WELLS REAL ESTATE INVESTMENT TRUST INC
Form DEFM14A
February 26, 2007
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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 x 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))**

x 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

x 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 filling 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

x 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:

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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.

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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;

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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

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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

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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

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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

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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

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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

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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

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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.

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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.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

We are providing you with this proxy statement, which contains information about the items to be voted upon at our special stockholders meeting on April 11, 2007 (the Special Meeting). To make this information easier to understand, we have presented some of the information below in a question and answer format. Except where otherwise noted, references to Wells REIT, the Company, we, us, or our herein shall r to Wells Real Estate Investment Trust, Inc., its operating partnership, Wells Operating Partnership, L.P. (Wells OP), and their consolidated joint ventures.

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 (our Board) is soliciting your proxy to vote your shares at the Special 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 Special Meeting. The people who will vote your shares of common stock at the Special Meeting are Donald A. Miller, CFA, Douglas P. Williams or Randall D. Fretz, each of whom is an officer of Wells REIT. 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 proposals and in accordance with the recommendation of our Board 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 Special Meeting and where will it be held?

A: The Special Meeting will be held on April 11, 2007, at 1:30 p.m. at The Atlanta Athletic Club, 1930 Bobby Jones Drive, Duluth, Georgia 30097.

Q: Who is soliciting my proxy?

A: This proxy is being solicited by the board of directors of Wells Real Estate Investment Trust, Inc.

Q: How many shares of common stock can vote?

A: As of February 20, 2007, there were 465,880,187 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 Special 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 following:

The Internalization Proposal: the approval of the internalization of the Advisor by approving the Definitive Merger Agreement and transactions contemplated thereby (referred to herein as both the Internalization and the Internalization Transaction);

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The Pre-Listing Charter Amendment Proposal: the 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 Post-Listing Charter Amendment Proposal: the approval of a further amendment and restatement of our Articles, which will become effective shortly before a Listing of our common stock, if any, to modify certain provisions to conform more closely to the charters of Listed REITs;

The Incentive Plan Proposal: the approval of our new 2007 Omnibus Incentive Plan; and

Other Proposals: Any other matters that may properly be presented at the Special Meeting or any adjournments or postponements of 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.

Q: How does the Board recommend I vote on the proposals?

A: Our Board unanimously recommends a vote FOR each of the proposals listed in this proxy statement. 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.

Q: Why has the Internalization been proposed?

A: Because at the time we commenced operations in 1998 the size and scope of our business operations were insufficient to support the overhead costs associated with a self-advised structure, we contracted with outside advisors to provide all personnel, accounting, administrative and other support services and resources necessary for our business operations. Since then, we have grown rapidly, however, and currently have over $5 billion in assets based upon the most recent valuation of our real estate portfolio. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. Prior to the closing of the Internalization Transaction (the Closing), the Advisor is required under the Definitive Merger Agreement to hire various individuals associated with Wells Capital, Wells Management and their affiliates, who have previously provided various advisory and management services to us, and who will become our employees upon Internalization. In addition, if we consummate the Internalization, we may hire other individuals from unaffiliated companies. We anticipate that, subject to the discretion of our compensation committee, we will issue stock options or other deferred equity awards to our employees pursuant to our 2007 Omnibus Incentive Plan, if such plan is approved by our stockholders. We believe the Internalization will provide us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies.

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:

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;

That establishing an internal management team which would be fully dedicated and solely focused on our operations and strategic plans would enhance stockholder value;

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That, if the Board determines that a Listing is in our best interests, a self-advised or internally advised management structure would better position 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 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

That an internalized management structure may have a positive impact on the retention of 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 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.

Notwithstanding corporate governance mechanisms implemented to resolve potential conflicts of interest and protect our stockholders, we believe there may be a negative perception of externally-advised Listed REITs in the marketplace. We believe that the relationship between externally-advised REITs and their outside advisors is susceptible to, or is at least generally viewed as susceptible to, conflicts of interest, many of which can be avoided by being self-advised.

In addition, we believe that remaining externally-advised could have a negative effect on the price of our common stock in the future in the event we become Listed. As a result, we believe the internalization of the Advisor through the Internalization in advance of a potential Listing is an important step in the process of becoming a Listed REIT.

After due deliberation and consideration of various factors, including those described above, and upon the recommendation of the Special Committee, our Board determined that it would be fair and reasonable to us and advisable and in the best interests of our Company and our stockholders to become self-advised. We propose to accomplish this by acquiring the Advisor and thereby internalizing the operations of the Advisor.

For additional reasons why the Internalization has been proposed, please see Proposal I The Internalization Proposal Reasons for Internalization and Potential Listing, Negotiation of the Internalization Transaction and Recommendations of the Special Committee and Our Board of Directors in this proxy statement.

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Q: Why don t we terminate the existing advisory, asset management and property management agreements with the Advisor and hire another external advisor instead of pursuing the Internalization?

A: Under the terms of the current advisory, asset management and property management agreements currently in effect (the Acquisition Advisory Agreement, the Asset Management Advisory Agreement and the Master Property Management Agreement, respectively), the Advisor has responsibility for our day-to-day operations subject to the supervision of our Board, including providing the management of our day-to-day operations; serving as our investment and financial advisor; formulating and overseeing the implementation of strategies for the administration, promotion, management, operation, maintenance, improvement, financing and refinancing, leasing and disposition of properties on an overall portfolio basis; maintaining and preserving our books and records, including stock records; administering, managing and maintaining stock transfers; managing communications with our stockholders; establishing technology infrastructure for stockholder support and service; performing property management functions for a number of our properties and overseeing the performance of our third-party property managers; reviewing and analyzing operating budgets, capital budgets and leasing plans of each of our properties; managing and supervising any offering of our securities, including the preparation of all related registrations and documents and other matters related to the offering process; consulting with the Board in evaluating and obtaining adequate insurance coverage based upon risk management determinations; reviewing and analyzing the on-going financial information pertaining to each of our properties and the overall portfolio of our properties; recommending the disposal of, reinvestment of the proceeds from the sale of, or otherwise dealing with our investments in properties; maintaining accounting systems, records and data and any other information requested concerning our activities as required and preparing and filing periodic financial reports and returns required to be filed with the SEC and any other regulatory agency, including annual financial statements; providing tax and compliance services and coordinating with our independent accountants and other consultants, on related tax matters; and performing all reporting, record keeping, internal controls and similar matters in a manner to allow us to comply with applicable law including the Sarbanes-Oxley Act of 2002.

We believe that if we were to terminate the Acquisition Advisory Agreement, the Asset Management Advisory Agreement and the Master Property Management Agreement, as opposed to pursuing the Internalization, we would forego all the intended benefits of the Internalization described above. In addition, we believe that a termination of the Acquisition Advisory Agreement, the Asset Management Advisory Agreement and the Master Property Management Agreement would cause a significant disruption to our business affairs. If we were to terminate the Acquisition Advisory Agreement, the Asset Management Advisory Agreement and the Master Property Management Agreement, we would need to either (1) identify and hire another qualified advisor and there is no assurance that the fees or expenses that we would incur with any such other advisor would be less than those we currently pay, or (2) identify and hire a full staff of our own employees to perform all of the services currently provided by the Advisor, and it would likely require significant effort and expense over a considerable period of time to find another qualified advisor or to fill all of these positions. There is no assurance that any significant number of the Advisor s or its affiliates employees would become our employees if we were to terminate the Acquisition Advisory Agreement, the Asset Management Advisory Agreement or the Master Property Management Agreement and then offer to hire them. Even if we were able to hire new employees, these employees would not have the same level of experience and familiarity with our business as the Advisor s or its affiliates personnel. Moreover, such new employees would lack the experience of having advised us since our inception, and would not have the knowledge of our portfolio or the close business relationships with our tenants, lenders or third-party property management companies that the Advisor s or its affiliates personnel have developed. We are unable to quantify the impact of the loss of the employees, relationships and proprietary assets provided by the Advisor or its affiliates. By acquiring the Advisor, we believe that we would reduce any disruptions to our business affairs, because certain of the Advisor s personnel who have been, or are expected to be, instrumental in our growth and continued operations will become our employees upon the closing of the Internalization. In addition, we would avoid the requirement to pay the subordinated performance fee which would otherwise be due to Wells Management upon a termination of the Asset Management Advisory Agreement.

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For a detailed discussion concerning the Advisor and the Acquisition Advisory Agreement, the Asset Management Advisory Agreement and the Master Property Management Agreement, please see Proposal I The Internalization Proposal Our Existing Advisory and Property Management Agreements in this proxy statement.

Q: What is the effect of the Internalization?

A: If the conditions to consummation of the Internalization specified in the Definitive Merger Agreement are satisfied or (to the extent permissible) waived, as a result of the Internalization, the common stock of the WREAS and WGS, which is currently held by Wells Advisory Services I, LLC (WASI), will be converted into 19,546,302 shares of our common stock (the Internalization Consideration). In addition, in connection with the Internalization, Wells Capital will exchange its 20,000 limited partnership units of Wells OP in exchange for 22,339 shares of our common stock. The conditions to our performance obligations under the Definitive Merger Agreement include, among other things, receipt of the approval of our stockholders and may be waived by us in our sole discretion. Upon completion of the Internalization, WREAS and WGS will become our wholly-owned subsidiaries, and we will become self-managed and self-advised. After that time, we no longer will bear the cost of the advisory and property management fees and expense reimbursements currently payable to our external advisors under the Asset Management Advisory Agreement, the Acquisition Advisory Agreement and the Master Property Management Agreement. We will, however, be obligated to pay the salaries, other compensation and benefits of our employees and our other operating expenses, along with certain amounts under two service agreements to be entered into between the Advisor and Wells REF. See Proposal I Description of the Internalization Transaction Closing.

Further, as a result of the Internalization, our executive officers and certain of our directors, including our new Chief Executive Officer and President, who own membership interests in WASI, will benefit in the Internalization Consideration through their interests in WASI.

Upon completion of the Internalization, your ownership of our shares of common stock will be diluted as a result of the new issuance of the 19,546,302 shares of common stock constituting the Internalization Consideration, in addition to the 22,339 shares of our common stock to be issued to Wells Capital in exchange for its limited partnership units in Wells OP, which in the aggregate represents approximately 4.2% of our currently outstanding common stock. Simultaneously with the execution of the Definitive Merger Agreement, we entered into an employment agreement with Donald A. Miller, CFA, who was elected by our Board as our new Chief Executive Officer and President. In addition, we may enter into other employment agreements with various individuals prior to the closing date of the Internalization. Pursuant to any such employment agreements, we may issue long-term incentive compensation awards in the form of share, option or other equity grants under the 2007 Omnibus Incentive Plan, if that plan is approved by our stockholders at the Special Meeting. Those awards potentially will result in additional dilution of your share ownership. See Proposal I The Internalization Proposal Description of the Internalization Transaction Employment Agreements and Proposal IV The Incentive Plan Proposal.

Q: What was the process used to determine the amount of the Internalization Consideration?

A: The Internalization Consideration was determined based upon negotiations between the Special Committee (which is described below) and Wells Real Estate Funds, Inc. (Wells REF), in consultation with their respective legal and financial advisors. Our executive officers and certain of our directors, also serve, or during such negotiations served, as officers and directors of Wells REF and hold in the aggregate approximately 95% of the economic interests in WASI, the parent of WREAS and WGS. These relationships result in such directors and our current executive officers having material financial interests in the Internalization. In part, in order to address these potential conflicts of interest and in order to satisfy certain requirements contained in our Articles, our Board established a special committee (the Special Committee) consisting of Messrs. W. Wayne Woody, Michael R. Buchanan, Richard W. Carpenter and William H. Keogler, Jr., each of whom is an Independent Director. The members of the Special Committee have no economic interest in the consummation of the Internalization that differs from those of our other

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stockholders. The Special Committee was authorized, among other things: to evaluate and investigate certain future strategic alternatives available to us, including, among other things, a potential transaction involving the restructuring of our operations to an internally advised structure 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.

Pursuant to this authority, the Special Committee retained its own legal counsel and Robert A. Stanger & Co., Inc. to act as its financial advisor. Pursuant to extensive negotiations that occurred between the Special Committee and the representatives of Wells REF, in consultation with their respective legal and financial advisors, the parties agreed to $175 million (the Internalization Consideration) as the amount we would pay to acquire the Advisor and that the Internalization Consideration would be paid by issuing 19,546,302 shares of our common stock to WASI. In addition, in connection with the Internalization, Wells Capital will exchange the 20,000 limited partnership units it currently owns in Wells OP for 22,339 shares of our common stock. In connection with its evaluation of the Internalization, the Special Committee and our Board received a written opinion dated January 31, 2007 of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (Houlihan Lokey) as to the fairness, from a financial point of view and as of the date of the opinion, to us of the consideration to be paid by us in the Internalization.

After due deliberation and consideration of various factors, the Special Committee unanimously recommended to our Board that it approve the Definitive Merger Agreement, the Internalization and the other documents and transactions contemplated by the Definitive Merger Agreement. After careful consideration and upon the recommendation of the Special Committee, our Board (other than Messrs. Wells and Williams, who have material financial interests in the Internalization and who recused themselves from consideration of and the vote on this matter) approved the Definitive Merger Agreement, the Internalization and the other transactions contemplated by the Definitive Merger Agreement. Our Board and the Special Committee believe that the terms of the Definitive Merger Agreement, the Internalization and the documents and other transactions contemplated by the Definitive Merger Agreement are fair and reasonable to us and are advisable and in the best interests of us and our stockholders.

Q: How did you determine who is an Independent Director for purposes of serving on the Special Committee?

A: Our Articles require that certain activities related to our Advisor must be approved by a majority of our Independent Directors. Independent Director is defined in our Articles to mean a director who is not, and within the last two years has not been, directly or indirectly associated with the Advisor by virtue of:

ownership of an interest in the Advisor or its Affiliates (as defined below),

employment by the Advisor or its Affiliates,

service as an officer or director of the Advisor or its Affiliates,

performance of services for us, other than as a director,

service as a director or trustee of more than three REITs advised by the Advisor, or

maintenance of a material business or professional relationship with the Advisor or any of its Affiliates.

An indirect relationship includes circumstances in which a director s spouse, parents, children, siblings, mothers- or fathers-in-law, sons- or daughters-in-law, or brothers- or sisters-in-law are or have been associated with the Advisor, any of its Affiliates or us. A business or professional relationship is considered material if the gross revenue derived by the director from the Advisor and its Affiliates exceeds 5% of

either the director s annual gross revenue during either of the last two years or the director s net worth on a fair-market-value basis.

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The term Affiliate, for this purpose, means:

- any person or entity directly or indirectly through one or more intermediaries controlling, controlled by, or under common control with another person or entity;
- any person or entity directly or indirectly owning, controlling, or holding with power to vote 10% or more of the outstanding voting securities of another person or entity;
- any officer, director, general partner, or trustee of such person or entity;
- any person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held, with power to vote, by such other person; and
- if such other person or entity is an officer, director, general partner, or trustee of a person or entity, the person or entity for which such person or entity acts in any such capacity.

The members of the Special Committee each qualify as Independent Directors. In addition, none of them has any economic interest in the Internalization (except to the extent they own shares of our common stock or options or warrants to acquire shares of our common stock, none of which represent more than 0.005% of our outstanding shares in the aggregate). See Proposal I Description of the Internalization Transaction Common Share Ownership of Certain Beneficial Owners and Management.

Q: What rights will I have if I oppose the Internalization?

A: You can vote against the Internalization by indicating a vote against the Internalization Proposal on your proxy card and by signing and mailing your proxy card, by authorizing your proxy over the Internet (pursuant to the instructions on the proxy card), by telephone, or by voting against the Internalization in person at the Special Meeting.

Stockholders will not have appraisal rights with respect to the Internalization Proposal or the Incentive Plan Proposal; however, you may have appraisal rights if the Pre-Listing Charter Amendment Proposal or the Post-Listing Charter Amendment Proposal is approved. Because we are not aware of any applicable authority as to whether such is the case, 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. **For a discussion regarding your appraisal rights, see Proposal I The Internalization Proposal No Appraisal Rights in Connection with the Internalization Proposal, Proposal II The Pre-Listing Charter Amendment Proposal Appraisal Rights, Proposal III The Post-Listing Charter Amendment Proposal Appraisal Rights and Proposal IV The Incentive Plan Proposal Appraisal Rights. See also Explanation of Maryland Appraisal Rights Statute and Appendix G attached hereto, which sets forth the relevant statutory provisions.**

Q: When do you expect the Internalization to be consummated?

A: Assuming all conditions to the Internalization are satisfied or waived, we expect to consummate the Internalization on the third business day following the satisfaction or waiver of all such conditions or on such other date as may be agreed upon by us and the Advisor.

Pursuant to the Definitive Merger Agreement, the Internalization must be consummated on or before August 1, 2007. If the Internalization is not consummated within the applicable period described above, the Definitive Merger Agreement may be terminated by either us or the Advisor.

Q: Why is our Board recommending that our Articles be amended and restated to modify certain provisions to reflect, if the Internalization Proposal is approved and the Internalization is consummated, that we have become self-advised and to conform more closely to the charters of Listed REITs?

A: Our Articles contain a number of guidelines for transactions between us and the Advisor and our and its respective Affiliates. As discussed elsewhere in this proxy statement, if the Internalization is consummated,

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WREAS and WGS will become our wholly-owned subsidiaries, their operations will therefore become part of our business, and we will become self-advised. Accordingly, if the Internalization is consummated, the provisions in our Articles relating to the Advisor, its Affiliates and to transactions and relations between us and the Advisor and its Affiliates will no longer be applicable to our situation. One of the main purposes of the Pre-Listing Charter Amendment Proposal is to remove these inapplicable provisions effective upon the completion of the Internalization.

In addition, if a Listing occurs, it will be possible to remove a number of the limitations and restrictions that are included in our existing Articles, but which our Board believes restrict and could possibly prevent us from pursuing favorable investment opportunities. These restrictions were mandated by the Statement of Policy Regarding Real Estate Investment Trusts published by the North American Securities Administrators Association (the NASAA REIT Guidelines) and were applicable because we previously raised funds through public offerings of our common stock without listing our securities on a national securities exchange. If our securities are Listed, those restrictions no longer will be required because the NASAA REIT Guidelines do not apply to offerings of shares that are Listed. The charters of most Listed REITs do not contain these kinds of limitations and restrictions, and accordingly, if we did not eliminate these restrictions effective upon the completion of a Listing, these restrictions could impair our ability to compete effectively for investments and management talent. Our Board believes that these limitations and restrictions should be removed so that we can be governed by a charter that is more similar to the charters of Listed REITs. The Post-Listing Charter Amendment Proposal also broadens the indemnification provisions applicable to our current and former directors and officers to the maximum extent permitted by Maryland law. We believe that these provisions are similar to the provisions customarily provided by many other publicly traded companies and will facilitate our ability to attract and retain qualified director and officer candidates. In addition, if the Post-Listing Charter Amendment Proposal is approved, certain stockholder voting provisions contained in our Articles will be eliminated. Although the amendments to our Articles contained in the Post-Listing Charter Amendment Proposal reduce or otherwise eliminate certain voting rights that you currently have, we are of the view that these proposed amendments will provide greater flexibility with respect to the implementation of our business plan and will make us more competitive with Listed REITs. If the two proposed charter amendments take effect, our Board will amend our Bylaws to eliminate inconsistencies resulting from the proposed amendments to our Articles and to make certain other changes to our Bylaws.

If approved by our stockholders at the Special Meeting, the Pre-Listing Charter Amendment Proposal will be implemented regardless of whether a Listing occurs, as long as the Internalization Proposal is approved and the Internalization is consummated. Any or all of the closing conditions to our performance obligations under the Definitive Merger Agreement may be waived by us in our sole discretion. Further, if the Post-Listing Charter Amendment Proposal is approved, it will not be implemented unless the Internalization Proposal is approved and the Internalization is consummated and until shortly before a Listing, if any, of our common stock.

Q: Why is our Board recommending that we approve and adopt the 2007 Omnibus Incentive Plan?

