Masters of Business Administration from the Ivy School of Business in London, Ontario.

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

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

**Richard W. Carpenter** is a director of the Wells REIT and Wells REIT II. He served as General Vice President of Real Estate Finance of The Citizens and Southern National Bank from 1975 to 1979, during which time his duties included the establishment and supervision of the United Kingdom Pension Fund, U.K.-American Properties, Inc. which was established primarily for investment in commercial real estate within the United States. Mr. Carpenter is currently a managing partner of Carpenter Properties, L.P., a real estate limited partnership, and a Director and Chairman of the Audit Committee of MidCountry Financial Corp.

Mr. Carpenter retired in 2001 as President and director of Commonwealth Oil Refining Company, Inc. and Realmark Holdings. He also previously served as Vice Chairman of the board of directors of both First Liberty Financial Corp. and Liberty Savings Bank, F.S.B. and Chairman of the Audit Committee of First Liberty Financial Corp. He has been a member of The National Association of Real

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Estate Investment Trusts and formerly served as President and Chairman of the Board of Southmark Properties, an Atlanta-based REIT which invested in commercial properties. Mr. Carpenter is a past Chairman of the American Bankers Association Housing and Real Estate Finance Division Executive Committee. Mr. Carpenter holds a Bachelor of Science degree from Florida State University, where he was named the outstanding alumnus of the School of Business in 1973.

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

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

**William H. Keogler, Jr.** is a director of the Wells REIT. He was employed by Brooke Bond Foods, Inc. as a Sales Manager from June 1965 to September 1968. From July 1968 to December 1974, Mr. Keogler was employed by Kidder Peabody & Company, Inc. and Dupont, Gloré, Forgan as a corporate bond salesman responsible for managing the industrial corporate bond desk and the utility bond area. From December 1974 to July 1982, Mr. Keogler was employed by Robinson-Humphrey, Inc. as the Director of Fixed Income Trading Departments responsible for all municipal bond trading and municipal research, corporate and government bond trading, unit trusts and SBA/FHA loans, as well as the oversight of the publishing of the Robinson-Humphrey Southeast Unit Trust, a quarterly newsletter. Mr. Keogler was elected to the Board of Directors of Robinson-Humphrey, Inc. in 1982. From July 1982 to October 1984, Mr. Keogler was Executive Vice President, Chief Operating Officer, Chairman of the Executive Investment Committee and member of the board of directors and Chairman of the MFA Advisory Board for the Financial Service Corporation. He was responsible for the creation of a full service trading department specializing in general securities with emphasis on municipal bonds and municipal trusts. Under his leadership, Financial Service Corporation grew to over 1,000 registered representatives and over 650 branch offices. In March 1985, Mr. Keogler founded Keogler, Morgan & Company, Inc., a full service brokerage firm, and Keogler Investment Advisory, Inc., in which he served as Chairman of the Board, President and Chief Executive Officer. In January 1997, both companies were sold to SunAmerica, Inc., a publicly traded New York Stock Exchange company. Mr. Keogler continued to serve as President and Chief Executive Officer of these companies until his retirement in January 1998.

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

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

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

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

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

**Neil H. Strickland** is a director of the Wells REIT and Wells REIT II. He was employed by Loyalty Group Insurance (which subsequently merged with America Fore Loyalty Group and is now known as The Continental Group) as an automobile insurance underwriter. From 1957 to 1961, Mr. Strickland served as Assistant Supervisor of the Casualty Large Lines Retrospective Rating Department. From 1961 to 1964, Mr. Strickland served as Branch Manager of Wolverine Insurance Company, a full service property and casualty service company, where he had full responsibility for underwriting of insurance and office administration in the State of Georgia. In 1964, Mr. Strickland and a non-active partner started Superior Insurance Service, Inc., a property and casualty wholesale general insurance agency. Mr. Strickland served as President and was responsible for the underwriting and all other operations of the agency. In 1967, Mr. Strickland sold his interest in Superior Insurance Service, Inc. and started Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers. Mr. Strickland is currently the Senior Operation Executive of Strickland General Agency, Inc. and devotes most of his time to long-term planning, policy development and senior administration.

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

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**W. Wayne Woody** is a director of the Wells REIT and Wells REIT II. He served as the Interim Chief Financial Officer for Legacy Investment Group, a boutique investment firm, from 2000 to 2001 where he was responsible for guiding the company through a transition in accounting and reporting.