A: Our Board believes that the ability to offer incentive compensation pursuant to the 2007 Omnibus Incentive Plan described herein will help us attract, retain and motivate highly qualified individuals and more directly align the interests of our management with those of our stockholders. Many of our competitors currently have incentive compensation plans. Our Board believes that if we do not adopt plans which provide adequate incentives to our management and other employees, in line with the plans of our competitors, we will be at a competitive disadvantage in our ability to attract and retain highly qualified employees. In establishing the 2007 Omnibus Incentive Plan, our newly established compensation committee worked with its employment compensation consultant to survey and study the market compensation ranges of our competitors. Furthermore, our Board believes that issuing shares of common stock to management and other employees pursuant to the 2007 Omnibus Incentive Plan, under appropriate circumstances, will more directly align their interests with those of our stockholders and can be used as an effective motivational tool.

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If approved by our stockholders at the Special Meeting, the Incentive Plan Proposal will be implemented regardless of whether the other proposals to be considered at the Special Meeting are approved by our stockholders.

Q: Will the composition of our Board change as a result of the Internalization Transaction?

A: Yes. In connection with execution of the Definitive Merger Agreement, Donald A. Miller, CFA, was elected by our Board as one of our directors to fill the current vacancy on our Board. In addition, in connection with the Board approving the Internalization Transaction, members of the Board agreed to take several actions to discontinue having directors (other than Leo F. Wells, III) serve on both our Board and a board of directors of a Wells REF related entity that may compete with us. Three of our Independent Directors, Richard W. Carpenter, Bud Carter and Neil H. Strickland, and Douglas P. Williams, our current Executive Vice President, Secretary and Treasurer and a director, each of whom also serves on the board of directors of Wells Real Estate Investment Trust II, Inc. (Wells REIT II), have agreed to resign as our directors, effective and conditioned upon the closing of the Internalization Transaction, and Donald S. Moss and W. Wayne Woody, two of our Independent Directors, have agreed to resign from the board of directors of Wells REIT II, also effective and conditioned upon the closing of the Internalization Transaction. Accordingly, we currently anticipate that, at the time of the closing of the Internalization Transaction, our Board will be comprised of Leo F. Wells, III, Donald A. Miller, CFA, Michael R. Buchanan, William H. Keogler, Jr., Donald S. Moss, and W. Wayne Woody. Further, Mr. Wells has agreed to resign as a director at the time of a Listing of our common stock, should that occur, unless a majority of certain designated Independent Directors determines at that time that it is in our best interest that he remain a director, and upon Mr. Wells resignation as a director, for a period ending the earlier of (1) two years after a Listing of our common stock, should that occur, or (2) the first date on which Mr. Wells does not beneficially own at least 1% of our outstanding common stock, he will be entitled to designate an individual to be appointed to fill the vacancy created by such resignation and to be nominated for election to our Board at any annual meeting where directors are elected during such period, provided that such individual is reasonably acceptable to our Board and is not on the board of directors of any Wells REF related entity that may compete with us. See Proposal I The Internalization Proposal Description of the Internalization Transaction Changes to our Board and Resolution of Certain Conflicts of Interest on our Board.

Q: Who is entitled to vote?

A: All stockholders who own shares of our common stock at the close of business on February 20, 2007, the record date, will be entitled to vote at the Special 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 Wells REIT 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 Special 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 Special 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 each of the proposals and in accordance with the recommendation of the Board or, in the absence of such a recommendation, in their discretion, for each of the other proposals to be voted upon at the Special Meeting.

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Q: Will my vote make a difference?

A: Yes. Your vote is needed to ensure that the proposals can be acted upon. Because we are a widely-held REIT (with more than 100,000 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 Wells REIT significant additional expenses associated with soliciting stockholder votes*****.** We encourage you to participate in the governance of 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 Special Meeting date.

Q: How will the proxies be voted?

A: Any proxy, if it is received in time, is properly signed and is not revoked, will be voted at the Special Meeting in accordance with the directions of the stockholder signing the proxy. If no directions are specified as to the applicable proposal, the proxy will be voted **FOR**:

the approval of the Internalization Proposal;

the approval of the Pre-Listing Charter Amendment Proposal;

the approval of the Post-Listing Charter Amendment Proposal; and

the approval of the Incentive Plan Proposal.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will not be able to vote your shares without instructions from you on any of the proposals to be considered at the Special Meeting. For all proposals, your broker will vote your shares only if you provide instructions to your broker on how to vote your shares. If you want to vote on these proposals, you should contact your broker and ask what directions your broker will need from you.

Q: What is the effect of abstentions and broker non-votes?

A: 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 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, and the effect 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; however, if the total votes cast represent less than 50% of the shares entitled to vote, then broker non-votes would have the effect of a vote against the Incentive Plan Proposal. If

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a broker returns a properly executed proxy card, but as to any matter does not provide voting instruction or an intent to abstain, the shares represented by that proxy card will be considered present for quorum purposes and those shares will be voted on the matter in the proxy holder s discretion.

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

A: Although we do not know of any business to be considered at the Special Meeting other than the proposals discussed above, if any other business is properly presented at the Special Meeting, your signed proxy card gives authority to Donald A. Miller, CFA, our new 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 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: In order to be eligible for inclusion in the proxy solicitation materials for our next annual meeting of stockholders in 2007, any director nominations and other stockholder proposals must have been received by our Secretary, Mr. Douglas P. Williams, at Wells Real Estate Investment Trust, Inc., 6200 The Corners Parkway, Norcross, Georgia 30092-3365 no later than December 29, 2006. In order to be eligible for presentation at our 2007 annual meeting, our Bylaws require that written notice of any director nominations or other stockholder proposals must be received by our Secretary no later than May 19, 2007, but any such director nominations or stockholder proposals received after December 29, 2006 will not be included in our proxy solicitation materials.

Q: Who pays the cost of this proxy solicitation?

A: 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.

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 of Wells REF, 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 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 Wells REIT. It reduces the volume of duplicate information received at your household and helps Wells REIT reduce expenses. Each stockholder subject to Householding will continue to receive a separate proxy card or voting instruction card.

Wells REIT will deliver promptly, upon written or oral request, a separate copy of the Proxy Statement 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,

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you may direct requests for separate copies to the following address: Client Services Department at P.O. Box 2828, Norcross, Georgia 30091-2828, or call us at 1-800-557-4830. If you are a stockholder that receives multiple copies of our proxy materials, you may request Householding by contacting us in the same manner and requesting a Householding consent.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive. You may also follow the instructions on the proxy cards for telephonic or internet proxy authorization for each proxy card that you receive.

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

A: Call or write Wells REIT to cancel the Householding instructions for yourself. You will then be sent a separate 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.

Q: If I plan to attend the Special Meeting in person, should I notify anyone?

A: While you are not required to notify anyone in order to attend the Special Meeting, if you do plan to attend the meeting, we would appreciate it if you would mark the appropriate box on the enclosed proxy card to let us know how many stockholders will be attending the meeting so that we will be able to prepare a suitable meeting room for the attendees. **Even if you plan to attend the Special Meeting, we recommend that you also submit your proxy or voting instructions as described above so that your vote will be counted if you later decide not to attend the Special Meeting.**

Q: Where can I find out more information about you?

A: 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 Section 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. Requests for copies of our filings should be directed to Client Services Department at P.O. Box 2828, Norcross, Georgia 30091-2828, or call us at 1-800-557-4830.

Q: How can I get additional copies of this proxy statement or other information filed with the SEC relating to this solicitation?

A: You may obtain additional copies of this proxy statement and all other relevant documents filed by us with the SEC free of charge at the SEC s Web site located at *www.sec.gov*, from our Web site at *www.wellsreit.com*, or by calling our Client Services Department at 1-800-557-4830.

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SUMMARY OF THE INTERNALIZATION PROPOSAL

The following is a summary of the material terms of the Internalization Proposal as described in this proxy statement. You should carefully read this entire document as well as the additional documents to which it refers for a more complete description of the Internalization Proposal. See Proposal I The Internalization Proposal Description of the Internalization Transaction.

The Internalization Proposal

At the Special Meeting, you will be asked to consider and vote upon a proposal to approve the Internalization, whereby WREAS and WGS will become our wholly-owned subsidiaries. See Proposal I The Internalization Proposal.

Parties to the Internalization

Wells Real Estate Investment Trust, Inc., a Maryland corporation (Wells REIT), was incorporated on July 3, 1997, commenced active operations on June 5, 1998, and qualifies as a real estate investment trust for federal income tax purposes. Substantially all of our business is conducted through Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership, or subsidiaries of Wells OP. We are the sole general partner of Wells OP, and Wells Capital, Inc. (Wells Capital) is currently the sole limited partner of Wells OP but, as described elsewhere in this proxy statement, will exchange its limited partnership units in Wells OP for shares of our common stock as a part of the Internalization Transaction. Wells OP owns properties directly, through wholly owned subsidiaries, through certain joint ventures with unaffiliated parties, and through certain joint ventures with real estate limited partnerships sponsored by Wells Capital. Prior to the closing of the Internalization, we intend to form a wholly-owned subsidiary that will be admitted as a limited partner to Wells OP and will be issued limited partnership units equal to an approximately 0.01% interest in Wells OP. See Wells Real Estate Investment Trust, Inc. Business.

WRT Acquisition Company, LLC, a Georgia limited liability company (WRT Acquisition), was formed on January 19, 2007 and is a wholly-owned subsidiary of Wells REIT. See Proposal I The Internalization Proposal Description of the Internalization Transaction.

WGS Acquisition Company, LLC, a Georgia limited liability company (WGS Acquisition), was formed on January 19, 2007 and is a wholly-owned subsidiary of Wells REIT. See Proposal I The Internalization Proposal Description of the Internalization Transaction.

Wells Real Estate Funds, Inc., a Georgia corporation (Wells REF), was incorporated on February 17, 1997 and is wholly-owned by Leo F. Wells, III, our former President, and current Chairman and director. Wells REF is the sole shareholder of Wells Management and Wells Capital. See Proposal I The Internalization Proposal Formation of Wells Real Estate Advisory Services, Inc. and

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Assignment and Valuation of the Existing Advisory and Master Property Management Agreements.

Wells Capital, Inc., a Georgia corporation (Wells Capital), was incorporated on April 20, 1984 and is a wholly-owned subsidiary of Wells REF, which is wholly-owned by Leo F. Wells, III, our former President and current Chairman and director. Wells Capital has been one of our advisors since 1998 and is also the advisor to Wells REIT II, Wells Timberland REIT, Inc. and Institutional REIT, Inc., three publicly registered, non-listed REITs sponsored by affiliates of the Advisor, and a general partner or sponsor of 15 public real estate limited partnerships and various private real estate programs. As part of the capitalization of WASI described below, Wells Capital transferred and assigned its interest in the Acquisition Advisory Agreement to WASI. See Proposal I The Internalization Proposal Formation of Wells Real Estate Advisory Services, Inc. and Assignment and Valuation of the Existing Advisory and Master Property Management Agreements.

Wells Management Company, Inc., a Georgia corporation (Wells Management), was incorporated on February 17, 1983 and is a wholly-owned subsidiary of Wells REF, which is wholly-owned by Leo F. Wells, III, our former President and our current Chairman and director. Wells Management has also been one of our advisors and our property manager since 1998, and is currently also a property manager for Wells REIT II, Institutional REIT, Inc., along with the 15 public real estate limited partnerships and private real estate programs referred to above. Wells Management formed both WREAS and WGS as described below. Wells Management (and other affiliates) then formed WASI and transferred and contributed its interests in the Asset Management Advisory Agreement and the Master Property Management Agreement to WASI in the manner described below. See Proposal I The Internalization Proposal Formation of Wells Real Estate Advisory Services, Inc. and Assignment and Valuation of the Existing Advisory and Master Property Management Agreements.

Wells Advisory Services I, LLC, a Georgia limited liability company (WASI), was formed on December 21, 2005, and is owned by Wells Management, Wells Capital and by eight executives of Wells REF, each of whom own an approximately 1% economic interest in WASI, including Douglas P. Williams, our current Executive Vice President, Secretary, Treasurer and one of our directors, Randall D. Fretz, our current Senior Vice President, Donald A. Miller, CFA, our new Chief Executive Officer and President and one of our directors, and another individual currently affiliated with Wells REF who may become one of our executive officers. Wells Management and Wells Capital are wholly-owned subsidiaries of Wells REF, which is wholly-owned by Leo F. Wells, III, our former President and our current Chairman and director. As part of the

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formation of WASI, Wells Management transferred and assigned to WASI its interest in the Asset Management Advisory Agreement and transferred and assigned all of the issued and outstanding common stock of WREAS to WASI; Wells Capital transferred and assigned its interest in the Acquisition Advisory Agreement to WASI; and each of the eight executives made cash capital contributions to WASI. As a result, WREAS became a wholly-owned subsidiary of WASI. Wells Management then made an additional capital contribution to WASI on February 15, 2006 by transferring and assigning its interest in the Master Property Management Agreement to WASI. In addition, as set forth below, Wells Management also transferred and assigned all of the issued and outstanding stock of Wells Government Services, Inc. (WGS) to WASI, and as a result, WGS also became a wholly-owned subsidiary of WASI. See Proposal I The Internalization Proposal Formation of Wells Real Estate Advisory Services, Inc. and Assignment and Valuation of the Existing Advisory and Property Management Agreements.

Wells Real Estate Advisory Services, Inc., a Georgia corporation (WREAS), was incorporated on December 30, 2004 as a wholly-owned subsidiary of Wells Management. As set forth above, Wells Management and Wells Capital, along with eight executives of Wells REF, subsequently formed WASI; Wells Management transferred and assigned all of the issued and outstanding stock of WREAS to WASI; and WREAS became a wholly-owned subsidiary of WASI. WASI subsequently transferred and assigned its interests in the Asset Management Advisory Agreement, the Acquisition Advisory Agreement and the Master Property Management Agreement to its wholly-owned subsidiary, WREAS. See Proposal I The Internalization Proposal Formation of Wells Real Estate Advisory Services, Inc. and Assignment and Valuation of the Existing Advisory and Master Property Management Agreements. WREAS is currently a party to certain support services agreements pursuant to which WREAS receives various support services and personnel from Wells REF and its affiliates.

Wells Government Services, Inc., a Georgia corporation (WGS), was incorporated on June 1, 2004 as a wholly-owned subsidiary of Wells Management. WGS is the property manager for 12 office buildings we own in the Washington D.C. area, most of which are leased primarily to government tenants. As set forth above, Wells Management subsequently transferred and assigned all of the issued and outstanding common stock of WGS to WASI, and as a result, WGS also became a wholly-owned subsidiary of 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 the Asset Management Advisory Agreement, the

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Acquisition Advisory Agreement and the Master Property Management Agreement.

Consideration to be Paid in the Internalization The Definitive Merger Agreement provides that upon the consummation of the Internalization, all of the common stock of WREAS and WGS currently held by WASI will be converted into 19,546,302 shares of our common stock (the Internalization Consideration), which constitutes approximately 4.2% of our currently outstanding common stock. In addition, in connection with the Internalization, Wells Capital will exchange the 20,000 limited partnership units it currently owns in Wells OP for 22,339 shares of our common stock. For the purposes of the Internalization Consideration and the number of shares to be issued to Wells Capital for its limited partnership units in Wells OP, shares of our common stock have been valued at a per-share price of $8.9531. This per-share price was primarily based on the $8.93 estimated net asset value per share resulting from a valuation recently performed on our properties as of September 30, 2006, subject to the adjustment as described below. The valuation was provided by an independent third party which based its estimate upon (1) the appraised value of our real estate assets as of September 30, 2006, and (2) consideration of the current value of the other assets and liabilities of Wells REIT as of September 30, 2006 (including the contingent liability for the subordinated disposition fee described below). This estimated net asset value per share is only an estimate, and is based upon a number of assumptions and estimates, which may not be accurate or complete. There were no liquidity discounts applied to this estimated valuation or discounts relating to the fact that we are currently externally managed, and no attempt was made to value the Company as an enterprise. Further, this should not be viewed as the amount a stockholder would receive in the event that we were to list our shares in the future or to liquidate our assets and distribute the proceeds from such transaction to our stockholders since, among other things, this valuation was not reduced by certain real estate commissions potentially payable to the Advisor in the event the Advisor materially assists in the disposition or other costs of sale. The Special Committee used this valuation to determine the amount of shares of our common stock to issue to WASI as the Internalization Consideration; however, since the estimated net asset valuation took into account an approximately $12.4 million subordinated disposition fee otherwise payable to the Advisor upon a liquidation of our properties at their September 30, 2006 appraised values, and the obligation to pay this contingent liability would be extinguished upon the acquisition of the Advisor, the parties agreed in the Definitive Merger Agreement to use a per-share value of $8.9531 (calculated by excluding the potential liability for the subordinated disposition fee) to determine the number of shares paid to WASI as the Internalization Consideration and the number of shares to be issued to Wells Capital for its limited partnership units in Wells OP. See Proposal I The Internalization

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Proposal Description of the Internalization Transaction Payment of Internalization Consideration, and Market For Wells REIT s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Background of the Internalization

Our Board has been evaluating whether we should convert from our current external advisory structure to a self-advised structure in order to obtain the financial and other benefits described elsewhere in this proxy statement. Since our inception, our day-to-day operations have been managed by the Advisor under the supervision of our Board, pursuant to the terms and conditions of our advisory and property management agreements with the Advisor. We have grown rapidly since our inception, however, and now have over $5 billion in assets based upon the most recent valuation of our real estate portfolio. Based upon our current size and the scope of our operations, we believe that we comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we expect to employ various individuals associated with the Advisor or its affiliates who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies. Our Board also has been considering whether we should effect a Listing and how best to position ourselves for such a Listing. We believe any future Listing will be more successful if we are self-managed and self-advised. Among other things, a Listing would create greater liquidity for our stockholders, who at present have only very limited opportunities to sell their shares of common stock if and when they wish to do so. A Listing also could allow us greater access to capital to fund our future growth. We believe that completing the Internalization would better position us for a future Listing; however, we expect that the Internalization will be beneficial to us on a going forward basis even if we do not complete a Listing. See Proposal I The Internalization Proposal Negotiation of the Internalization Transaction.

Principal Reasons for the Internalization

We believe that a self-advised structure will have several advantages, including the following:

That an Internalization Transaction would be accretive over time to our earnings per share and our 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. No assurances can be given, however, that any such accretion in our earnings per share or FFO per share would actually occur;

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That establishing an internal management team which would be fully dedicated and solely focused on our operations and strategic plans would enhance stockholder value;

That, if the Board determines that a Listing is in our best interests, a self-advised or internally advised management structure would better position 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 between management and the stockholders and eliminates certain conflicts of interest associated with having an external advisor. No assurance 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

That an internalized management structure may have a positive impact on the retention of key management personnel, as we anticipate that our key management personnel will have an equity stake in our success.

See Proposal I The Internalization Proposal Reasons for Internalization and Potential Listing ; Negotiation of the Internalization Transaction.

Certain Changes to our Charter

We are proposing various amendments to our current Charter in the Pre-Listing and Post-Listing Charter Amendment Proposals.

The Pre-Listing Charter Amendment Proposal contains various amendments necessary to reflect that we will become self-advised should the Internalization Proposal be approved. These amendments remove various provisions in our Charter related to the Advisor since these provisions will no longer be applicable once we internalize the Advisor. If this proposal is approved by our stockholders, it would become effective upon the Closing. 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. **See Proposal II The Pre-Listing Charter Amendment Proposal**

The Post-Listing Charter Amendment Proposal contains various amendments necessary for our Charter to conform more closely to the charters of most other Listed REITs. The Post-Listing Charter Amendment Proposal would remove many restrictions that are mandated by state securities administrators but will no longer be required if a Listing occurs, and to make various other changes that our Board believes are appropriate for a Listed REIT. These restrictions are not typically found in the charters of Listed REITs and, if not removed, we believe would put us at a competitive

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	disadvantage should a Listing occur. 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. **See Proposal III The Post-Listing Charter Amendment Proposal.**
Opinion of Houlihan Lokey	In connection with the Internalization, Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (Houlihan Lokey) delivered a written opinion dated January 31, 2007 to the Special Committee and our Board as to the fairness, from a financial point of view and as of the date of Houlihan Lokey s opinion, to us of the consideration to be paid by us in the Internalization Transaction. The full text of the written opinion of Houlihan Lokey dated January 31, 2007, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as **Appendix B** to this proxy statement and is incorporated by reference in its entirety into this document. You are encouraged to read the opinion carefully in its entirety. **Houlihan Lokey provided its opinion to the Special Committee and our Board to assist the Special Committee and our Board in their evaluation, from a financial point of view, of the consideration provided for in the Definitive Merger Agreement. Houlihan Lokey s opinion does not address any other aspect of the Internalization and does not constitute a recommendation as to how you should vote or act in connection with the proposed Internalization. See Proposal I The Internalization Proposal Opinion of Houlihan Lokey.**
Interests of Certain of Our Directors and Officers	Our executive officers and certain of our directors have material financial interests in the Internalization. In particular, Messrs. Leo F. Wells, III, Douglas P. Williams and Randall D. Fretz are also affiliates of the Advisor and own economic interests in the Advisor or its affiliates. Accordingly, the Internalization will result in Messrs. Wells, Williams and Fretz collectively receiving beneficial economic interests in approximately 18,373,524 shares of our common stock. Mr. Wells, our former President, our Chairman and one of our directors, will receive an indirect beneficial economic interest in our stock through his ownership of Wells REF, which is the sole shareholder of Wells Capital and Wells Management, which together own in the aggregate approximately 92% of the economic interests in WASI. In addition, Douglas P. Williams, our current Executive Vice President, Secretary, Treasurer and one of our directors, Randall D. Fretz, our current Senior Vice President, and Donald A. Miller, CFA, our new Chief Executive Officer and

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President and one of our directors, will each receive a beneficial economic interest in our stock through each of their individual approximately 1% economic interest in WASI. We also may hire one or more other individuals currently affiliated with Wells REF to become our executive officers in connection with the Closing of the Internalization Transaction, one of whom also holds an approximately 1% economic interest in WASI. As a result, we anticipate that such individuals will indirectly receive as a result of the Internalization an aggregate of approximately $168 million in shares of our common stock if valued at the same per-share amount used to determine the amount of shares to be issued to WASI as Internalization Consideration. In addition, in connection with the Internalization, Wells Capital will exchange its 20,000 limited partnership units of Wells OP for 22,339 shares of our common stock. See Proposal I The Internalization Proposal Our Company Interest of our officers and directors in the Advisor and certain of its Affiliates ; and Description of the Internalization Transaction Common Share Ownership of Certain Beneficial Owners and Management.

Our Management Following the Internalization

Upon the execution of the Definitive Merger Agreement, Leo F. Wells, III, resigned as our President, and Donald A. Miller, CFA, was elected by our Board as our Chief Executive Officer and President. Mr. Miller was previously a Vice President of Wells REF and a Senior Vice President of Wells Capital and, in such capacities, was responsible for directing all aspects of the acquisitions, dispositions, property management, construction and leasing groups for Wells REF, Wells Capital and their affiliates, and in connection with these entities, for providing services to us under our existing advisory, asset management and property management agreements. While Mr. Miller has extensive real estate experience and we have confidence that he will be successful in his new position as our new Chief Executive Officer and President, Mr. Miller has no prior experience as a chief executive officer of a public company. Further, Douglas P. Williams, our current Executive Vice President, Secretary, Treasurer and a director, and Randall D. Fretz, our current Senior Vice President, have advised our Board that they intend to resign their respective positions as our executive officers effective as of the closing of the Internalization Transaction. See Proposal I The Internalization Proposal Description of the Internalization Transaction Employment Agreements.

Our Board Following Internalization

Effective on February 2, 2007, Donald A. Miller, CFA, was elected as a member of our Board. In addition, in connection with the Board approving the Internalization Transaction, members of the Board agreed to take several actions to discontinue having directors (other than Leo F. Wells, III) serve on both our Board and a board of directors of a Wells REF related entity that may compete with us. Three of our Independent Directors, Richard W. Carpenter, Bud Carter

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and Neil H. Strickland, and Douglas P. Williams, each of whom also serves on the board of directors of Wells REIT II, have agreed to resign as our directors, effective and conditioned upon the closing of the Internalization Transaction, and Donald S. Moss and W. Wayne Woody, two of our Independent Directors, have agreed to resign from the board of directors of Wells REIT II, also effective and conditioned upon the closing of the Internalization Transaction. In addition, we anticipate that, at least in the short-term, Mr. Wells will remain our Chairman and a director, although upon a potential Listing, absent certain special circumstances, he has also agreed to resign as one of our directors at the time of any such potential Listing. See Proposal I The Internalization Proposal Description of the Internalization Transaction Changes to our Board and Resolution of Certain Conflicts of Interest on our Board.

Employment Agreements

Upon the execution of the Definitive Merger Agreement, we entered into an employment agreement with Donald A. Miller, CFA, and we may enter into employment agreements with other executive officers, including a new Chief Financial Officer, prior to the Closing Date. See Proposal I The Internalization Proposal Description of the Internalization Transaction Employment Agreements.

Registration Rights Agreement

We have granted registration rights to WASI and Wells Capital, and to their permitted transferees, with respect to the registration of the shares of our common stock issued in the Internalization, which will require us, under certain circumstances, to register those shares under the Securities Act of 1933, as amended (the Securities Act). See Proposal I The Internalization Proposal Description of the Internalization Transaction Registration Rights Agreement.

Additional New Agreements with Wells REIT Affiliated Companies

The Advisor is currently a party to certain support services agreements pursuant to which the Advisor receives various support services and personnel from Wells REF and its affiliates. The Definitive Merger Agreement provides that, upon or prior to the closing of the Internalization, the Advisor will enter into new agreements, including the Transition Services Agreement and the Support Services Agreement with Wells REF, and certain other agreements.

Pursuant to the Transition Services Agreement, we will receive certain enumerated services necessary to operate the Advisor s business until we are able to arrange to internally provide such services or to outsource such services to third-party service providers. These consist primarily of services we believe we will need to continue to obtain from Wells REF at least until a potential Listing, including primarily investor relations support services, transfer agent related services, and investor communication support.

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The Support Services Agreement with Wells REF will provide the Advisor and us with certain support services, including payroll and benefits administration services and information technology services.

At or prior to the Closing, one of our subsidiaries will enter into the Headquarters Sublease Agreement with Wells REF which will provide us with approximately 13,000 square feet on the fifth floor of the office building located at 6200 The Corners Parkway in Norcross, Georgia, which is owned by an affiliate of, and primarily occupied by, Wells REF and its affiliates.

The projected costs of these various agreements were taken into account in calculating the projected contribution to our earnings from the Advisor as a result of the Internalization.

See Proposal I The Internalization Proposal Description of the Internalization Transaction Ancillary Agreements Related to Internalization.

Indemnification

In the Definitive Merger Agreement, we and Wells REF, WASI and their affiliates have agreed to indemnification obligations covering damages arising from certain matters following the Closing of the Internalization. See Proposal I The Internalization Proposal Description of the Internalization Transaction Indemnification.

Closing

The Closing will occur three business days following the satisfaction or waiver of the conditions to the Internalization set forth in the Definitive Merger Agreement (other than conditions that by their nature are to be satisfied at the closing of the Internalization), or on such other date as we and WASI may mutually agree (the Closing Date). See Proposal I The Internalization Proposal Description of the Internalization Transaction Closing.

Business of the Advisor Pending the Internalization

The Definitive Merger Agreement requires that until the Closing, subject only to specified exceptions, WASI, Wells Capital, Wells Management and Wells REF (1) shall, and shall cause the Advisor to, conduct the Advisor's business in the ordinary course consistent with past practice, (2) shall use commercially reasonable efforts to preserve substantially intact the present organization of the Advisor, (3) shall use commercially reasonable efforts to keep available the services of the present officers and employees of WASI, Wells Capital, Wells Management and Wells REF and all other persons who provide material services to us and any employees identified to provide services to us after Closing, (4) shall use commercially reasonable efforts to preserve WASI, Wells Capital, Wells Management and Wells REF's relationships with others having business dealings with them that relate to the Advisor's business, and (5) shall not and shall not cause the Advisor to engage in certain actions specified in the Definitive Merger Agreement. See

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Proposal I The Internalization Proposal Description of the Internalization Transaction Conduct of Business Prior to Closing.

Conditions of the Internalization	The Internalization is subject to the satisfaction or waiver on or prior to the Closing Date of certain conditions set forth in the Definitive Merger Agreement including, but not limited to, the approval by our stockholders of the Internalization Proposal, the Pre-Listing Charter Amendment Proposal, the Post-Listing Charter Amendment Proposal and the Incentive Plan Proposal. Any or all of the closing conditions to our performance obligations under the Definitive Merger Agreement may be waived by us in our sole discretion. See Proposal I The Internalization Proposal Description of the Internalization Transaction Conditions to Closing.
Termination	The Definitive Merger Agreement may be terminated at any time prior to the Closing, by mutual written consent of the parties before or after approval of the Internalization Proposal by our stockholders, or by either us or WASI and its affiliates under certain circumstances set forth in the Definitive Merger Agreement. Further, the Definitive Merger Agreement may be terminated by either us or WASI, Wells Capital, Wells Management, and Wells REF if the Closing shall not have occurred on or before August 1, 2007, although under certain circumstances, relating to our receipt of a superior offer from a third-party, we may be responsible for a payment to Wells REF of a $3.5 million termination fee if we terminate the Definitive Merger Agreement. See Proposal I The Internalization Proposal Description of the Internalization Transaction Amendment; Waiver; Assignment; Termination.
Regulatory Matters	No material regulatory approvals or filings are required in order to effect the Internalization. See Proposal I The Internalization Proposal Description of the Internalization Transaction Regulatory Matters.
No Appraisal Rights with Respect to the Internalization	You will not be entitled to appraisal rights with respect to the Internalization. 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. While we are not aware of any direct 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

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	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. See Proposal I The Internalization Proposal Description of the Internalization Transaction No Appraisal Rights in Connection with the Internalization 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.
U.S. Federal Income Tax Considerations	The Internalization will not result in the recognition of taxable income by us or our stockholders for U.S. federal income tax purposes and will not affect our qualification as a REIT. See Proposal I The Internalization Proposal Description of the Internalization Transaction Certain Financial and Other Information Regarding the Internalization Certain U.S. Federal Income Tax Considerations.
Accounting Treatment	We intend to account for the Internalization Transaction as the consummation of a business combination between parties with a pre-existing relationship. We intend to allocate the Internalization Consideration to identifiable tangible and intangible assets, with the remainder allocated to goodwill. No portion of the Internalization Consideration was deemed to be related to the settlement of contracts with the Advisor. See Proposal I The Internalization Proposal Description of the Internalization Transaction Certain Financial and Other Information Regarding the Internalization Accounting Treatment.
Risk Factors	There are a number of risks associated with the Internalization that you should consider before returning your proxy. See Risk Factors.
Board Recommendations	After careful consideration, including consideration of the unanimous recommendation of the Special Committee, our Board has unanimously approved (other than Messrs. Wells and Williams, who have material financial interests in the Internalization and who recused themselves from consideration of and the vote on this matter) the Definitive Merger Agreement, the Internalization and the other transactions contemplated by the Definitive Merger Agreement. Our Board and the Special Committee believe that the terms of the Internalization are fair and reasonable to us and are advisable and in the best interests of us and our stockholders. See Proposal I The Internalization Proposal Recommendations of the Special Committee and Our Board of Directors. **Our Board recommends that you vote FOR the Internalization Proposal (Messrs. Wells and Williams, who have a material financial interest in the Internalization, recused themselves from consideration of and the vote on this matter).**

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Our Board and the Special Committee deemed it advisable and in the best interests of us and our stockholders to approve the Pre-Listing Charter Amendment Proposal, and our Board has recommended it to our stockholders for their approval. **Our Board unanimously approved the form of the Pre-Listing Restated Articles and recommends that you vote FOR the Pre-Listing Charter Amendment Proposal.**

Our Board and the Special Committee deemed it advisable and in the best interests of us and our stockholders to approve the Post-Listing Charter Amendment Proposal, and our Board has recommended it to our stockholders for their approval. **Our Board unanimously approved the form of the Post-Listing Restated Articles and recommends that you vote FOR the Post-Listing Charter Amendment Proposal.**

Our Board and the Special Committee deemed it advisable and in the best interests of us and our stockholders to approve the Incentive Plan Proposal, and our Board has recommended it to our stockholders for their approval. **Our Board unanimously approved the form of the 2007 Omnibus Incentive Plan and recommends that you vote FOR the Incentive Plan Proposal.**

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RISK FACTORS

This proxy statement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding our near-term objectives and long-term strategies, the expected Closing and certain other transactions, the possible effects of the adoption or failure to adopt the Pre-Listing Charter Amendment Proposal or the Post-Listing Charter Amendment Proposal, the anticipated benefits of the Internalization, our ability to hire executive officers, the potential Listing of our common stock, expectations of short-term and long-term liquidity requirements and needs, future stock redemptions, the declaration or payment of distributions, stock issuances under our distribution reinvestment plan (the DRP) and other statements that are not historical facts, and/or statements containing words such as anticipate(s), expect(s), intend(s), plan(s), target(s), project(s), will, believe(s), may, would estimate(s) and similar expressions. These statements are based on management s current expectations, beliefs and assumptions and are subject to a number of known and unknown risks, uncertainties and other factors that could lead to actual results materially different from those described in the forward-looking statements. We can give no assurance that our expectations will be attained. Factors that could adversely affect our operations and prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

- changes in local and national real estate market conditions and general economic conditions, including extended U.S. military combat operations abroad, the occurrence of or potential for terrorist attacks and the occurrence or perceived likelihood of the occurrence of contagious diseases or pandemics;
- availability of capital from short-term borrowings or future equity offerings;
- our ability to obtain additional long-term financing on satisfactory terms;
- changes in interest rates and financial and capital markets;
- our ability to continue to identify and acquire suitable investments;
- our ability to consummate the transactions contemplated under the Definitive Merger Agreement, or other existing and future agreements;
- failure of closing conditions to be satisfied and/or to secure certain third-party consents in connection with certain transactions;
- changes in the structure of pending transactions;
- whether the Pre-Listing Charter Amendment Proposal, Post-Listing Charter Amendment Proposal and the Internalization Proposal are approved by our stockholders and whether the Internalization is consummated;
- legislative or regulation developments that could have the effect of delaying or preventing the Internalization;
- the effect of the announcement of the Internalization on our existing relationships, operating results and business generally;

our ability to successfully operate as an internally advised or self-advised REIT;

our ability to retain our employees or employees of the Advisor;

our ability to List;

changes in valuations of publicly traded REIT securities, if we are able to List;

changes in generally accepted accounting principles, policies and guidelines and/or their application to us;

our ability to continue to qualify as a REIT and to make payments which are necessary, including distributions to our stockholders, to maintain such qualification;

legislative or regulatory changes, including changes to laws governing the taxation of REITs;

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such other risk factors as may be discussed herein and in other reports on file or subsequently filed with the SEC, including Item 1A. Risk Factors in our Annual Report on Form 10-K for our fiscal year ended December 31, 2005. See Where can I find more information about you? on page 12; and

additional risks and uncertainties not presently known to us or that we currently deem immaterial.

Such forward-looking statements speak only as of the date of this proxy statement. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based, except as required by law.

Certain of our current and future directors and officers have potential conflicts of interest due to their financial interests in the Internalization.

All of our current executive officers and certain of our directors have material financial interests in the Internalization. In particular, Messrs. Wells, Williams and Fretz are also officers and members of the Advisor or its affiliates and, through their ownership of membership interests in WASI, own indirect economic interests in WREAS and WGS. Messrs. Wells, Williams and Fretz will collectively receive beneficial economic interests in approximately 18,373,524 shares of our common stock as a result of the Internalization. Mr. Wells will receive an indirect beneficial economic interest in our stock through his ownership of Wells REF, which is the sole shareholder of Wells Capital and Wells Management, which together own in the aggregate approximately 92% of the economic interests in WASI. Messrs. Williams and Fretz will each receive a beneficial economic interest in approximately 195,463 shares of our common stock through each of their individual approximately 1% economic ownership interest in WASI. Further, Donald A. Miller, CFA, our new Chief Executive Officer and President, and another individual currently affiliated with Wells REF who may become one of our executive officers, will each receive a beneficial economic interest in approximately 195,463 shares of our common stock through their individual approximately 1% economic ownership interests in WASI. In addition, as part of the Internalization, Wells Capital, a wholly-owned subsidiary of Wells REF, which is wholly-owned by Mr. Wells, will exchange its 20,000 limited partnership units of Wells OP for an additional 22,339 shares of our common stock.

Our new Chief Executive Officer will be subject to certain conflicts of interest with regard to enforcing the indemnification provisions contained in the Definitive Merger Agreement and enforcing some of the ancillary agreements to be entered into by us in connection with the Internalization Transaction.

As discussed throughout this proxy statement, Donald A. Miller, CFA, our new Chief Executive Officer, President and a director, will receive a beneficial economic interest in our common stock through his approximately 1% ownership interest in WASI, which will receive 19,546,302 in shares of our common stock (valued at approximately $175 million) as a result of the Internalization Transaction. Certain provisions of the Definitive Merger Agreement and many of the ancillary agreements which will be executed in connection with the Internalization Transaction have significant financial impacts on WASI. In particular, Mr. Miller will be subject to conflicts of interest in connection with the enforcement against WASI of indemnification obligations under the Definitive Merger Agreement, the enforcement of the Pledge and Security Agreement, and the release of escrowed shares of our common stock issued to WASI under the Escrow Agreement, each of which could have a negative effect on the number of shares actually issued to WASI in the Internalization Transaction and, accordingly, the number of shares in which Mr. Miller will have an economic interest and, thus, directly impact his personal financial interests.

Future sales of shares of our Common Stock by the owners of the Advisor may adversely affect the fair market value of our shares of Common Stock.

While the shares WASI acquires in the Internalization as Internalization Consideration will be subject to a lock-up provision pursuant to the terms of the Pledge and Security Agreement, sales of a substantial number of

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shares of our common stock by the owners of the Advisor after the expiration of the lock-up period, or the perception that these sales could occur, could adversely affect the prices of our common stock if a Listing has occurred. In addition, these sales might make it more difficult for us to sell equity securities in the future at a time and price we deem appropriate.

Leo F. Wells, III will face conflicts of interest relating to the positions he holds with entities affiliated with Wells REF.

Leo F. Wells, III, our former President and our current Chairman and a director, who we anticipate will remain as our Chairman and one of our directors at least through a possible Listing, is also an executive officer and the chairman of the board of directors of Wells REIT II, Institutional REIT, Inc., and Wells Timberland REIT, Inc. As such, Mr. Wells owes fiduciary duties to these entities and their stockholders. Such fiduciary duties may from time to time conflict with the fiduciary duties owed to us and our stockholders. Therefore, Mr. Wells could take actions that are more favorable to these other entities than to us. Some of such conflicts may include the following:

- decisions to purchase or sell certain properties which may also be purchased or sold by Wells REIT II or Institutional REIT, Inc.
- decisions related to properties we may own in the same geographic areas as those owned by Wells REIT II or Institutional REIT, Inc. In those cases, a conflict could arise in the leasing of properties if we and these entities were to compete for the same tenants in negotiating leases, or a conflict could arise in connection with the resale of properties in the event that we and these entities were to attempt to sell similar properties at the same time.
- decisions to enter into transactions with Wells REIT II or Institutional REIT, Inc., such as property acquisitions, joint ventures or financing arrangements.
- decisions regarding the timing of property sales could be influenced by concerns that the sales would compete with those of Wells REIT II or Institutional REIT, Inc.
- decisions regarding the timing of an offering of our common stock which could be influenced by concerns that the offering would compete with an offering of Wells REIT II, Institutional REIT, Inc. or Wells Timberland REIT, Inc.