From 1968 until his retirement in 1999, Mr. Woody was employed by KPMG LLP and its predecessor firms, Peat Marwick Mitchell & Co. and Peat Marwick Main. As a Senior Partner, he served in a number of key positions in the firm, including Securities and Exchange Commission Reviewing Partner and Partner-in-Charge of Professional Practice and Firm Risk Management for the southeastern United States and Puerto Rico. Mr. Woody was also a member of the Board of Directors of KPMG LLP from 1990 through 1994. Prior to joining KPMG, Mr. Woody was the Principal Budget Analyst for the State of Georgia Office of Planning and Budget where he reviewed, analyzed and presented the Governor's budget proposals to the state legislature.

Mr. Woody currently serves as Chairman of the Audit Committee for the City of Atlanta. He is also a director and the Chairman of the Audit Committee of the Metropolitan Atlanta Chapter of the American Red Cross. Mr. Woody is a member of the Board of Directors for the Metropolitan Atlanta Chapter of the American Heart Association. He is also a director of Coast Dental Services, Inc. and American Home Patient, Inc., which are both public companies. Mr. Woody previously served a three-year term as Chairman of the Board of Trustees for the Georgia Center for the Visually Impaired.

Mr. Woody received a Bachelor of Science degree from Middle Tennessee State University and a Masters of Business Administration degree from Georgia State University. He is a Certified Public Accountant in the states of Georgia and North Carolina.

## **EXECUTIVE COMPENSATION**

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

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

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

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

*Compensation to Advisor and its Affiliates*

Our executive officers, Leo F. Wells, III, Douglas P. Williams and Randall D. Fretz, are also executive officers of Wells Capital, our advisor, which is a wholly-owned subsidiary of Wells Real Estate Funds, Inc. Mr. Wells is the sole director of Wells Capital and the sole shareholder and the sole director

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of Wells Real Estate Funds, Inc. In addition, Messrs. Fretz and Williams are both executive officers and directors of Wells Investment Securities, Inc., the dealer manager of the offering of shares of our common stock. Mr. Wells is an executive officer and sole director of Wells Management Company, Inc., our property manager, which is also a wholly owned subsidiary of Wells Real Estate Funds, Inc.

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

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

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

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

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

Pursuant to an asset/property management agreement among Wells REIT, Wells OP and Wells Management, we currently pay Wells Management property management, leasing and asset management fees not exceeding the lesser of: (A) 4.5% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value is defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we are currently authorized to pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent). We paid approximately \$14.1 million in property management, leasing and asset management fees to Wells Management with respect to the year ended December 31, 2003.



**Table of Contents****STOCK OWNERSHIP**

The following table shows, as of March 31, 2004, the amount of our common stock beneficially owned (unless otherwise indicated) by (1) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of common stock, (2) our directors, (3) our executive officers, and (4) all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Shares	Percentage
Leo F. Wells, III 6200 The Corners Parkway Norcross, GA 30092-3365	3,174	*
Douglas P. Williams 6200 The Corners Parkway Norcross, GA 30092-3365	1,124	*
Randall D. Fretz 6200 The Corners Parkway Norcross, GA 30092-3365	6,845	*
Michael R. Buchanan (1) 1630 Misty Oaks Dr. Atlanta, GA 30350	1,000	*
Richard W. Carpenter (2) Realmark Holdings 5570 Glenridge Drive Atlanta, GA 30342	4,500	*
Bud Carter (2) The Executive Committee 100 Mount Shasta Lane Alpharetta, GA 30022-5440	25,377	*
William H. Keogler, Jr. (2)	4,500	*

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469 Atlanta Country Club Drive		
Marietta, GA 30067		
Donald S. Moss (2)	96,140	*
114 Summerour Vale		
Duluth, GA 30097		
Walter W. Sessoms (2)	56,747	*
5995 River Chase Circle NW		
Atlanta, GA 30328		
Neil H. Strickland (2)	5,574	*
Strickland General Agency, Inc.		
3109 Crossing Park		
Norcross, GA 30091		
W. Wayne Woody (3)	500	*
78 Lindbergh Dr. NE, #80		
Atlanta, GA 30305		
All officers and directors as a group (4)	205,481	*

\* Less than 1% of the outstanding common stock.