See Proposal I The Internalization Proposal Description of the Internalization Transaction Changes to our Board and Resolution of Certain Conflicts of Interest on our Board.

Leo F. Wells, III and our other directors will face competing demands on their time relating to the positions they hold with other entities affiliated with Wells REF.

As discussed above, Leo F. Wells, III, is also an executive officer and the chairman of the board of directors of Wells REIT II, Institutional REIT, Inc., and Wells Timberland REIT, Inc. Mr. Wells also holds positions in various affiliates of Wells REF. Specifically, Mr. Wells is also the sole stockholder, sole director, President and Treasurer of Wells REF, which, through Wells Capital and other affiliates, provides advisory services to Wells REIT II, Institutional REIT, Inc., and Wells Timberland REIT, Inc. and has sponsored and/or serves as general partner of 15 public real estate limited partnerships and various private real estate programs. Mr. Wells is also the sole director, President and Treasurer of both Wells Management and Wells Capital. In addition, Donald S. Moss, one of our Independent Directors, is also a director of Wells Timberland REIT, Inc., and all of our current Independent Directors and Mr. Wells are trustees of the Wells Family of Real Estate Funds, an open-end management company organized as an Ohio business trust, which includes as one of its series the Wells S&P REIT Index Fund. As such, all of these individuals have competing demands on their time and will not devote their full attention to us.

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After Internalization, we may have to compete with Wells REF and its affiliates for properties and tenants.

We have not and will not enter into any non-competition agreements with Wells REF or any of its affiliates in connection with the Internalization. Currently, Wells REF and its affiliates sponsor several public and private real estate programs, many of which invest in commercial properties similar to the properties in which we currently invest, or in which we may invest in the future. Therefore, due to the lack of any non-competition agreements, Wells REF and its affiliates may compete freely with us for certain properties or certain tenants at properties, which may have an adverse effect on our operating results, or may adversely affect the value of our shares if we List our shares in the future.

We may continue to invest with affiliates of Wells REF.

We have in the past invested in joint ventures with other programs sponsored by affiliates of Wells REF and currently own a number of properties in joint ventures with programs sponsored by affiliates of Wells REF. We may continue to invest in joint ventures with other programs sponsored by affiliates of Wells REF following the Internalization.

Our net income per share and FFO per share may decrease in the near term as a result of the Internalization.

Our net income and funds from operation (FFO) may decrease as a result of the Internalization. While we will no longer bear the costs of the various fees and expense reimbursements previously paid to our external advisors if and after we become self-advised, our expenses will include the compensation and benefits of our officers, employees and consultants, as well as overhead previously paid by our external advisors or their affiliates. Furthermore, these employees will be providing us services historically provided by our external advisors. There are no assurances that, following the Internalization Transaction, we will be able to provide those services at the same level or for the same costs as were previously provided to us under the Asset Management Advisory Agreement, the Acquisition Advisory Agreement and the Master Property Management Agreement, and there may be unforeseen costs, expenses and difficulties associated with providing those services on a self-advised basis. If the expenses we assume as a result of the Internalization are higher than we anticipate, our net income and FFO may be lower as a result of the Internalization than it otherwise would have been. In addition, 19,546,302 shares of our common stock will be issued as consideration for the Internalization and 22,339 shares of our common stock will be issued in exchange for Wells Capital s 20,000 limited partnership units in Wells OP in connection with the Internalization, thereby increasing the number of our outstanding shares of common stock by 19,586,641, and potentially causing our net income per share and FFO per share to decrease.

We may be exposed to risks to which we have not historically been exposed.

The Internalization will expose us to risks to which we have not historically been exposed. Excluding the effect of the eliminated asset management fees, our direct overhead, on a consolidated basis, will increase as a result of becoming self-advised. Under the current Acquisition Advisory Agreement, the Asset Management Advisory Agreement and the Master Property Management Agreement, the responsibility for such overhead is borne by the Advisor and its affiliates. In our current externally-advised structure, we do not directly employ any employees. As a result of the Internalization, we will directly employ persons who are currently associated with the Advisor or its affiliates and others currently employed by unaffiliated companies and will establish a new defined contribution retirement plan for our employees. We currently anticipate that we will have approximately 100 to 110 employees following the Internalization. As their employer, we will be subject to those potential liabilities that are commonly faced by employers, such as workers disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances and we will bear the costs of the establishment and maintenance of such plans. Furthermore, these employees will be providing us services historically provided by our external Advisor with the support of the Support Services Agreement and the Transition Services Agreement. There are no assurances that the Advisor we will be acquiring in the Internalization, its management or employees will be able to provide us with the same level of services when we

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are self-advised as were previously provided to us under the Asset Management Advisory Agreement, the Acquisition Advisory Agreement and the Master Property Management Agreement, and there may be unforeseen costs, expenses and difficulties associated with the internalized Advisor providing services to us.

We have not yet hired all of our executive officers, including our Chief Financial Officer, and there is no assurance we will be able hire these individuals in the near future.

We have currently only hired one of our top executive officers who will run our day-to-day operations if the Internalization is approved. The only executive officer we have hired to date is Donald A. Miller, CFA, who is our new Chief Executive Officer, President and a member of our Board. Although the Advisor we are acquiring is obligated under the Definitive Merger Agreement to hire certain individuals who will become our employees as a result of the Internalization and our compensation committee is in preliminary negotiations with certain individuals, we have not yet hired any other of our executive officers including our Chief Financial Officer. If we fail to hire qualified individuals for these key positions prior to the Closing Date, our operations and financial results could suffer. We can not assure you that we will be able to hire such individuals prior to or immediately after the Closing Date. Additionally, if we are unable to hire, or delayed in hiring, qualified individuals for these positions, it may delay our ability to List our common stock in the future.

After the Internalization, we will be dependent on our own executive officers and employees.

We will rely on a small number of persons, particularly Donald A. Miller, CFA, to carry out our business and investment strategies. Any of our senior management, including Mr. Miller, may cease to provide services to us at any time. In addition, Leo F. Wells, III, has resigned as our President, and Douglas P. Williams, our current Executive Vice President, Secretary, Treasurer and a director, and Randall D. Fretz, our current Senior Vice President, have advised our Board that they intend to resign their executive officer positions effective as of the closing of the Internalization Transaction. Therefore, none of our previous executive officers will remain involved in the day-to-day operations of Wells REIT after Internalization. The loss of the services of any of our key management personnel, or our inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results. As we expand, we will continue to need to try to attract and retain qualified additional senior management, but may not be able to do so on acceptable terms.

The failure of our stockholders to approve the Incentive Plan Proposal could have a material adverse effect on our business and financial results.

We have entered into an employment agreement with Donald A. Miller, CFA, our Chief Executive Officer and President, and may enter into the employment agreements with other individuals associated with the Advisor or its affiliates and others that we may hire. Such employment agreements will be with persons who will constitute our senior management following the Internalization. Our employment agreement with Mr. Miller does, and we anticipate that these other agreements will, provide, among other things, for incentive compensation awards and target bonuses that will be paid pursuant to the 2007 Omnibus Incentive Plan if such plan is approved. If the 2007 Omnibus Incentive Plan or a similar plan is not approved by our stockholders, and we do not otherwise provide bonuses and other equity based incentive awards to Mr. Miller or other members of our management team with whom we may enter into employment agreements in the future, Mr. Miller will be entitled to terminate his employment agreement and other such executives may be entitled to terminate their respective agreements. Further, if the 2007 Omnibus Incentive Plan is not approved by our stockholders, it could materially adversely affect us because we could be deprived of the services of our senior management and the ability to provide the incentives necessary to attract qualified replacements and other personnel.

The share price of $8.9531 agreed to by the parties to the Definitive Merger Agreement in their negotiation of the terms of the Internalization may not reflect the fair market value of our shares of common stock.

We recently engaged an independent appraisal firm to perform a valuation of our properties as of September 30, 2006. As a result of this valuation, our Board determined that the estimated net asset value of our

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shares of common stock, based primarily on the estimated net asset value of our real estate portfolio, was $8.93 per share. The $8.93 estimated net asset value per share was provided by an independent third party which based its estimate upon (1) the appraised value of our real estate assets as of September 30, 2006, and (2) consideration of the current value of our other assets and liabilities as of September 30, 2006 (including the contingent liability for the subordinated disposition fee described below). This estimated net asset value per share is only an estimate, and is based upon a number of assumptions and estimates, which may not be accurate or complete. There were no liquidity discounts applied to this estimated valuation or discounts relating to the fact that we are currently externally managed, and no attempt was made to value the Company as an enterprise. Further, this should not be viewed as the amount a stockholder would receive in the event that we were to list our shares in the future or to liquidate our assets and distribute the proceeds from such transaction to our stockholders since, among other things, this valuation was not reduced by certain real estate commissions potentially payable to the Advisor in the event the Advisor materially assists in the disposition or other costs of sale. As described elsewhere in this proxy statement, the Special Committee negotiated the amount of the Internalization consideration by negotiating an aggregate price expressed in dollars ($175 million) and agreeing to use the September 30, 2006 estimated net asset valuation as a basis for determining the number of shares that would represent $175 million in value; however, since the estimated net asset valuation took into account an approximately $12.4 million subordinated disposition fee otherwise payable to the Advisor upon a liquidation of our properties at their September 30, 2006 appraised values, and the obligation to pay this contingent liability would be extinguished upon the acquisition of the Advisor, the parties agreed in the Definitive Merger Agreement to use a per-share value of $8.9531 (calculated by excluding the potential liability for the subordinated disposition fee) to determine the amount of shares paid as Internalization Consideration and to Wells Capital in the Internalization Transaction. Since at present there is no active trading market for our shares of common stock, there is no objective way to precisely value the shares that WASI will receive in the Internalization. If we complete a Listing in the future, the prices at which our common stock trade following the Listing will provide a more objective indication of the value of each share received by WASI. If the fair market value of the 19,546,302 shares to be received by WASI in the Internalization turns out to be greater than $8.9531 per share, WASI will have received consideration worth more than $175 million for the Internalization. Conversely, if the fair market value of those shares turns out to be less than $8.9531 per share, WASI will have received consideration worth less than $175 million. Neither party has the right to terminate the Definitive Merger Agreement due to any change in the fair market value of our common stock. If we pursue and complete a Listing, our common stock may trade in the public market at prices higher or lower than $8.9531 per share.

Our organizational documents contain provisions which may discourage a takeover of us and could depress the price of our shares of Common Stock.

Our organizational documents contain provisions which may discourage a takeover of us and could depress the price of our common stock. Upon completion of the Internalization, approval and implementation of the Post-Listing Charter Amendment Proposal and the implementation of anticipated amendments to our existing Bylaws, our organizational documents will contain provisions which may have an anti-takeover effect, inhibit a change of our management, or inhibit in certain circumstances tender offers for our common stock or proxy contests to change our Board. These provisions include: directors may only be removed for cause; the stockholders are restricted from altering the number of directors; ownership limits and restrictions on transferability that are intended to enable us to continue to qualify as a REIT; broad discretion to our Board to take action, without stockholder approval, to issue new classes of securities that may discourage a third party from acquiring us; the ability, through board action or bylaw amendment to opt-in to certain provisions of Maryland law that may impede efforts to effect a change in control of us; advance notice requirements for stockholder proposals and stockholder nominations of directors; and the absence of cumulative voting rights. In addition, the employment agreement with Donald A. Miller, CFA, contains, and the terms of other of our employment agreements and grants under the 2007 Omnibus Incentive Plan may contain, change-in-control provisions that might similarly have an anti-takeover effect, inhibit a change of our management, or inhibit in certain circumstances tender offers for our common stock or proxy contests to change our Board.

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We may not be successful in executing potential growth strategies or other investment or operational strategies.

As set forth in the Proposal I The Internalization Proposal Negotiation of the Internalization Transaction section of this proxy statement, at a meeting of our Independent Directors held on January 31, 2007, certain representatives of Wells REF made a presentation involving, among other things, certain growth strategies following the Internalization Transaction, including the strategy of establishing property management offices, proposals to increase our leverage and to engage in significant property acquisitions, strategies involving engaging in certain joint venture transactions, and other growth strategies over the next few years, as well as other potential investment and operational strategies. Incurring increased levels of debt will result in increased interest expenses which could increase the risk associated with our real estate portfolio and could adversely affect our results of operations and our ability to make distributions to our stockholders. In addition, there are no assurances that we will be able to successfully execute strategies relating to additional property acquisitions, other growth strategies or other investment or operational strategies following Internalization.

We may not maintain our current level of dividends.

There are many factors that can affect the availability and timing of dividends to our stockholders, including but not limited to, the availability of cash flows from operations, our short-term and long-term liquidity requirements and needs, the level of reserves we establish for future capital expenditures, as well as the impact of pursuing potential growth strategies or other investment or operational strategies as described above. Further, if we List our common stock in the future, our board of directors would also consider additional factors in determining the amount and timing of dividends, such as the level of dividends paid by comparable Listed REITs. If we List our common stock, we believe it is probable that our dividend policy would change, likely resulting in the establishment of additional reserves for capital improvements and a reduction in our dividends consistent with dividends paid by comparable Listed REITs. However, the amount of this change is indeterminable at this time. In addition, there is no assurance that we would not decide to establish additional reserves for capital improvements or otherwise reduce our current level of dividends in the event we determine not to implement a Listing. For these reasons, among others, we may not maintain our current level of dividends.

The Internalization may have a negative effect on our REIT status for tax purposes.

In order to maintain our status as a REIT for federal income tax purposes, we are not permitted to have current or accumulated earnings and profits carried over from the Advisor. Under the Definitive Merger Agreement, WREAS and WGS have agreed that, prior to the execution of the Definitive Merger Agreement, each will adopt resolutions declaring dividends to WASI so as to ensure that WREAS and WGS do not have any current or accumulated earnings and profits (as determined for federal income tax purposes) as of the Closing Date and that such dividends shall be paid prior to the Closing Date. Additionally, it is a condition of closing that we, WREAS and WGS receive written comfort from our accountants that neither WREAS nor WGS will have any current or accumulated earnings and profits as of the Closing Date of the Internalization. Nevertheless, if the IRS were to successfully assert that we did acquire current or accumulated earnings and profits from the Advisor and failed to distribute, during our taxable year in which the Internalization occurs, all of such earnings and profits, we would lose our REIT qualification for the year of the Internalization, any other taxable years during which we held such acquired earnings and profits and the four taxable years following any such year, unless, in the year of such determination, we make an additional distribution of the amount of earnings and profits determined to be acquired from the Advisor plus any required interest charge. In order to make such an additional distribution, we could be required to borrow funds or sell assets even if prevailing market conditions were not generally favorable.

In addition, as described in the Certain U.S. Federal Income Tax Considerations section of this proxy statement, it is not entirely clear how the assets to be acquired from the Advisor in the proposed Internalization will be classified for purposes of the Asset Tests and Income Tests applicable for REIT qualification purposes. For any taxable year that we fail to qualify as a REIT for any reason, we would not be entitled to a

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deduction for dividends paid to our stockholders in calculating our taxable income. Consequently, our net assets, our earnings, and our distributions to our stockholders would be substantially reduced because of our increased tax liability.

If the Internalization is approved by our stockholders, we may face additional risks and costs associated with directly managing properties with government tenants.

We currently own nine properties where some or all of the tenants at such properties are federal government agencies. Because federal government agencies are the tenants at these properties, the lease agreements contain certain provisions required by federal law. The provisions of these leases require, among other things, that the contractor, which is the lessor or the owner of the property, agree to comply with certain rules and regulations, including but not limited to, rules and regulations related to anti-kickback procedures, examination of records, audits and records, equal opportunity provisions, prohibition against segregated facilities, certain executive orders, subcontractor cost or pricing data, and certain provisions intending to assist small businesses. Six of these properties are currently being managed by WGS, which is currently a wholly-owned subsidiary of WASI. As part of the Internalization, we will acquire WGS, which will be merged into and become WGS Acquisition, our wholly-owned subsidiary. As a result, after Internalization, we, through our wholly-owned subsidiary, will be directly managing these properties having federal government agencies as tenants. As a direct manager for these properties, we will be subject to additional risks associated with compliance with all such federal rules and regulations. In addition, there are certain additional requirements relating to the potential application of certain equal opportunity provisions and the related requirement to prepare written affirmative action plans applicable to government contractors and subcontractors. Some of the factors used to determine whether such requirements apply to a company which is affiliated with the actual government contractor, the legal entity which is the lessor under a lease with a federal government agency, include whether such company and the government contractor are under common ownership, have common management and are under common control. Prior to the Internalization, the entities which were the lessors under these leases with federal government agencies, the government contractor in each case, were our wholly-owned subsidiaries and, as set forth above, the leasing of these properties was being handled by WGS, which was not under common ownership, common management or common control with us or our wholly-owned subsidiaries; however, after Internalization, we will own both the entities which are the government contractors and the property manager, WGS, increasing the risk that such equal opportunity requirements and requirements to prepare affirmative action plans pursuant to the applicable executive order may be determined to be applicable to us.

SELECTED FINANCIAL DATA OF THE ADVISOR

As set forth elsewhere in this proxy statement, when we refer to the Advisor, we are referring to WREAS and WGS and their predecessors, as applicable, including those portions of the operations of WASI, Wells Management and Wells Capital, which previously provided advisory and management services to us under the Asset Management Advisory Agreement, the Acquisition Advisory Agreement and the Master Property Management Agreement. Please read the following selected financial data of the Advisor in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of the Advisor and the financial statements and related notes of the Advisor included elsewhere in this proxy statement (in thousands, except for share data):

The following table sets forth selected financial data relating to the Advisor s historical financial condition and results of operations for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, and for the nine months ended September 30, 2006. Please read the following selected financial data of the Advisor in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of the Advisor and the Advisor s (1) unaudited balance sheet as of September 30, 2006, and the related unaudited statements of income, changes in owner s deficit, and cash flows for the nine months then ended, together with the related notes thereto, (2) audited balance sheet as of December 31, 2005, and the related audited statements of

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income, changes in owner s deficit, and cash flows for the year then ended, together with the related notes thereto, and (3) unaudited balance sheets as of December 31, 2004 and 2003, and the related unaudited statements of income, changes in owner s deficit, and cash flows for the years then ended, together with the related notes thereto, in each case included elsewhere in this proxy statement.

	(thousands)	(thousands)				
	For the Nine Months Ended September 30,	For the Years Ended December 31,				
	2006	2005	2004	2003	2002	2001
Total assets	$ 912	$ 2,752	$ 3,302	$ 32,520	$ 15,975	$ 2,166
Owner s deficit	$ (6,125)	$ (5,317)	$ (6,741)	$ (1,811)	$ (2,430)	$ (4,316)
Total revenues	$ 25,157	$ 35,263	$ 36,829	$ 127,432	$ 73,687	$ 31,079
Net income	$ 9,247	$ 11,606	$ 14,314	$ 54,636	$ 29,290	$ 10,317
Cash flows from operations	$ 10,055	$ 10,182	$ 19,244	$ 54,017	$ 27,404	$ 14,633
Cash flows used in financing activities	$ (10,055)	$ (10,182)	$ (19,244)	$ (54,017)	$ (27,404)	$ (14,633)

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ADVISOR

Management s discussion and analysis of financial condition and results operations of the Advisor consists of analyses and comparisons of the operating results of the Advisor for the nine months ended September 30, 2006, and the years ended December 31, 2005, 2004 and 2003.

The following discussion and analysis of the Advisor s financial condition and results of operations should be read in conjunction with Selected Financial Data of the Advisor and the audited financial statements and notes thereto. This discussion and analysis contains certain forward-looking statements. When used in this discussion and analysis, the words may, will, expect, anticipate, continue, estimate, proje intend, believe, and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. There are various factors that could cause actual results to differ materially from those which are expressed in, or implied by such forward-looking statements. Such factors include, but are not limited to, changes in general economic conditions, changes in real estate conditions, changes in our ability to acquire and lease properties on favorable terms and changes in our ability to satisfy fees and expense reimbursements due to the Advisor. Readers of this report are cautioned to consider these uncertainties in connection with all forward-looking statements.

Overview

The Advisor provides various services to us, including acquisition services, asset and property management services and other services related to raising capital in our public equity offerings. We are considered an affiliate of the Advisor, as certain of our officers and directors also serve as officers of and/or own interests in WREAS, Wells Management or Wells Capital. The Advisor s success depends upon its ability to continue its relationship with us and therefore, ultimately, the Advisor s success is dependent on our success. Due to the Advisor s dependence on us, the general trends of real estate prices and costs will have a natural bearing on the Advisor s ability to generate revenue and cash flows.

Critical Accounting Policies

General

The discussion and analysis of the Advisor s financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with United States generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosures. These estimates are based on judgment and historical experience, and are believed to be reasonable based on current circumstances. The Advisor s management evaluates these estimates and assumptions on an ongoing basis.

While management of the Advisor does not believe that the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates under different assumptions or conditions. The following represent certain critical accounting policies that require the use of business judgment or significant estimates to be made.

Revenue Recognition

Revenues primarily include fees earned for providing asset management services and acquisition and advisory services to us. Asset management fees are earned as services are performed and are calculated as a percentage of the fair market value of all properties owned directly by us and of our interest in properties held through joint ventures. Acquisition and advisory fees are earned as we raise capital based on a percentage of gross equity proceeds raised for services related to investing those capital proceeds in real estate assets.

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In addition, the Advisor earns reimbursement income for certain general and administrative costs and organization and offering costs paid on behalf of us, subject to certain limitations. The Advisor charges us for reimbursements of administrative costs based on management s estimate of the time spent and services used by us. In the opinion of management, these allocations provide a reasonable estimate of such expenses. The Advisor earns organization and offering cost reimbursements as capital is raised equal to the lesser of 3% of gross offering proceeds or actual costs incurred.

Liquidity and Capital Resources

Management expects that the Advisor s principal source of working capital and funding for distributions to owners will be cash flow provided by operations, including amounts due from affiliates. Over the short-term, management believes that this source of capital will continue to be adequate to meet the Advisor s liquidity requirements and capital commitments. These liquidity and capital requirements and commitments primarily include operating expenses associated with the Asset Management Advisory Agreement, Acquisition Advisory Agreement and Master Property Management Agreement.

Cash Flows for the Nine Months Ended September 30, 2006

The Advisor generated operating cash flows of approximately $10.1 million during the nine months ended September 30, 2006 due to generating revenues in excess of expenses during this period as is further explained in the Results of Operations section below for this period.

Cash Flows for the Year Ended December 31, 2005

The Advisor generated operating cash flows of approximately $10.2 million during the year ended December 31, 2005 due to generating revenues in excess of expenses during this period as is further explained in the Results of Operations section below for this period.

Cash Flows for the Year Ended December 31, 2004

The Advisor generated operating cash flows of approximately $19.2 million during the year ended December 31, 2004 due to generating revenues in excess of expenses during this period as is further explained in the Results of Operations section below for this period.

Cash Flows for the Year Ended December 31, 2003

The Advisor generated operating cash flows of approximately $54.0 million during the year ended December 31, 2003 due to generating revenues in excess of expenses during this period as is further explained in the Results of Operations section below for this period.

Results of Operations

Comparison of Nine Months Ended September 30, 2006 to the Year Ended December 31, 2005

The Advisor earned total revenues of approximately $25.2 million for the nine months ended September 30, 2006, primarily related to asset and property management fees of approximately $18.1 million (or 72.1% of total revenues), salaries and benefits reimbursements of approximately $5.5 million (or 21.8% of total revenues), and acquisition and advisory fees of approximately $1.3 million (or 5.3% of total revenues). The Advisor earned total revenues of approximately $35.3 million for the year ended December 31, 2005, primarily related to asset and property management fees of approximately $22.5 million (or 63.7% of total revenues), salaries and benefits reimbursements of approximately $8.7 million (or 24.6% of total revenues), and acquisition and advisory fees of approximately $3.3 million (or 9.4% of total revenues). The percentage of total revenues represented by asset and

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property management fees increased during the nine months ended September 30, 2006, as compared to the year ended December 31, 2005, primarily as a result of eliminating acquisition and advisory fees payable in connection with sales of our common stock pursuant to our dividend reinvestment plan beginning in July 2006.

The Advisor incurred total expenses of approximately $10.1 million for the nine months ended September 30, 2006, primarily related to salaries, bonuses and benefits of approximately $7.7 million (or 75.9% of total expenses) and general and administrative expenses of approximately $2.4 million (or 24.1% of total expenses). The Advisor incurred total expenses of approximately $16.4 million for the year ended December 31, 2005, primarily related to salaries, bonuses and benefits of approximately $12.3 million (or 75.2% of total expenses) and general and administrative expenses of approximately $4.1 million (or 24.8% of total expenses). As compared to the year ended December 31, 2005, the Advisor incurred less salaries, bonuses and benefits during the nine months ended September 30, 2006 on an annualized basis, primarily as a result of declaring and paying bonuses semi-annually and, as a result, recognizing bonuses for 12 months during the year ended December 31, 2006, as compared to recognizing bonuses for six months during the nine months ended September 30, 2006.

Comparison of Year Ended December 31, 2005 to the Year Ended December 31, 2004

The Advisor s total revenues decreased from approximately $36.8 million for the year ended December 31, 2004 to approximately $35.3 million for the year ended December 31, 2005, primarily due to earning less in asset and property management fees as a result of changing the terms under which such fees are calculated from a percentage of our revenues in 2004 to a percentage of the estimated fair market value of our properties in 2005, and the decrease in the size of our portfolio following the April 2005 27-property sale.

The Advisor s total expenses increased from approximately $13.5 million for the year ended December 31, 2004 to approximately $16.4 million for the year ended December 31, 2005, primarily due to declaring and paying bonuses of approximately $3.2 million during 2005, as compared to $0 during 2004, partially offset by a decrease in salary and benefits expenses of approximately $0.4 million commensurate with the decrease in the size of our real estate portfolio following the April 2005 27-property sale.

Comparison of Year Ended December 31, 2004 to the Year Ended December 31, 2003

The Advisor s total revenues decreased from approximately $127.4 million for the year ended December 31, 2003 to approximately $36.8 million for the year ended December 31, 2004, primarily due to earning approximately $83.5 million less in acquisition and advisory fees and approximately $21.1 million less in organization and offering cost reimbursements as a result of the closing of our public equity offering at the end of 2003, partially offset by earning additional asset and property management fees of approximately $9.8 million as a result of acquiring and placing additional properties into service during 2003 and 2004.

The Advisor s total expenses decreased from approximately $38.5 million for the year ended December 31, 2003 to approximately $13.5 million for the year ended December 31, 2004, primarily due to incurring approximately $21.1 million less in organization and offering costs and approximately $3.9 million less in salaries, bonuses and benefits as a result of the closing of our public equity offering at the end of 2003.

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COMPARATIVE PER-SHARE DATA OF THE COMPANY AND THE ADVISOR

The following tabulation reflects (a) the historical net income or (loss) from continuing operations and book value per share of our common stock in comparison with the pro forma net income or (loss) from continuing operations and book value per share after giving effect to the Internalization and the property acquisitions and dispositions, as described on pages F-4 through F-7; (b) the historical net income or (loss) from continuing operations in comparison with the equivalent pro forma net income or (loss) from continuing operations and book value per share attributable to 19,546,302 shares of our common stock (the aggregate number of shares of our common stock into which the shares of common stock of WREAS and WGS will be converted in the Internalization based on the per-share price) (the Conversion Ratio); and (c) the actual cash dividends per share compared with the equivalent pro forma of the cash dividend paid based on the Conversion Ratio. The information presented in this tabulation should be read in conjunction with the pro forma consolidated financial statements and the separate financial statements of the respective companies and the notes thereto included elsewhere in this proxy statement (in thousands, except per-share amounts).

	Nine Months Ended September 30, 2006	Year Ended December 31, 2005
Wells REIT:		
Net Income		
Historical	$ 0.20	$ 0.30
Pro Forma	$ 0.21	$ 0.27
Distributions		
Historical	$ 0.44	$ 0.61
Pro Forma	$ 0.44	$ 0.61
Book Value		
Historical	$ 6.27	$ 6.41
Pro Forma	$ 6.41	$ 6.34
The Advisor:		
Net Income		
Historical	$ 4,624	$ 5,803
Pro Forma	$ 2,052	$ 2,639
Distributions		
Historical	$ 5,028	$ 5,091
Pro Forma	$ 4,300	$ 5,962
Book Value		
Historical	$ (3,063)	$ (2,659)
Pro Forma	$ 62,604	$ 61,994

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PROPOSAL I:

THE INTERNALIZATION PROPOSAL

Our Company

Wells Real Estate Investment Trust, Inc. (Wells REIT or Company) is a Maryland corporation formed on July 3, 1997, which commenced active operations on June 5, 1998 and which qualifies as a real estate investment trust (REIT) for federal income tax purposes. Substantially all of our business is conducted through our operating partnership, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership, or subsidiaries of Wells OP. Wells REIT is the sole general partner, and Wells Capital, Inc. (Wells Capital) is currently the sole limited partner of Wells OP. Wells OP owns properties directly, through wholly owned subsidiaries, through certain joint ventures with unaffiliated parties, and through certain joint ventures with real estate limited partnerships sponsored by Wells Capital. We have a controlling interest in the unaffiliated joint ventures and, accordingly, consolidate the accounts of these entities. Conversely, we do not have a controlling interest in the joint ventures with affiliates of Wells Capital and, accordingly, do not consolidate the accounts of these entities.

We engage in the acquisition and ownership of commercial real estate properties, including properties that are under construction, newly constructed, or have operating histories. Our portfolio consists primarily of high-grade office and industrial buildings leased to large corporate tenants located throughout the United States. As of September 30, 2006, all properties currently owned by us are office buildings, warehouses, and manufacturing facilities or some combination thereof; however, we are not limited to such investments.

Our stock is not listed on a national exchange. However, our articles of incorporation currently require that we begin the process of liquidating our investments and distributing the resulting proceeds to our stockholders if our shares are not listed on a national exchange or over-the-counter market by January 30, 2008. This provision of our articles of incorporation can only be amended by a vote of our stockholders.

Ownership of Wells Capital in Wells OP

Wells Capital currently owns 20,000 limited partnership units of Wells OP for which it contributed $200,000 and which constitutes 100% of the limited partner units of Wells OP outstanding at this time. Wells Capital may not sell any of these units during the period it serves as our advisor. In connection with the Internalization Transaction, Wells Capital will exchange its 20,000 limited partnership units of Wells OP for 22,339 shares of our common stock.

Interest of our officers and directors in the Advisor and certain of its Affiliates

Two of our directors, Leo F. Wells, III, our Chairman, and Douglas P. Williams, and two of our current executive officers, Mr. Williams and Randall D. Fretz, are also executive officers of Wells Capital, one of our external advisors, and Leo F. Wells, III is an executive officer of Wells Management, another of our external advisors and our property manager. Wells Capital and Wells Management are wholly-owned subsidiaries of Wells REF. Mr. Wells, who is also one of our directors, is the sole shareholder, sole director and President of Wells REF, and the President and sole director of Wells Capital and Wells Management, our external advisors and our property manager. Mr. Williams, who is also our current Executive Vice President, Secretary, Treasurer and one of our directors, is a Vice President of Wells REF and Senior Vice President of Wells Capital. Mr. Fretz, who is our current Senior Vice President, is also Vice President of Wells REF and Senior Vice President of Wells Capital. 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.

WASI, as the sole stockholder of both WREAS and WGS, will be the recipient of the Internalization Consideration in connection with this transaction. As set forth in the Formation of Wells Real Estate Advisory Services, Inc. and Assignment and Valuation of the Existing Advisory and Property Management Agreements

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section of this proxy statement, WASI was formed on December 21, 2005 by Wells Management and Wells Capital (the majority members), along with eight executives of Wells REF (the minority members), including Douglas P. Williams, our current Executive Vice President, Secretary, Treasurer and one of our directors, Randall D. Fretz, our current Senior Vice President, Donald A. Miller, CFA, our new Chief Executive Officer, President and one of our directors, and another individual currently affiliated with Wells REF who may become one of our executive officers, with each of the minority members owning an approximately 1% economic interest in WASI.

The operating agreement of WASI allocates the shares of our common stock to be received by WASI as the Internalization Consideration approximately 92% in the aggregate to Wells Management and Wells Capital and approximately 1% to each of the minority members (including Messrs. Williams, Fretz and Miller). As set forth above, both Wells Management and Wells Capital are wholly-owned subsidiaries of Wells REF, and Leo F. Wells, III, our Chairman, one of our directors and our former President, is the sole shareholder of Wells REF.

Our Existing Advisory and Property Management Agreements

We currently have three agreements pursuant to which advisory and property management services are provided to us: the Asset Management Advisory Agreement, the Acquisition Advisory Agreement, and the Master Property Management Agreement (each of which is described below).

Asset Management Advisory Agreement

We are currently a party to the Asset Management Advisory Agreement (the Asset Management Advisory Agreement), originally between us and Wells Management, which has been assigned by Wells Management to WASI and then by WASI to WREAS. Under the terms of the Asset Management Advisory Agreement, we incur asset management advisory fees payable to Wells Management for, among other things:

- serving as our investment and financial advisor;
- managing our day-to-day operations;
- formulating and implementing strategies to administer, promote, manage, operate, maintain, improve, finance and refinance, market, lease, and dispose of properties; and
- providing us certain accounting, compliance, and other administrative services.

The fees for these services are payable monthly in an amount equal to one-twelfth of 0.5% of the fair market value of all properties we own directly, plus our interest in properties held through joint ventures. This fee is reduced by (1) tenant-reimbursed property management fees paid to Wells Management, and (2) in the event that Wells Management retains an independent third-party property manager to manage one or more properties currently being managed by Wells Management, the amount of property management fees paid to such third-party property managers. At the option of Wells Management, up to 10% of such monthly fee may be paid in shares of our common stock. We incurred such fees of approximately $6.2 million and $5.3 million for the three months ended September 30, 2006 and 2005, respectively, and approximately $18.0 million and $16.5 million of such fees for the nine months ended September 30, 2006 and 2005, respectively, which are recorded as asset and property management fees-related party. We incurred such fees of $0 for the three months ended September 30, 2006 and 2005, and $0 and $0.4 million for the nine months ended September 30, 2006 and 2005, respectively, which are recorded within income from discontinued operations.

Additionally, pursuant to the Asset Management Advisory Agreement, if the Internalization is not consummated, Wells Management is entitled to earn the following disposition and incentive fees, which are similar in nature to previous agreements:

For any property we sell, a disposition fee of the lesser of 50% of a competitive real estate commission or 3.0% of the sales price of the property, subordinated to the payment of distributions to stockholders equal to the sum of the stockholders invested capital plus an 8% return on invested capital;

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Incentive fee of 10% of net sales proceeds remaining after stockholders have received distributions equal to the sum of the stockholders invested capital plus an 8% return on invested capital; or

Listing fee of 10% of the excess by which the market value of our common stock plus distributions paid prior to listing exceeds the sum of 100% of the stockholders invested capital plus an 8% return on invested capital.

We incurred no disposition, incentive, or listing fees during the nine months ended September 30, 2006. However, on February 21, 2005, our Board approved a subordinated disposition fee of 0.33% of the gross sale price of the properties sold as part of the April 2005 27-property sale to be paid to Wells Management as a result of the closing of this transaction. Since the above conditions have not been met at this time, this fee was not paid at the closing of the property sale and will be paid only in the event and at the time that the conditions are met.

The Asset Management Advisory Agreement has a one-year term and automatically renews unless either side gives notice of its intent to not renew. In addition, either party may terminate the Asset Management Advisory Agreement upon 60 days written notice. If we terminate the Asset Management Advisory Agreement, we are required to pay Wells Management a subordinated performance fee. In such event, the subordinated performance fee that we would be required to pay to Wells Management is equal to (1) 10% of the amount, if any, by which (a) the appraised value of our properties at the termination date, less the amount of all indebtedness secured by such properties, plus total dividends distributed to our stockholders through the termination date, exceeds the sum of (b) all of the capital the stockholders have invested in our common stock, plus the amount that would be required to be paid to the stockholders to provide an annualized, non-cumulative return of 8.0% from inception through the termination date, less (2) any prior payments to Wells Management of its subordinated share of net sales proceeds.

Acquisition Advisory Agreement

We are currently a party to the Acquisition Advisory Agreement, originally between us and Wells Capital, which has been assigned by Wells Capital to WASI and then by WASI to WREAS. Under the terms of the Acquisition Advisory Agreement, we are obligated to pay a fee to Wells Capital for services relating to, among other things, capital-raising functions; the investigation, selection, and acquisition of properties; and certain transfer agent and stockholder communication functions. The fee payable to Wells Capital under the Acquisition Advisory Agreement is 3.5% of aggregate gross proceeds raised from the sale of our shares, exclusive of proceeds received from our dividend reinvestment plan used to fund repurchases of shares of common stock pursuant to our share redemption program. On November 15, 2005, our Board approved an amendment to the dividend reinvestment plan to, among other things, eliminate acquisition and advisory fees on shares sold under this plan beginning in September 2006. We incurred the following acquisition and advisory fees and reimbursement of acquisition expenses for the three months and nine months ended September 31, 2006 and 2005, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
Acquisition and advisory fees and reimbursement of acquisition expenses:	**$ 0**	$ 562	**$ 1,328**	$ 2,149

Master Property Management Agreement

We are currently a party to the Master Property Management, Leasing, and Construction Management Agreement (the Master Property Management Agreement), originally between us and Wells Management, which has been assigned by Wells Management to WASI and then by WASI to WREAS. Under the Master Property Management Agreement, we retained Wells Management to manage, coordinate the leasing of, and manage construction activities related to certain of our properties. Any amounts currently paid under the Master

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Property Management Agreement for properties that were managed by Wells Management under its prior Asset/Master Property Management Agreement (the Existing Portfolio Properties) have the economic effect of reducing amounts payable for asset advisory services by crediting such amounts against amounts otherwise due under the Asset Management Advisory Agreement with respect to such properties. Management and leasing fees payable to Wells Management for properties to be acquired in the future are required to be specified in an amendment to the Master Property Management Agreement, which must be approved by our Board and will be payable in addition to fees payable pursuant to the Asset Management Advisory Agreement. Our current fees for the management and leasing of our properties, other than Existing Portfolio Properties, are generally consistent with the descriptions set forth below:

For properties for which Wells Management will provide property management services, we anticipate that we will pay Wells Management a market-based property management fee generally based on gross monthly income of the property.

For properties for which Wells Management provides leasing agent services, we anticipate that we will pay (1) a one-time initial lease-up fee in an amount not to exceed one-month s rent for the initial rent-up of a newly constructed building; (2) a market-based commission based on the net rent payable during the term of a new lease (not to exceed ten years); (3) a market-based commission based on the net rent payable during the term of any renewal or extension of any tenant lease; and (4) a market-based commission based on the net rent payable with respect to expansion space for the remaining portion of the initial lease term.

For properties for which Wells Management provides construction management services, we anticipate that we will pay (1) for planning and coordinating the construction of tenant-directed improvements, that portion of lease concessions for tenant-directed improvements as is specified in the lease or lease renewal, subject to a limit of 5% of such lease concessions; and (2) for other construction management services, a construction management fee to be determined and agreed to in an appropriate contract amendment.

The Master Property Management Agreement has a one-year term and automatically renews unless either party gives notice of its intent not to renew. In addition, either party may terminate the Master Property Management Agreement upon 60 days written notice.

Under the Asset Management Advisory Agreement, the Acquisition Advisory Agreement and the Master Property Management Agreement, we are required to reimburse each service provider for various costs and expenses incurred in connection with the performance of its duties under such agreements, including reasonable wages and salaries and other employee related expenses such as taxes, insurance and benefits, of employees of the service provider who are directly engaged in providing services for or on behalf of Wells REIT. Under these agreements, reimbursements for such employee related expenses are capped at $8,240,000 in the aggregate during any fiscal year, unless otherwise approved by a majority of our Independent Directors.