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- (1) Includes options to purchase up to 1,000 shares of common stock, which are exercisable within 60 days of March 31, 2004.
- (2) Includes options to purchase up to 4,500 shares of common stock, which are exercisable within 60 days of March 31, 2004.
- (3) Includes options to purchase up to 500 shares of common stock, which are exercisable within 60 days of March 31, 2004.
- (4) Includes options to purchase an aggregate of up to 28,500 shares of common stock, which are exercisable within 60 days of March 31, 2004.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Under U.S. securities laws, directors, certain executive officers and certain persons holding more than 10% of our common stock are required to report their initial ownership of the common stock and any changes in that ownership to the SEC. The SEC has designated specific due dates for these reports, and we are required to identify in this proxy statement those persons who did not file these reports when due. Based solely on our review of copies of the reports filed with the SEC and written representations of our directors and executive officers, we believe all persons subject to these reporting requirements filed the required reports on a timely basis in 2003.

## **IMPORTANT NOTICE REGARDING DELIVERY OF SECURITY HOLDER DOCUMENTS**

The SEC now permits corporations to send a single set of annual disclosure documents to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the corporation provides advance notice and follows certain procedures. In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. This householding process reduces the volume of duplicate information and reduces printing and mailing expenses. If your family has multiple accounts holding common shares of the Wells REIT, you should have already received a householding notification from the Wells REIT. Please contact us directly if you have any questions or require additional copies of the annual disclosure documents. We will arrange for delivery of a separate copy of this Proxy Statement or the Wells REIT's Annual Report promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

## **PROPOSAL YOU MAY VOTE ON**

WHETHER YOU PLAN TO ATTEND THE MEETING AND VOTE IN PERSON OR NOT, WE URGE YOU TO HAVE YOUR VOTE RECORDED. STOCKHOLDERS HAVE THE FOLLOWING THREE OPTIONS FOR SUBMITTING THEIR VOTES BY PROXY: (1) VIA THE INTERNET, (2) BY TELEPHONE OR (3) BY MAIL, USING THE ENCLOSED PROXY CARD. BECAUSE WE ARE A WIDELY-HELD REIT WITH MORE THAN 125,000 STOCKHOLDERS, **YOUR VOTE IS VERY IMPORTANT!** YOUR IMMEDIATE RESPONSE WILL HELP AVOID POTENTIAL DELAYS AND MAY SAVE US SIGNIFICANT ADDITIONAL EXPENSES ASSOCIATED WITH SOLICITING STOCKHOLDER VOTES.

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**Proposal 1. Election of directors**

At the annual meeting, you and the other stockholders will vote on the election of all 10 members of our board of directors. Those persons elected will serve as directors until the 2005 annual meeting or until they otherwise resign or are removed from the board. The board of directors has nominated the following people for re-election as directors:

Leo F. Wells, III

Douglas P. Williams

Michael R. Buchanan

Richard W. Carpenter

Bud Carter

William H. Keogler, Jr.

Donald S. Moss

Walter W. Sessoms

Neil H. Strickland

W. Wayne Woody

Each of the nominees for director is a current member of our board of directors. Detailed information on each nominee is provided on pages 12 through 17.

If you return a properly executed proxy card, unless you direct them to withhold your votes, the individuals named as proxies will vote your shares FOR the election of the nominees listed above. If any nominee becomes unable or unwilling to stand for re-election, the board may reduce its size or designate a substitute. If a substitute is designated, proxies voting on the original nominee will be cast for the substituted nominee.

**Vote Required; Recommendation**

Each of the 10 nominees for re-election as a director will be elected at the annual meeting if a quorum is present at the annual meeting and a majority of shares present in person or by proxy and entitled to vote at such meeting vote in favor of such director for re-election. A properly executed proxy marked FOR all nominees listed will be considered a vote in favor of all nominees for re-election as director. A properly executed proxy marked FOR all nominees listed EXCEPT those whose names are written in the space provided will be considered a vote in favor of all nominees except those nominees you specifically list. A properly executed proxy marked WITHHOLD AUTHORITY for all nominees listed will be considered a vote against all directors. Your board of directors unanimously recommends a vote FOR all nominees listed for re-election as directors.