In addition, 13 office buildings currently owned by us which are located in the Washington, D.C. area, many of which are leased primarily to government tenants, are currently being managed by WGS pursuant to separate property management agreements between WGS and us or our wholly-owned subsidiaries owning such properties. Such property management agreements provide for property management fees payable to WGS ranging from 0.9% to 1.8% of gross rental income. WGS also manages one property in Washington, D.C. area that is owned by Wells REIT II.

Property Management Offices

While Wells Management maintains its principal office in Atlanta, Georgia, Wells Management and WGS also currently operate property management offices in Minneapolis, Tampa, Detroit, Dallas and Washington, D.C., out of which they currently manage properties owned by us as well as properties owned by other Wells

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REF affiliates. Although we are still in the process of hiring additional personnel and assuming property management of additional properties, a summary of the current operations of each of such offices is as follows:

Property Management Office	Number of Employees	Total Number of Properties Managed	Number of Properties Owned by Us
Minneapolis	9	10	3
Tampa	3	8	3
Detroit	1	6	5
Dallas	2	1	1
Washington, D.C.	10	14	13

Pursuant to the terms of the Definitive Merger Agreement, we will acquire the property management offices listed above as part of the Internalization Transaction. In addition, Wells Management s business strategy is to continue to open additional property management offices in various cities around the country to provide property management services for us, certain Wells REF affiliates, and potentially other unaffiliated property owners. Wells Management intends to open additional property management offices in Los Angeles and Chicago prior to the Closing, and under the Definitive Merger Agreement we will also acquire those offices as part of the Internalization Transaction.

In addition, it is anticipated that Wells Management will retain or establish property management offices in certain cities or regions where we will not initially have property management offices, out of which we anticipate that Wells Management will at least initially manage certain of our properties. See Internalization Proposal Description of the Internalization Transaction Acquisition of Property Management Offices and Property Management Agreements.

Formation of Wells Real Estate Advisory Services, Inc. and Assignment and Valuation of the Existing Advisory and Property Management Agreements

WREAS was incorporated on December 30, 2004 as a wholly-owned subsidiary of Wells Management. On December 21, 2005, Wells Management and Wells Capital, along with eight executives of Wells REF, including Douglas P. Williams, our current Executive Vice President, Secretary, Treasurer and one of our directors, Randall D. Fretz, our current Senior Vice President, Donald A. Miller, CFA, our new Chief Executive Officer and President and one of our directors, and five other executives of Wells REF, formed WASI, a Georgia limited liability company. As their initial capital contributions, Wells Management contributed and assigned to WASI its interest in the Asset Management Advisory Agreement and all of the issued and outstanding common stock of WREAS, resulting in WREAS becoming a wholly-owned subsidiary of WASI; Wells Capital contributed and assigned to WASI its interest in the Acquisition Advisory Agreement; and each of the eight executives of Wells REF made cash capital contributions to WASI. Subsequently, Wells Management made an additional capital contribution by assigning its interest in the Master Property Management Agreement to WASI. Following these assignments, the payments we made under these three contracts were made to WASI, although Wells REF and its affiliates continued to provide certain of the services required under the contracts pursuant to the terms of certain support service agreements.

As a part of determining the relative values of the capital contributions made by Wells Management, Wells Capital and the eight executives of Wells REF (the minority members) to WASI, Wells REF, the parent company of Wells Management and Wells Capital, engaged an independent third party to determine the estimated fair market values of the Asset Management Advisory Agreement, the Acquisition Advisory Agreement and the Master Property Management Agreement as of the date such contracts were contributed to WASI to be used solely for such purposes. The valuation estimated the fair market value of each such contract using a discounted cash flow income approach commonly utilized in estimating the fair market value of intangible assets. As such, the valuation projected the after-tax cash flows associated with each of the contracts over an assumed finite period of time. In addition, different potential disposition scenarios including the

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continued existence of the contracts, the termination of the various contracts as a result of an orderly liquidation of our assets, and a Listing of our common stock were analyzed and probability weighted by management of Wells REF. Based upon such procedures, the estimated fair market values of the Asset Management Advisory Agreement, the Acquisition Advisory Agreement and the Master Property Management Agreement were determined to be $71,734,000, $3,942,000 and $1,762,000, respectively, as of their applicable assignment dates, with the aggregate value of all three of the contracts totaling approximately $77.5 million. Discounts for lack of marketability, lack of control, and uncertainties resulting from the subordination of the economic interests of the minority members and Wells Capital were then applied to the valuations, and the proportionate percentage of equity attributable to Wells Management, Wells Capital and the minority members was calculated and agreed to by the members of WASI. Subsequently, WASI assigned its interests in the Asset Management Advisory Agreement, the Acquisition Advisory Agreement and the Master Property Management Agreement to its wholly-owned subsidiary, WREAS. For a description of the allocation of the shares of our common stock to be received by WASI as a result of the Internalization Transaction under WASI s operating agreement, please see Proposal I The Internalization Proposal Our Company Interest of our officers and directors in the Advisor and certain of its Affiliates.

Reasons for Internalization and Potential Listing

Because at the time we commenced operations in 1998 the size and scope of our business operations were insufficient to support the overhead costs associated with a self-advised structure, we contracted with the Advisor to provide all personnel, accounting, administrative and other support services and resources necessary for our business operations. Since then, we have grown rapidly, however, and now have over $5 billion in assets based upon the most recent valuation of our real estate portfolio. Based upon our current size and the scope of our operations, we believe that we now comfortably exceed the critical mass required to support a self-advised structure. If we consummate the Internalization, we will acquire certain of the employees of the Advisor who have been, and are expected to continue to be, instrumental in our growth and continued operations. We believe the Internalization will provide us with an experienced management team with industry expertise, management capabilities and a unique knowledge of our assets and business strategies.

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:

- That an Internalization Transaction would be accretive over time to our earnings per share and our 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. No assurances can be given, however, that any such accretion in our earnings per share or FFO per share would actually occur;

- That establishing an internal management team which would be fully dedicated and solely focused on our operations and strategic plans would enhance stockholder value;

- That, if the Board determines that a Listing is in our best interests, a self-advised or internally advised management structure would better position 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 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

- That an internalized management structure may have a positive impact on the retention of key management personnel, as we anticipate that our key management personnel will have an equity stake in our Company.

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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 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.

Notwithstanding corporate governance mechanisms implemented to resolve potential conflicts of interest and protect our stockholders, we believe there may be a negative perception of externally-advised Listed REITs in the marketplace. We believe that the relationship between externally-advised REITs and their outside advisors is susceptible to, or is at least generally viewed as susceptible to, conflicts of interest, many of which can be avoided by being self-advised.

In addition, we believe that remaining externally-advised could have a negative effect on the price of our common stock in the future in the event we become Listed. As a result, we believe the internalization of the Advisor through the Internalization in advance of a potential Listing is an important step in the process of becoming a Listed REIT.

We have made approval of the Internalization Proposal a condition to closing under the Definitive Merger Agreement. We are seeking your approval of the Internalization Proposal because we believe it is appropriate to request our stockholders to approve the Internalization Proposal in light of the importance of the Internalization and because our executive officers and certain of our directors have material financial interests in the Internalization.

For additional reasons why the Internalization has been proposed, please see Negotiation of the Internalization Transaction and Recommendations of the Special Committee and Our Board of Directors below.

Negotiation of the Internalization Transaction

As set forth above, our articles of incorporation require that, unless we become a Listed REIT by January 30, 2008, we must commence the process of liquidating our properties. Accordingly, from time to time, our Board has discussed and considered various strategic alternatives, including potentially continuing as a going concern under our current business plan, a potential liquidation of our assets either through a sale of the Company or through a sale of our individual properties, and the possibility of a potential Listing of our common stock. While we believe that our externally advised structure was appropriate for our original operations, we

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believe that we comfortably exceed the critical mass required to support a self-advised structure and that such a structure is more common for a Listed REIT, and therefore, our Board discussed the possibility of internalizing certain of the property management and advisory operations currently being provided to us by Wells REF and its affiliates into our operations as it would better position us for a possible Listing and provide the other benefits described above.

In connection with such discussions, in December of 2004, Robert A. Stanger & Co., Inc. (Stanger), an investment banking firm specializing in providing financial advisory services to REITs and other real estate companies, provided the Board an overview of internalization transactions, including a review of prior transactions and alternative structures of a potential internalization.

In order to further facilitate its consideration of our strategic alternatives, our Board appointed a special committee (the Special Committee) consisting of Messrs. W. Wayne Woody, Michael R. Buchanan, Richard W. Carpenter and William H. Keogler, Jr., each of whom is an Independent Director, to evaluate and investigate certain strategic alternatives available to us, including, among other things, potentially becoming internally advised via the acquisition of the real estate acquisition, disposition, property and asset management and support businesses (the Management Businesses) currently conducted and provided to us by the Advisor and its affiliates (the Internalization Transaction), to consider and negotiate the terms of any such transaction, and to make a recommendation to our Board on whether to pursue any such transaction. Mr. Woody was appointed as the Chairman of the Special Committee, and Rogers & Hardin LLP (Rogers & Hardin) was retained as legal counsel to the Special Committee.

In January 2005 and February 2005, the Special Committee met and discussed, with input from representatives of Rogers & Hardin, the process by which the Special Committee would evaluate and investigate the strategic alternatives available to us, the legal duties of the Special Committee, and the issues which the Special Committee should address in connection with such an evaluation and investigation. The Special Committee also discussed generally a possible Internalization Transaction, including the possible benefits and disadvantages to us, the various executive, administrative, financial and other functions that might be included in such a transaction, as well strategic alternatives to such a transaction. Further, the Special Committee discussed its need for a financial advisor in connection with evaluating these issues.

During these discussions, the Special Committee determined that it would be beneficial to its evaluation and investigation of a potential Internalization Transaction to obtain from Wells REF certain preliminary information regarding its views of such a transaction. The Special Committee requested such information from Wells REF and Stanger was engaged by the Advisor to assist in responding to the Special Committee s requests regarding the structuring of possible functions and services to be internalized, the methods of formulating pro forma financial statements reflecting such internalized structure and the methods of valuing management companies. At a meeting of the Special Committee on July 18, 2005, Wells REF s management presented to the Special Committee information regarding Wells REF s view of the basic terms of a potential Internalization Transaction, including the management, financial and other functions that Wells REF would propose to internalize, its proposed organizational structure for us following such a transaction, and the potential financial benefits to us as a result of such a transaction, including the potential cost savings and projected financial benefits.

On August 30, 2005, at the request of the Special Committee, Stanger presented to the Special Committee an overview of current real estate market conditions and certain of the strategic alternatives available to us, including potentially maintaining the status quo, a potential liquidation of our assets and a possible Internalization Transaction and potential subsequent Listing. Stanger s presentation included a discussion of the possible strategic alternatives, certain potential advantages and disadvantages of such alternatives, a preliminary review of the financial impact on us and our stockholders of such alternatives and information regarding the experiences of other comparable REITs with respect to internalization and other alternatives.

Following this presentation, the Special Committee had discussions and determined to engage Stanger as the Special Committee s financial advisor, subject to reaching an agreement with Stanger regarding its fees and the

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services to be provided by Stanger. Following this meeting, the Special Committee, with input from its legal counsel, negotiated with Stanger with respect to the services to be provided by Stanger in its capacity as the financial advisor to the Special Committee and Stanger s compensation for such services.

At a meeting held on September 23, 2005, representatives of Stanger presented to our Board a summary of Stanger s proposed services and compensation. At such meeting, our Board authorized the Special Committee to retain Stanger as a financial advisor to the Special Committee. Thereafter, we entered into an agreement with Stanger to act as a financial advisor to the Special Committee in connection with evaluating the strategic alternatives available to us, including, among other things, continuing as a going concern under our then current business plan, a liquidation of assets and a potential Internalization Transaction and potential subsequent Listing, and providing financial advisory services with respect to the evaluation and, if appropriate, negotiation of a potential Internalization Transaction.

From October 2005 through March 2006, at the direction of the Special Committee, representatives of Stanger requested additional information from Wells REF regarding a proposed Internalization Transaction, including information with respect to structure, personnel and finances. From time to time during this period, representatives of Stanger met with Wells REF s management to discuss the information requested and the materials provided by Wells REF in response to such requests. During this time, representatives of Stanger also updated the Special Committee regarding their discussions with Wells REF s management and discussed with the Special Committee the information Stanger had received from Wells REF and Stanger s analysis of such information, including that certain additional aspects of a proposed Internalization Transaction needed to be addressed by Wells REF. Based on the information provided by Wells REF, Stanger s analysis of such information and a commitment by the management of Wells REF to address the additional aspects of a potential transaction identified by Stanger, the Special Committee requested that Wells REF submit to the Special Committee a formal proposal for an Internalization Transaction.

On April 3, 2006, in response to the request from the Special Committee, Wells REF submitted a detailed proposal (the Initial Proposal) to the Special Committee regarding a proposed Internalization Transaction which included, among other things, a description of the core services of the Management Businesses and the positions necessary to fulfill the core services to be offered in the transaction, projected financial benefits and opportunities for value to us resulting from the transaction, a description of the proposed services that would continue to be provided by Wells REF and its affiliates after a transaction via service agreements, and the proposed consideration for the internalized management structure. The consideration for the acquisition of the Management Businesses which would result in an internalized management structure proposed by Wells REF in the Initial Proposal was 31,600,000 shares of the Company s common stock (approximately $275 million in value at a proposed estimated share value of $8.70 per share).

On April 7, 2006, the Special Committee met and discussed with representatives of Stanger and representatives from Rogers & Hardin the Initial Proposal and requested that Stanger conduct an analysis of such proposal on behalf of the Special Committee.

On May 17, 2006, at a meeting of the Special Committee, representatives of Stanger presented to the Special Committee Stanger s preliminary analysis of the Initial Proposal, including its analysis of the strategic alternatives available to us, the functional capabilities and staffing provisions contained in the Initial Proposal, the proposed consideration to be paid by us and the projected 2007 pro forma earnings contribution from the Management Business assuming completion of the proposed Internalization Transaction (the Projected Earnings) as contemplated by the Initial Proposal. Representatives of Stanger also presented to the Special Committee Stanger s proposed revisions to certain of the financial terms of the Initial Proposal. The Special Committee, with input from representatives of Stanger and Rogers & Hardin, discussed the terms of the Initial Proposal, including Stanger s analysis and proposed revisions, and the possible responses to the Initial Proposal. After such discussions, and based upon the input from and further due diligence to be conducted by Stanger, the Special Committee determined that it would obtain further information from Wells REF and then develop a formal response to the Initial Proposal.

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In June and July 2006, at the direction of the Special Committee, Stanger requested further financial information from Wells REF and discussed with the management of Wells REF the terms of the Initial Proposal, Stanger s analysis of the Initial Proposal and other alternatives available to us. During this period, the Special Committee met on June 26, 2006 and July 10, 17 and 18, 2006. At these meetings, representatives of Stanger updated the Special Committee regarding their discussions with the management of Wells REF and Stanger s analysis of additional information provided to Stanger by Wells REF. The Special Committee, with input from representatives of Stanger and Rogers & Hardin, discussed the issues raised by the Initial Proposal and discussed and formulated a proposed response to the Initial Proposal.

At the July 18, 2006 meeting, the Special Committee, together with representatives of Stanger and Rogers & Hardin, met with the other Independent Directors and discussed the status and process of negotiations with Wells REF, the issues identified by the Special Committee regarding the Initial Proposal and the Special Committee s intended response to the Initial Proposal. Following this meeting, the Chairman of the Special Committee and a representative of Stanger met with Mr. Wells and outlined the Special Committee s response to the Initial Proposal. Mr. Wells requested that the Special Committee respond to the Initial Proposal in writing.

On July 24, 2006, the Special Committee submitted a written response to the Initial Proposal and advised Wells REF that it was prepared to recommend that our Board continue consideration of an internalization strategy in an effort to determine if a mutually acceptable transaction structure could be formulated for the acquisition of certain advisory, management and service capabilities from the Advisor at an anticipated price range of between $140 million and $160 million, to be paid primarily in the form of shares of our common stock, based on certain conditions, including (1) confirmation by an independent accounting firm of the projected increase in our earnings in the first year following an Internalization Transaction; (2) substantial completion by Wells REF of its business plan to establish property management capabilities and assume property management functions for certain properties which were then being conducted by third-party property managers; (3) Wells REF s agreement to allow Donald A. Miller, CFA, to become an employee of the Company and to negotiate and enter into a mutually acceptable multi-year employment agreement with the Company to serve as our Chief Executive Officer and President; (4) the identification of other key executives and personnel to be transferred to the Company as part of the Internalization Transactions; (5) reaching agreement on the terms under which Wells REF would provide certain transition and support services to the Company following the Internalization Transaction; and (6) consideration of the Company s growth strategies in the event an Internalization Transaction was pursued and consummated.

On July 28, 2006, Wells REF submitted its response to Special Committee s July 24, 2006 letter and advised the Special Committee: (1) that Wells REF was ready to work with the Special Committee s independent accounting firm with regard to its review of the Projected Earnings; (2) that it understood the necessity of providing a substantially complete business plan to establish property management capabilities and assume property management functions for certain properties which were then being managed by third-party property managers, consistent with the Projected Earnings; (3) that it would agree to Mr. Miller becoming an employee of the Company, who it was anticipated would enter into a mutually acceptable multi-year employment agreement with the Company to serve as the Company s Chief Executive Officer and President; (4) that it agreed to cooperate with us in identifying other key executives and personnel; (5) that it agreed to provide additional detail regarding the transition and support services to the Company; (6) that it offered to assist with the review and consideration of growth strategies for us following the Internalization; and (7) that it was proposing a price in the range of $230 million to $245 million dollars as consideration for the acquisition of the Management Businesses.

At a meeting of the Special Committee on August 1, 2006, the Special Committee, with input from representatives of Stanger and Rogers & Hardin, reviewed and discussed the terms of Wells REF s July 28, 2006 letter. The Special Committee determined that, although Wells REF s July 28, 2006 letter reflected constructive steps by Wells REF with regard to the pricing and non-financial concerns of the Special Committee, the difference in the price range proposed by Wells REF and the price range supported by the Special Committee s analysis created doubt as to whether an agreement with respect to the proposed Internalization Transaction could be achieved.

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In a letter to Wells REF dated August 1, 2006, the Special Committee advised Wells REF that the Special Committee was not able to accept the price of $230 million to $245 million proposed by Wells REF in its July 28, 2006 letter. On August 8, 2006, Wells REF responded to the Special Committee s August 1, 2006 letter by proposing a price of $195 million for the Management Businesses in connection with the proposed Internalization Transaction after studying the options available to maximize both the return and the flexibility to our stockholders and in an attempt to move discussions forward.

At a meeting of the Special Committee on August 17, 2006, the Special Committee, with input from representatives of Stanger and Rogers & Hardin, reviewed and discussed the terms of Wells REF s August 8, 2006 letter, which included a discussion of the Projected Earnings, and formulated the Special Committee s response to such letter. The Special Committee also discussed the need to have the calculation of the Projected Earnings evaluated and tested as a condition of any Internalization Transaction. Furthermore, the Special Committee discussed the possibility of retaining an executive compensation consultant to advise the Special Committee with respect to compensation issues relating to the employment and retention of personnel by us relating to such a transaction.

On August 23, 2006, the Special Committee submitted a response to Wells REF s August 8, 2006 letter increasing the anticipated range of consideration for continuing negotiations of an Internalization Transaction to between $150 million and $168 million, conditioned upon, among other things, the verification of the Projected Earnings, substantial completion of the establishment of certain property management offices prior to the Closing of the Internalization, the satisfactory resolution of transition and support services agreements, the identification of key executives and other personnel to be transferred to the Company and related issues.

Between August 23, 2006 and September 1, 2006, representatives of Stanger and management of Wells REF had several telephone conferences in which they continued to discuss the unresolved terms of the proposed transaction.

At a meeting of the Special Committee held on August 25, 2006, the Special Committee, with input from representatives of Stanger and Rogers & Hardin, discussed the negotiations with Wells REF and alternatives to the proposed Internalization Transaction.

In response to the Special Committee s letter dated August 23, 2006, Wells REF responded in a letter to the Special Committee dated September 1, 2006, in which it advised the Special Committee, among other things, that it was having difficulty evaluating and responding to proposed consideration presented as a range of consideration, and the letter also identified timeframes in which Wells REF anticipated opening additional property management offices. The letter also presented Wells REF s assessment of favorable conditions in the public real estate market and the advantages of a potential Listing, and identified certain growth opportunities for us.

At a meeting of the Special Committee held on September 12, 2006, the Special Committee, with input from representatives of Stanger and Rogers & Hardin, reviewed and discussed the terms of Wells REF s September 1, 2006 letter and formulated the Special Committee s response to such letter.

On September 13, 2006, the Special Committee responded to Wells REF s letter and proposed consideration for the acquisition of the Management Businesses in an Internalization Transaction of $160 million, conditioned upon, among other things, the verification by our independent accounting firm of the Projected Earnings, substantial completion of the establishment of property management offices, the identification of key executives anticipated to be included in a transaction and the determination of the number of shares to be issued in a proposed Internalization Transaction to be based upon the Company s most current net asset value per share as of the closing date of an Internalization Transaction.

At a meeting of the Special Committee held on September 14, 2006, the Special Committee discussed with representatives of Stanger their recent conversations with the management of Wells REF regarding the letter

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from the Special Committee dated September 13, 2006. The Special Committee also discussed, with input from representatives of Stanger and Rogers & Hardin, how to proceed with the negotiations with Wells REF.

On September 19, 2006, Wells REF responded to the Special Committee s September 13, 2006 letter in a letter in which Wells REF proposed $192 million as consideration for the Internalization Transaction, with the shares of our common stock to be issued in the proposed Internalization Transaction to be valued at the Company s then current estimated net asset value per share of $8.70. The letter also noted that the Projected Earnings did not include certain potential contributions to our earnings as a result of implementing certain growth strategies following an Internalization Transaction. Wells REF also agreed that any support services would be provided to us following an Internalization Transaction at the lesser of the costs incurred by Wells REF or at prices charged for comparable-level services by independent third parties.

At a meeting of the Special Committee held on September 26, 2006 to consider Wells REF s September 19, 2006 letter, the Special Committee, with input from representatives of Stanger and Rogers & Hardin, discussed (1) the method of determining the Projected Earnings; (2) the effect of certain property appraisals of the Company s real estate assets, which were currently being conducted, on the Company s estimated net asset value and the calculation of the number of shares to be issued in the proposed Internalization Transaction; and (3) the possibility of holding a number of shares of our common stock constituting a portion of the purchase price in escrow to be returned to the Company in the event that the property management revenues included in the Projected Earnings were not realized. Based on these discussions, the Special Committee determined to increase the proposed consideration for the Internalization Transaction to $170 million. At the request of the Special Committee, the remaining Independent Directors joined the meeting, and the Special Committee, with input from representatives of Stanger and Rogers & Hardin, updated the Independent Directors regarding the status of the negotiations and the financial due diligence review being conducted by Stanger.

On September 27, 2006 representatives of Stanger met with representatives of Wells REF to obtain clarification of certain aspects of Wells REF s response of September 19, and to continue negotiations of certain additional terms of the proposed Internalization Transaction, including the potential escrow of a portion of the consideration to be paid in a transaction.

On October 4, 2006, the Special Committee responded to Wells REF s September 19, 2006 letter in a letter to Wells REF in which the Special Committee, among other things, proposed consideration for acquisition of the Management Businesses in the Internalization Transaction of $170 million, proposed that the form of consideration be shares of our common stock valued at the estimated net asset value per share based upon the updated 2006 property appraisals, and proposed that, upon the closing of the Internalization Transaction, shares of our common stock be escrowed relating to property management revenues included in the Projected Earnings for properties not managed by us as of the closing that are anticipated to be managed by us prior to December 31, 2007.

On October 6, 2006, Wells REF responded to the Special Committee s October 4, 2006 letter by accepting the proposals of the Special Committee with respect to the form of consideration, the valuation of the shares to be issued, and the concept of escrowing shares at closing. In addition, Wells REF proposed consideration for the acquisition of the Management Businesses in the Internalization Transaction in the amount of $180 million.

Following October 6, 2006, various discussions were held among representatives of Stanger and the management of Wells REF concerning the proposed consideration for the Internalization Transaction and other proposed terms of such transaction.

At a meeting of the Special Committee held on October 10, 2006, the Special Committee, with input from representatives of Stanger and Rogers & Hardin, reviewed and discussed the terms of Wells REF s October 6, 2006 letter, Stanger s subsequent conversations with the management of Wells REF, the progress of the negotiations and the unresolved issues relating to the proposed Internalization Transaction. Based on these

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discussions, the Special Committee determined not to increase the proposed consideration for the Internalization Transaction from $170 million and instructed representatives of Stanger to advise the management of Wells REF of this determination.

At a meeting of the Special Committee held on October 12, 2006, representatives of Stanger updated the Special Committee concerning their conversations with the management of Wells REF regarding the Special Committee s determination not to increase the proposed consideration for the Management Businesses in the Internalization Transaction from $170 million and conveyed that the management of Wells REF had indicated to Stanger that Wells REF would be willing to reduce the proposed consideration for the Management Businesses in the Internalization Transaction to $175 million. The Special Committee then discussed, with input from representatives of Stanger and Rogers & Hardin, the consideration for the Management Businesses in the Internalization Transaction of $170 million proposed by the Special Committee and $175 million proposed by Wells REF, the concessions made by Wells REF during the negotiations, the Projected Earnings, the escrow of a portion of the shares to be issued in a transaction, and the additional issues to be negotiated in connection with the preparation of the definitive agreements. Based upon the foregoing, the Special Committee agreed that its Chairman should contact management of Wells REF to confirm that Wells REF would agree to consideration of $175 million and, if so, to advise Wells REF that the Special Committee was prepared to negotiate definitive agreements for the Internalization Transaction based on consideration of $175 million and the other conditions previously agreed to by Wells REF.

On October 13, 2006, the Chairman of the Special Committee spoke with management of Wells REF who confirmed Wells REF s agreement to consideration of $175 million for the Management Businesses in the Internalization Transaction and requested that the Special Committee provide a letter to Wells REF to that effect.

As a result, the Special Committee sent a letter to Wells REF on October 19, 2006 confirming the understanding of the Special Committee that the consideration to be paid to Wells REF in connection with the acquisition of the Management Businesses in a potential Internalization Transaction would be $175 million and confirming that the Special Committee was prepared to move forward in the negotiation of a proposed transaction subject to a number of conditions, including the negotiation of an employment agreement with Mr. Miller to serve as our Chief Executive Officer and President, the identification of other key employees acceptable to us anticipated to be included in the transaction, the performance by our independent accounting firm of certain agreed-upon procedures associated with certain historical financial data of the Advisor to assist the Special Committee in evaluating the Projected Earnings, the negotiation of an acceptable definitive merger agreement between Wells REF and the Company and a final decision by the Special Committee and our Board as to whether to proceed with an Internalization Transaction.

On October 24, 2006, Wells REF submitted a letter to the Special Committee in response to its October 19, 2006 letter confirming Wells REF s acceptance of the proposed consideration of $175 million for the Internalization Transaction and identifying remaining open issues including: (1) negotiation of an employment agreement with Donald A. Miller, CFA; (2) identifying a candidate for Chief Financial Officer; (3) completing due diligence; (4) documentation of the Definitive Merger Agreement; (5) review of the Projected Earnings by our accountants and other financial due diligence; and (6) negotiation of the support services agreements.

On November 1, 2006, representatives of Wells REF, Stanger, the Company s accountants, and the Special Committee s, the Company s, and Wells REF s respective legal counsel met to discuss the process relating to (1) negotiation of definitive agreements; (2) completion of legal, financial and accounting due diligence; (3) the status of the property appraisals; (4) preparation of the necessary financial statements; and (5) other matters necessary to complete the negotiation of the Internalization Transaction.

During November 2006, the Special Committee met four times. At these meetings, the Special Committee discussed hiring an investment banking firm to render a fairness opinion with respect to the Internalization Transaction, interviewed and reviewed presentations from four investment banking firms regarding their

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experience and qualifications in transactions such as the Internalization Transaction, and determined to engage Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (Houlihan Lokey) to render such opinion. The Special Committee, with the assistance of Rogers & Hardin, negotiated the terms of an engagement letter with representatives of Houlihan Lokey and, on December 9, 2006, engaged Houlihan Lokey to evaluate the fairness of the Internalization Transaction and render a fairness opinion with respect to the Internalization Transaction.

The Special Committee further discussed hiring a compensation consultant in connection with evaluating the compensation issues associated with the Internalization Transaction, including the negotiation of an employment agreement with Mr. Miller to serve as our Chief Executive Officer and President. With the assistance of representatives of Stanger, on November 7, 2006, the Special Committee engaged FPL Associates as the Special Committee s compensation consultant.

Also during November 2006, Rogers & Hardin prepared a draft of the Definitive Merger Agreement based on discussions with the Special Committee during their November meetings and input from Stanger. On November 17, 2006, Rogers & Hardin provided a draft of the Definitive Merger Agreement to Wells REF s counsel. Thereafter through January 15, 2007, there ensued a series of meetings, negotiations and telephone calls between Rogers & Hardin and counsel for Wells REF negotiating the terms of the Definitive Merger Agreement and the ancillary documents.

During November and December 2006, representatives of Stanger participated in numerous conference calls and meetings with Wells REF s management regarding, among other things, the status of the property appraisals, the determination of the revised estimated net asset value based upon such appraisals, Stanger s review of the Projected Earnings and other due diligence matters. In addition, during said time period, representatives of Rogers & Hardin conducted legal due diligence.

On December 11, 2006, management of Wells REF informed Mr. Woody and representatives of Stanger that Wells REF had determined there was a difference of opinion regarding the method of determining the Projected Earnings. On December 12, 2006, at a meeting of the Special Committee, the Special Committee agreed that it was the position of the Special Committee that, upon the consummation of the proposed Internalization Transaction, the Company was to have fully functioning management and advisory capabilities, including having all requisite personnel necessary to manage our business, and that the calculation of the Projected Earnings should reflect all expenses associated with operating the Company in such a manner. The Special Committee then sent a letter to Wells REF to that effect. The following day Wells REF s management met with members of the Special Committee and advised the Special Committee that Wells REF accepted the positions outlined by the Special Committee.

Also, in December 2006, the Special Committee, with the assistance of Stanger, retained Ernst & Young LLP (Ernst & Young) to perform certain agreed-upon procedures with respect to reviewing the historical financial data of the Advisor to assist the Special Committee in testing and evaluating the Projected Earnings. During the end of December 2006 and the beginning of January 2007, Ernst & Young performed its procedures with respect to its engagement. On January 26, 2007, Ernst & Young delivered its report to the Special Committee which set forth the results of Ernst & Young s performance of the agreed-upon procedures.

The Special Committee also met on December 8 and 21, 2006 and January 9, 2007 to discuss the Internalization Transaction and the Definitive Merger Agreement and ancillary documents. At such meetings, representatives of Rogers & Hardin discussed with the Special Committee the terms and conditions of the recent drafts of the Definitive Merger Agreement and ancillary documents, along with counterproposals made by Wells REF on various provisions of the Definitive Merger Agreement and the ancillary documents. In addition, at such meetings, representatives of Stanger summarized the status of the financial and other due diligence being conducted on behalf of the Special Committee and discussed, among other things, its review of the property appraisals and the related estimated net asset value determination and its review of the Projected Earnings.

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During this period, the Special Committee, along with the Special Committee s compensation consultant, began negotiations with Mr. Miller on the terms of his employment agreement with us as our new Chief Executive Officer and President.

On January 15, 2007, the Special Committee, together with the other Independent Directors, held a series of meetings at which representatives of Stanger and Rogers & Hardin updated the Independent Directors with respect to the terms of the proposed Definitive Merger Agreement and the ancillary documents and discussed the unresolved issues relating to the transaction. Stanger also provided an update with respect to its financial due diligence involving the Advisor, and Stanger s review of the Projected Earnings. During the course of the day on January 15, 2007, the Special Committee, through representatives of Rogers & Hardin, negotiated with Wells REF and its counsel the resolution of a substantial portion of the remaining issues with respect to the Definitive Merger Agreement, including the terms and amount of a termination fee, the estimated net asset value per share to be used to value the shares to be issued to WASI, and the terms by which Wells REF would guaranty to us certain property management fees from properties owned by entities for which Wells REF provides advisory services.

Following the January 15, 2007 meeting and through January 31, 2007, Rogers & Hardin and counsel to Wells REF exchanged several drafts of the Definitive Merger Agreement and ancillary documents and further negotiated their terms.

On January 22, 2007, our Board met and appointed Donald S. Moss, Bud Carter, William H. Keogler, Jr. and Neil H. Strickland to serve as our compensation committee, and it was agreed that the compensation committee would, among other things, complete the negotiations with Mr. Miller regarding his employment agreement.

Following the January 22, 2007 Board meeting, the Special Committee met to discuss the negotiations relating to the agreements and to receive an update from representatives of Stanger. In addition, at this meeting, representatives of Houlihan Lokey discussed the process undertaken by Houlihan Lokey to review the fairness of the Internalization Consideration and the methodologies conducted by Houlihan Lokey and provided an update of the status of their due diligence review and analysis.

The Special Committee (with the other Independent Directors present) also met on January 26, 2007 to discuss the open issues relating to the Definitive Merger Agreement and ancillary documents, to receive a report from the compensation committee with respect to the status of Mr. Miller s employment agreement and to discuss certain Board composition and corporate governance matters following an Internalization Transaction and in the event of any Listing. On January 29, 2007, the Special Committee and the other Independent Directors met twice to continue their discussion of the Board composition following an Internalization Transaction. In addition to these Special Committee meetings, several of the directors had various conversations with Mr. Wells, with other Independent Directors and with counsel regarding the Board composition and related issues from January 29, 2007 through January 31, 2007.

On January 31, 2007, the Special Committee, the other Independent Directors and Messrs. Wells and Williams, with input from counsel, discussed the appropriate composition of the Board in light of potential conflicts and that existing protocols for dealing with conflicts among Wells REF advised and managed entities would not address conflicts issues after the closing of the Internalization Transaction. Accordingly, our Board reached an agreement on certain matters involving the composition of our Board and other conflict resolution matters, as follows (1) in order to discontinue having directors (other than Mr. Wells) serve on both our Board and a board of directors of a Wells REF related entity that may compete with us following the closing of the Internalization Transaction, three of our Independent Directors (Richard W. Carpenter, Bud Carter and Neil H. Strickland) and Douglas P. Williams, agreed to resign as our directors, effective and conditioned upon the closing of the Internalization Transaction, and two of our Independent Directors (Donald S. Moss and W. Wayne Woody) agreed to resign as directors of Wells REIT II, also effective and conditioned upon the closing of the

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Internalization Transaction, (2) Leo F. Wells, III agreed that he would resign as a director upon any Listing, unless a majority of certain designated Independent Directors determines that it is in our best interest that he remain a director, and upon Mr. Wells resignation as a director, for a period ending the earlier of (A) two years after a Listing of our common stock, should that occur, or (B) the first date on which Mr. Wells does not beneficially own at least 1% of our outstanding common stock, he will be entitled to designate an individual to be appointed to fill the vacancy created by such resignation and to be nominated for election to our Board at any annual meeting where directors are elected during such period, provided that such individual is reasonably acceptable to our Board and is not on the board of directors of Wells REIT II, Institutional REIT, Inc. or any other Wells REF related entity that may compete with us or any of our subsidiaries, (3) the Board agreed to establish a conflicts committee upon Internalization to handle potential business conflicts which may arise relating to Mr. Wells continued involvement with Wells REF related entities that may compete with us, and (4) the Board agreed that a majority of Independent Directors will be required to approve any new directors to be appointed or nominated by our Board, and that Donald A. Miller, CFA, would be elected to fill the vacancy on our Board effective upon the execution of by his employment agreement (the Board Composition Matters). See Proposal I The Internalization Proposal Description of the Internalization Transaction Changes to our Board and Resolution of Certain Conflicts of Interest on our Board.

On January 31, 2007, the Special Committee held a meeting with our Independent Directors. At this meeting, representatives of Rogers & Hardin presented summaries of the terms and conditions of the Definitive Merger Agreement and all of the ancillary documents and reviewed the directors legal duties. In addition, at this meeting, representatives of Stanger made a financial presentation to the Special Committee and our other Independent Directors; the Special Committee and our other Independent Directors reviewed the report of Ernst & Young regarding the agreed-upon procedures performed by it on the historical financial data of the Advisor to assist in evaluating the Projected Earnings; Mr. Miller made a presentation on behalf of the management of Wells REF involving, among other things, certain growth strategies for us following the Internalization Transaction, including the strategy of establishing property management offices, proposals to increase our leverage and to engage in significant property acquisitions, strategies involving engaging in certain joint venture transactions, and other growth strategies over the next few years, as well as other potential investment and operational strategies; representatives of Houlihan Lokey reviewed and presented Houlihan Lokey s fairness opinion; and our compensation committee discussed and recommended approval of the employment agreement with Mr. Miller. Following these presentations, and after each member of our Board agreed to the foregoing Board Composition Matters, the Special Committee unanimously voted to recommend to our Board that it approve the Internalization Transaction and the terms and conditions of the Definitive Merger Agreement and ancillary documents.

At a meeting of our full Board held immediately following the meeting of the Special Committee and Independent Directors on January 31, 2007, based on the unanimous vote and recommendation of the Special Committee and the other factors listed below under Recommendations of the Special Committee and Our Board of Directors, our Board (with Messrs. Wells and Williams recusing themselves) determined that the Definitive Merger Agreement, the Internalization Transaction and the other transactions contemplated by the Definitive Merger Agreement were fair and reasonable and were advisable and in the best interests of us and our stockholders. Accordingly, after due consideration and upon the recommendation of the Special Committee, the Board (with Messrs. Wells and Williams recusing themselves from consideration and the vote) approved the Definitive Merger Agreement and the Internalization Transaction and the other transactions contemplated by the Definitive Merger Agreement, together with the Board Composition Matters described above, by a vote which included the affirmative vote of all of the Independent Directors. In addition, the Board approved the Pre-Listing Restated Articles (defined below), the Post-Listing Restated Articles (defined below), and the 2007 Omnibus Incentive Plan, all subject to the approval of our stockholders. At such meeting, the Board also accepted the resignation of Leo F. Wells, III as our President, effective upon the execution of an employment agreement with Donald A. Miller, CFA, and elected Mr. Miller as our Chief Executive Officer and President and as a director, also effective upon the execution of his employment agreement.

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On February 1, 2007, in connection with the execution of the Definitive Merger Agreement, Mr. Wells executed an agreement with us reflecting his agreement to resign as a director upon any Listing unless, prior to that time, majority of certain designated Independent Directors, after consulting with legal and financial advisors, determines that it is in our best interest for him to remain on our Board for a period of time after Listing. At the time of such resignation and for a period ending on the earlier of (1) two years following the Listing or (2) such time as Mr. Wells is no longer the beneficial owner of at least 1% of our outstanding common stock, Mr. Wells shall have the right to designate an individual (other than Mr. Wells) to be appointed to fill the vacancy created by his resignation and to be nominated for election to our Board at a meeting of our stockholders held for the purpose of electing directors during such period, provided that such individual is reasonably acceptable to the Board and is not on the board of directors of any Wells REF related entity which competes with us or any of our subsidiaries.