### **STOCKHOLDER PROPOSALS**

Stockholders interested in presenting a proposal for consideration at our annual meeting of stockholders in 2005 may do so by following the procedures prescribed in Rule 14a-8 under the Securities Exchange Act of 1934 and our Articles of Incorporation and Bylaws. To be eligible for inclusion, stockholder proposals must be received by Douglas P. Williams, our Secretary, no later than December 27, 2004.

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**OTHER MATTERS**

As of the date of this proxy statement, we know of no business that will be presented for consideration at the annual meeting other than the items referred to above. If any other matter is properly brought before the meeting for action by stockholders, proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in accordance with the discretion of the proxy holder.

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**APPENDIX A**

**AMENDED AND RESTATED  
AUDIT COMMITTEE CHARTER  
OF  
WELLS REAL ESTATE INVESTMENT TRUST, INC.**

**As Adopted on October 21, 2003**

**I. PURPOSE**

The Audit Committee's primary function is to assist the Board of Directors (the "Board") of Wells Real Estate Investment Trust, Inc. (the "Corporation") in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls which management of the Corporation has established, and the Corporation's audit and financial reporting process. In performing this function, the Audit Committee shall maintain free and open communications among the Board of Directors, the Corporation's independent auditors and the Corporation's management.

The independent auditors' ultimate responsibility is to the Audit Committee of the Board of Directors, as representatives of the stockholders. The Audit Committee has the responsibility to select, evaluate and, where appropriate, replace the independent auditors.

The Audit Committee will fulfill these responsibilities primarily by carrying out the activities enumerated in Section IV of this Charter.

**II. COMPOSITION**

The Audit Committee shall be comprised of at least three of the Independent Directors (as defined in the Corporation's Articles of Incorporation and as defined in SEC Rule 10A-3) of the Corporation.

All members of the Audit Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Audit Committee shall have the qualifications of an audit committee financial expert as determined in the judgment of the Board with reference to applicable law.

The members of the Audit Committee are appointed by the Board of Directors and shall serve until their successors are duly elected and qualified.

III. MEETINGS

The Audit Committee shall meet on a regular basis no less frequently than four times a year and shall hold special meetings as circumstances require. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business. Minutes of each meeting of the Audit Committee should be recorded by the secretary to the Committee. Approval by a majority of the members present at a meeting at which a quorum is present shall constitute approval by the Audit Committee. The Audit Committee may also act by unanimous written consent without a meeting.

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IV. AUTHORITY AND RESPONSIBILITIES

The Audit Committee's authority and responsibilities are set forth below.

**Regarding its relationship with the independent auditor, the Audit Committee shall:**

1. Appoint, compensate, oversee, retain, discharge and replace the independent auditor of the Corporation. The independent auditor shall report directly to the Audit Committee.
2. Preapprove all auditing services performed for the Corporation by the independent auditor, as well as all permitted non-audit services (including the fees and terms thereof) as such services are defined by applicable law.
3. Have the authority to form and delegate authority to subcommittees consisting of one or more members of the Audit Committee, including the authority to grant preapprovals of audit and permitted non-audit services; provided however, that decisions of subcommittees to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.
4. Recommend to the Board policies for the Corporation's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Corporation.

**Regarding financial reporting and disclosure matters, the Audit Committee shall:**

5. Ensure that the independent auditor files a report with the Audit Committee (prior to the filing of the audit report with the SEC in the Annual Report on Form 10-K), which states (i) all critical accounting policies to be used by the Corporation, (ii) all alternative treatments of financial information within GAAP that have been discussed with management of the Corporation, the ramifications of these disclosures, and the treatment preferred by the auditor, and (iii) any other material written communications between the auditor and Corporation management.
6. Obtain an annual report from the independent auditor describing (i) the auditor's internal quality control procedures, (ii) any material issues raised by the most recent internal quality control review or by any inquiry or investigation by governmental or professional authorities within the last five years, and any steps taken to deal with such issues, and (iii) all relationships between the auditor and the Corporation that could be considered to bear upon the auditor's independence. This evaluation shall include the review and evaluation of the lead partner of the independent auditor and shall ensure the rotation of partners in accordance with federal securities laws.
7. Review the Corporation's annual audited financial statements and discuss such audited financial statements with management.
8. Discuss at least annually with the independent auditor the matters required to be discussed pursuant to Statements on Auditing Standards No. 61.

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9. On an annual basis, obtain a formal written statement from the independent auditors delineating all relationships between the auditors and the Corporation consistent with Independence Standards Board Standard No. 1, and review and discuss with the auditors all significant relationships the auditors have with the Corporation to determine the independence of the auditors.
10. Based upon the review and discussion of the financial statements with the independent auditor, recommend to the Board of Directors that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for filing with the SEC.
11. Review and discuss with management and the independent auditors the Corporation's Annual Report on Form 10-K prior to filing with the SEC.
12. Review and discuss with management and the independent auditors the Corporation's quarterly financial statements (including the matters described in Statement on Auditing Standards No. 61) and each of the Corporation's Quarterly Reports on Form 10-Q prior to filing with the SEC.
13. Review with the independent auditor any audit problems or difficulties, and management's response thereto, and resolve any disagreements between management and the independent auditor regarding financial reporting.
14. Discuss with management the Corporation's earnings and dividend press releases as well as financial information, earnings or dividend guidance provided to the broker-dealer community. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
15. Review and approve the table in the Corporation's proxy statement disclosing the audit fees, audit-related fees, tax fees, and all other fees billed for each of the last two fiscal years for services rendered by the independent auditor.
16. Ensure that the Corporation's proxy statement discloses the percentage of each of the audit-related fees, tax fees and all other fees that were approved by the Audit Committee pursuant to the *de minimis* exception to the federal securities laws.
17. Ensure that less than 50% of the audit work (by percentage of hours) by the independent auditors for the most recent fiscal year was performed by persons who were not the auditor's full-time, permanent employees (if this percentage is greater than 50%, then disclosure is required in the Corporation's proxy statement).
18. Ensure that the Corporation's proxy statement discloses the pre-approval policies and procedures used by the Audit Committee to engage the independent auditor to perform audit, audit-related, tax and all other services.
19. Prepare an Audit Committee Report to be included in the Corporation's proxy statement on an annual basis as required by federal securities laws.

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20. Review disclosures made to the Audit Committee by the Corporation's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of disclosure controls and procedures and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.
21. Obtain quarterly assurances from management that the system of internal controls is adequate and effective. Obtain annually a report from the independent auditor, with attestation, regarding management's assessment of the effectiveness of the internal control structure and procedures for financial reporting.
22. Ensure that registration statements, annual reports and proxy or information statements (that are required to include financial statements) filed with the SEC include a separately-captioned section discussing the Corporation's off-balance sheet arrangements, if any, that have or are reasonably likely to have a current or future material effect on the Corporation's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Regarding ethical and legal compliance, and other issues, the Audit Committee shall:**

23. Review the Corporation's code of ethics periodically and ensure that management has established procedures to enforce it.
24. Establish appropriate processes and procedures surrounding the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and the confidential anonymous submission by company employees of concerns regarding questionable accounting or auditing matters.
25. Have the authority to retain independent legal, accounting, or other advisors.
26. Have the authority and power to investigate any matter brought to its attention with full access to the books, records and personnel necessary to carry out its responsibilities.
27. Periodically perform a self-evaluation of the Audit Committee to ensure that it is functioning properly and otherwise carrying out its authority and responsibilities.
28. Perform any other activities consistent with this Charter, the Corporation's Articles of Incorporation, Bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate.
29. Review this Charter at least annually and recommend any changes to the Board of Directors.

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[Letterhead of Holland & Knight LLP]

April 22, 2004

**DAVID D. PETERS**  
**404/817-8545**

**VIA EDGAR**

Main Filing Desk

Securities and Exchange Commission

450 Fifth Street

Washington, D.C. 20549

Re: Wells Real Estate Investment Trust, Inc.

Ladies and Gentlemen:

Transmitted herewith for filing is the Proxy Statement on Schedule 14A of Wells Real Estate Investment Trust, Inc.

Please do not hesitate to contact the undersigned if you have any questions regarding this filing.

Sincerely yours,

Holland & Knight LLP

/s/ David D. Peters

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David D. Peters

Enclosure

cc: Mr. Neil Miller (with enclosure; via Federal Express)  
Mr. Leo F. Wells, III (with enclosure)  
Mr. Douglas P. Williams (with enclosure)  
Mr. Mark Kaspar (with enclosure)  
Mr. Donald Kennicott (with enclosure)