On February 2, 2007, the Board met and approved certain modifications to Mr. Miller s employment agreement which were recommended by the compensation committee. Following this meeting, Mr. Miller s employment agreement was finalized, and the Definitive Merger Agreement and Mr. Miller s employment agreement were executed and delivered by the respective parties thereto.

Recommendations of the Special Committee and Our Board of Directors

Special Committee Recommendation; Reasons for Recommendation

In reaching its conclusion to unanimously recommend that our Board approve the Definitive Merger Agreement, the Internalization Transaction and the other transactions contemplated by the Definitive Merger Agreement, the Special Committee took into account the following factors (without assigning relative weights) which the Special Committee believes weigh in favor of the Internalization Transaction:

- the requirement under our charter that, by January 30, 2008, we either List our common stock on a national securities exchange or over-the-counter market or begin to liquidate our properties;
- the belief of the Special Committee that, if we are able to List our common stock, our common stock would be viewed more favorably if we became self-advised instead of remaining externally advised;
- the benefits of a potential Listing including, among other things, creating significantly greater liquidity for our stockholders and increasing our stockholders ability to manage their cash and tax positions;
- the belief of the Special Committee that the Internalization Transaction could ultimately be accretive to our net earnings per share and FFO per share;
- the proposed business plan for the Company which proposes to utilize growth strategies (including increased leverage) that are intended to be accretive over time to our net earnings per share and FFO per share;
- the belief of the Special Committee that the Internalization Transaction would enable us to realize certain efficiencies arising from a self-advised structure in that we will pay for advisory and management services directly rather than paying a third-party fee for such services, thereby enabling us to eliminate the profits that were previously being realized by the Advisor for providing such services;
- the terms and conditions of the Definitive Merger Agreement, the Transitional Services Agreement, the Support Services Agreement, the Headquarters Sublease, the Pledge Agreement, the Registration Rights Agreement and the Employment Agreement with Mr. Miller, including, among other things, (1) the type and amount of consideration to be paid in the Internalization Transaction, (2) the indemnities and the pledge and security obtained, and (3) certain conditions to our obligation to consummate the

Internalization, including approval by our stockholders of the Internalization Transaction;

the agreement by Wells REF to escrow a portion of the shares of our common stock constituting the Internalization Consideration relating to the value of property management contracts anticipated to be acquired after the closing of the Internalization Transaction;

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the retention of Mr. Miller as our Chief Executive Officer and President in connection with the Internalization Transaction;

the financial presentation of Houlihan Lokey, including its opinion dated January 31, 2007, to the Special Committee as to the fairness, from a financial point of view and as of the date of the opinion, to us of the consideration to be paid by us pursuant to the Internalization Transaction, as more fully described in the section entitled Opinion of Houlihan Lokey below;

the review by Stanger of the Projected Earnings and the other financial due diligence conducted by Stanger with respect to the Advisor s business;

the report of Ernst & Young to the Special Committee reporting the results of Ernst & Young s application of certain agreed-upon procedures on the historical financial data of the Advisor to assist the Special Committee and Stanger in their evaluation of the Projected Earnings;

the determination to value our shares of common stock for purposes of the Internalization Transaction using a revised net asset value determination based upon updated appraisals of our properties and the review by Stanger of such appraisals and estimated net asset value determination;

the possibility that a Listing may improve our access to public debt and equity capital;

our ability, through the Internalization Transaction, to control key functions that are important to the growth of our business;

the belief of the Special Committee that the beneficial ownership of our common stock by certain of our officers and directors would more directly align the interests of such officers and directors with those of our current stockholders and improve our ability to retain key personnel;

the proven expertise and substantial experience of the employees of the Advisor or its affiliates who would become our employees in connection with the Internalization Transaction;

the benefit of an internal management team which would be fully dedicated and solely focused on our strategic plans for enhancing stockholder value;

the ability of our Board to terminate the Definitive Merger Agreement upon the payment of a termination fee in the event of a Superior Proposal (defined below) as described in the Definitive Merger Agreement;

the conditions of our obligation to close the Internalization Transaction, including the approval of our stockholders; and

the potential for increases in external advisor fees in the future in the event we do not complete an Internalization Transaction.

The Special Committee also took into account, without assigning relative weights to, the following factors. Although the Special Committee viewed these as potentially negative factors with respect to the Internalization Transaction, the Special Committee believed these factors were

outweighed by the positive factors set forth above:

existing potential conflicts of interest between us and the Advisor, including the respective positions of our management team and certain of our directors with us and the Advisor and the compensation and/or other benefits to be indirectly received by such persons as a result of the Internalization Transaction, as well as the fact that: (i) Mr. Wells, our Chairman and a director, has indirect economic interest in approximately 92% of WASI, which will result in Mr. Wells receiving indirect economic interest in approximately 17,982,598 shares of our common stock; and (ii) Messrs. Williams, Miller, Fretz and another individual affiliated with Wells REF who may become one of our executive officers each having a beneficial economic interest in approximately 1% in WASI which will result in each of them receiving an economic interest in approximately 195,463 shares of our common stock;

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the risk factors associated with the Internalization Transaction as more fully described in the section entitled Risk Factors , including the potential conflicts of interest that will continue after consummation of the Internalization Transaction. See Risk Factors Certain of our current and future directors and officers have potential conflicts of interest due to their financial interests in the Internalization, Leo F. Wells, III will face conflicts of interest relating to the positions he holds with entities affiliated with Wells REF, Leo F. Wells, III and our other directors will face competing demands on their time relating to the positions they hold with other entities affiliated with Wells REF and Our new Chief Executive Officer will be subject to certain conflicts of interest with regard to enforcing the indemnification provisions contained in the Definitive Merger Agreement and some of the ancillary agreements to be entered into by us in connection with the Internalization Transaction ;

the potential liabilities associated with the direct employment of personnel, including the compensation which will be payable under Mr. Miller s Employment Agreement, workers disability and compensation claims, labor disputes and other employee-related grievances;

the potential liabilities that we may inherit from the Advisor as a result of the Internalization Transaction that would not be covered by the indemnities in the Definitive Merger Agreement;

the additional general and administrative expenses associated with being self-advised;

the uncertainty of initial pricing and the potential for price volatility following a potential Listing;

the risk that we will not be able to execute our proposed growth strategies;

the fact that our stockholders would receive a cash distribution upon a liquidation of our real estate portfolio; and

the potential adverse effect on future sales of our common stock by management or WASI.

The Special Committee determined that, in light of all the factors that it considered, the Definitive Merger Agreement, the Internalization Transaction and the transactions contemplated by the Definitive Merger Agreement are fair and reasonable to us and are advisable and in our best interests and in the best interests of our stockholders. Accordingly, the Special Committee **unanimously** recommended that our Board approve the Definitive Merger Agreement and the Internalization Transaction.

Board of Directors Recommendation

Our Board (other than Messrs. Wells and Williams, who have material financial interests in the Internalization and who recused themselves from consideration of and the vote on the approval of the Definitive Merger Agreement) has approved the Definitive Merger Agreement, the Internalization and the other transactions contemplated by the Definitive Merger Agreement, having determined that the Definitive Merger Agreement, the Internalization and the transactions contemplated by the Definitive Merger Agreement and are fair and reasonable to us and are advisable and in the best interests of us and our stockholders. **Accordingly, our Board (excluding Messrs. Wells and Williams, who have material financial interests in the Internalization and, accordingly, recused themselves from consideration of our Board s recommendation) recommends that stockholders vote FOR the Internalization Proposal.**

Our Board based its determination that the Internalization is advisable and in our best interests and in the best interests of our stockholders primarily on:

the factors considered and conclusions of the Special Committee; and

the extensive negotiations of the Special Committee with representatives of Wells REF.

Our Board did not find it practical to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination.

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Opinion of Houlihan Lokey

The Special Committee retained Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (Houlihan Lokey) to issue a fairness opinion to the Special Committee and our Board in connection with the Internalization. Houlihan Lokey is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Special Committee selected Houlihan Lokey to issue the fairness opinion in connection with the Internalization based in part on Houlihan Lokey s experience in transactions similar to the Internalization and its reputation in the REIT sector and investment community.

On January 31, 2007, at a meeting of the Special Committee and the Independent Directors of our Board held to evaluate the Internalization Transaction, Houlihan Lokey delivered its oral opinion, which was confirmed by delivery of a written opinion to the Special Committee and our Board dated January 31, 2007, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in its opinion, the consideration to be paid by us in the Internalization Transaction is fair to us from a financial point of view. For purposes of this section, such consideration is referred to as the Consideration.

The full text of Houlihan Lokey s written opinion to the Special Committee, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Appendix B to this proxy statement and is incorporated by reference in its entirety into this document. You are encouraged to read the Houlihan Lokey s opinion carefully in its entirety. The following summary of the opinion is qualified in its entirety by reference to the full text of Houlihan Lokey s opinion. Houlihan Lokey provided its opinion to the Special Committee and our Board to assist the Special Committee and our Board in their evaluation of the Consideration from a financial point of view. Houlihan Lokey s opinion does not address any other aspect of the Internalization and does not constitute a recommendation as to how you should vote or act in connection with the proposed Internalization.

In connection with its opinion, Houlihan Lokey made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, they have:

- reviewed our annual report to stockholders on Form 10-K for the fiscal year ended December 31, 2005, and our quarterly report on Form 10-Q for the quarter ended September 30, 2006;
- reviewed audited financial statements of the Advisor for the fiscal year ended December 31, 2005, and unaudited financial statements for the period ended December 31, 2004 and interim financial statements for the nine months ended September 30, 2006;
- held discussions with the Special Committee, representatives of Stanger and counsel regarding us, the Internalization Transaction, and related matters;
- held discussions with certain members of the management of Wells REF regarding the operations, financial condition, future prospects and projected operations and performance of the Advisor and regarding the Internalization Transaction;
- reviewed the following agreements and documents:
  - the draft Definitive Merger Agreement dated January 30, 2007 and the Advisor Disclosure Schedule thereto, the Escrow Agreement and the Pledge and Security Agreement;

the draft Preliminary Proxy Statement for the Internalization Transaction dated January 25, 2007;

reviewed, but did not rely upon, a report on applying agreed-upon procedures prepared by the independent accountants dated January 13, 2007;

reviewed financial forecasts and projections prepared by the management of Wells REF with respect to the Advisor for the fiscal years ending December 31, 2006 and 2007;

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reviewed the property appraisals for our properties dated as of September 30, 2006;

reviewed the report from a third party related to the estimated net asset value per share of our common stock as of September 30, 2006;

reviewed certain other publicly available financial data for certain companies that Houlihan Lokey deemed relevant and publicly available transaction prices and premiums paid in other change of control transactions that Houlihan Lokey deemed relevant for companies in related industries to us and the Advisor; and

conducted such other financial studies, analyses and inquiries as Houlihan Lokey deemed appropriate.

Material Assumptions Made and Qualifications and Limitations on the Review Undertaken

Houlihan Lokey relied upon and assumed, without independent verification, the accuracy and completeness of all data, material and other information furnished, or otherwise made available, to Houlihan Lokey, discussed with or reviewed by Houlihan Lokey, or publicly available, and did not assume any responsibility with respect to such data, material and other information. Further, based upon its due diligence with the management of Wells REF, Houlihan Lokey assumed that the Company does not currently intend to (1) liquidate or (2) sell all or substantially all of the assets of the Company, or all or substantially all of the ownership interests in the Company, in one or several transactions, except for minority equity sales amongst the Company s stockholders and/or a potential listing of the Company s common shares on a national securities exchange or over-the-counter market. In addition, the management of Wells REF advised Houlihan Lokey, and Houlihan Lokey assumed, that the financial forecasts and projections were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Wells REF as to the future financial results and condition of Wells REIT and the Advisor. Houlihan Lokey expressed no opinion with respect to such forecasts and projections or the assumptions on which they were based. Houlihan Lokey relied upon and assumed, without independent verification, that there had been no material change in the assets, liabilities, financial condition, results of operations, business or prospects of Wells REIT or the Advisor since the date of the most recent financial statements provided, and that there was no information or facts that would make any of the information reviewed incomplete or misleading. Houlihan Lokey did not consider any aspect or implication of any transaction to which we or the Advisor were a party other than the Internalization Transaction.

Houlihan Lokey relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the agreements identified above and all other related documents referred to therein were true and correct, (b) each party to all such agreements will fully and timely perform all of the covenants and agreements required to be performed by such party, (c) all conditions to the consummation of the Internalization Transaction will be satisfied without waiver thereof, and (d) the Internalization Transaction will be consummated in a timely manner in accordance with the terms described in the agreements provided to Houlihan Lokey, without any amendments or modifications thereto or any adjustment to the aggregate consideration (through offset, reduction, indemnity claims, post-closing purchase price adjustments or otherwise). Houlihan Lokey also relied upon and assumed, without independent verification, that (1) the Internalization Transaction will be consummated in a manner that complies in all respects with all applicable federal and state statutes, rules and regulations, and (2) any governmental, regulatory, and other consents and approvals necessary for the consummation of the Internalization Transaction will be obtained and that no delay, limitations, restrictions or conditions will be imposed or amendments, modifications or waivers made that would result in the disposition of any material portion of our assets or assets of the Advisor, or otherwise have an adverse effect on us or the Advisor or any expected benefits of the Internalization Transaction. In addition, Houlihan Lokey relied upon and assumed, without independent verification, that the final forms of the draft documents identified above would not differ in any material respect from such draft documents.

Houlihan Lokey, other than as set forth above, was not requested to make, and did not make, any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (fixed, contingent or otherwise) of Wells REIT, the Advisor or any other party. Houlihan Lokey expressed no opinion regarding the

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liquidation value of any entity. Houlihan Lokey did not undertake any independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which we or the Advisor is or may be a party or is or may be subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which we or the Advisor is or may be a party or is or may be subject. Houlihan Lokey s opinion made no assumption concerning, and therefore did not consider, the possible assertion of claims, outcomes or damages arising out of any such matters.

Houlihan Lokey was not requested to, and did not, (a) initiate any discussions with, or solicit any indications of interest from, third parties with respect to the Internalization Transaction or any alternatives to the Internalization Transaction, (b) negotiate the terms of the Internalization Transaction, or (c) advise the Special Committee, our Board or any other party with respect to alternatives to the Internalization Transaction or the potential value of our common stock, or proceeds to our common stockholders, that may be realized from such alternatives. Houlihan Lokey s opinion was based on financial, economic, market and other conditions as in effect on, and the information made available to Houlihan Lokey as of January 31, 2007. Houlihan Lokey did not undertake, and is under no obligation, to update, revise, reaffirm or withdraw its opinion (except to the extent that we request Houlihan Lokey to update its opinion within 90 days of its issuance), or otherwise comment on or consider events occurring after the date of its opinion. Houlihan Lokey did not consider, nor did it express any opinion with respect to, the current price of our common stock or the price that our common stock may trade at any time.

Houlihan Lokey s opinion was furnished for the use and benefit of the Special Committee and our Board in connection with their consideration of the Internalization Transaction and was not intended to, and does not, confer any rights or remedies upon any other person, and was not intended to be used, and may not be used, for any other purpose, without Houlihan Lokey s express, prior written consent. Houlihan Lokey s opinion should not be construed as creating any fiduciary duty on Houlihan Lokey s part to any party. Houlihan Lokey s opinion was not intended to be, and does not constitute, a recommendation to any security holder or any other person as to how such person should act or vote with respect to the Internalization Transaction.

Houlihan Lokey was not requested to opine as to, and its opinion does not address: (1) the underlying business decision of the Special Committee, Wells REIT, the Advisor, their respective security holders or any other party to proceed with or effect the Internalization Transaction, (2) the terms of any agreements or documents related to, or the form or any other portion or aspect of, the Internalization Transaction, except as addressed in the opinion, (3) the fairness of any portion or aspect of the Internalization Transaction to the holders of any class of securities, creditors or other constituencies of Wells REIT, or the Advisor, or any other party other than those set forth in Houlihan Lokey s opinion, (4) the relative merits of the Internalization Transaction as compared to any alternative business strategies that might exist for us, the Advisor or any other party or the effect of any other transaction in which we, the Advisor or any other party might engage, (5) the tax or legal consequences of the Internalization Transaction to either us or the Advisor, our respective security holders, or any other party, (6) the fairness of any portion or aspect of the Internalization Transaction to any one class or group of ours or any other party s security holders vis-à-vis any other class or group of ours or such other party s security holders (including without limitation the allocation of any consideration amongst such classes or groups of security holders), (7) whether or not Wells REIT, the Advisor, our respective security holders or any other party is receiving or paying reasonably equivalent value in the Internalization Transaction, or (8) the solvency, creditworthiness or fair value of Wells REIT, the Advisor or any other participant in the Internalization Transaction under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters. Houlihan Lokey did not provide any opinion, counsel or interpretation as to matters that required legal, regulatory, accounting, insurance, tax or other similar professional advice. Houlihan Lokey assumed that such opinions, counsel or interpretations were or will be obtained from the appropriate professional sources. Houlihan Lokey relied on the assessment by the Special Committee, Wells REIT and the Advisor and their respective advisers, as to all legal, regulatory, accounting, insurance and tax matters with respect to Wells REIT, the Advisor and the Internalization Transaction.

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Summary of Analyses

In preparing its opinion to the Special Committee and our Board, Houlihan Lokey performed a variety of analyses, including those described below. The preparation of a fairness opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytic methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither a fairness opinion nor its underlying analyses is readily susceptible to partial analysis or summary description. Houlihan Lokey arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, analytic method or factor. Houlihan Lokey made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. Accordingly, Houlihan Lokey believes that its analyses must be considered as a whole and selecting portions of Houlihan Lokey s analyses, analytic methods and factors or focusing on information presented in tabular format, without considering the narrative description of the analyses, the underlying methodologies and the assumptions, qualifications and limitations affecting each analysis would create a misleading or incomplete view of the processes underlying its opinion. Houlihan Lokey did not assign specific weights to any particular analyses.

No company or business used in Houlihan Lokey s analyses for comparative purposes is identical to us or the Advisor, and no transaction used in Houlihan Lokey s analyses for comparative purposes is identical to the Internalization Transaction. The estimates contained in Houlihan Lokey s analyses and the reference valuation ranges indicated by any particular analysis are illustrative and not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, the analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities actually may be purchased or sold, which may depend on a variety of factors, many of which are beyond our control and the control of Houlihan Lokey. Much of the information used in, and accordingly the results of, Houlihan Lokey s analyses are inherently subject to substantial uncertainty and, therefore, none of Wells REIT, Houlihan Lokey or any other person assumes any responsibility if future results are materially different from those estimated or indicated.

Houlihan Lokey s opinion was provided to the Special Committee and our Board in connection with the Special Committee s and our Board s consideration of the Internalization and was one of many factors considered by the Special Committee and our Board in evaluating the Internalization. Neither Houlihan Lokey s opinion nor its analyses were determinative of the Consideration or of the views of the Special Committee and our Board with respect to the Internalization.

The following is a summary of the material valuation analyses prepared in connection with Houlihan Lokey s opinion rendered on January 31, 2007.

For purposes of its analyses, Houlihan Lokey reviewed a number of financial metrics including:

Enterprise Value the value of the relevant company s outstanding equity securities (taking into account its outstanding warrants and other convertible securities) plus the value of its net debt (the value of its outstanding indebtedness, preferred stock and capital lease obligations less the amount of cash on its balance sheet) and minority interests as of a specified date.

Net Operating Income or NOI the amount of the relevant company s earnings from operations after operating expenses, but before corporate selling, general, and administrative expenses for a specified time period.

EBITDA the amount of the relevant company s earnings before interest, taxes, depreciation, and amortization for a specified time period.

Funds From Operations or FFO the amount of the relevant company s net earnings after taxes adjusted to include real estate depreciation and amortization for a specified period of time.

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Assets Under Management the market value of assets an investment company manages on behalf of investors.

Capitalization Rate or Cap Rate a percentage equal to the relevant company s NOI for a twelve-month period divided by the relevant company s enterprise value.

Payout Ratios the percentage of the relevant company s FFO that is paid out to stockholders as dividends.

Dividend Yield the amount of the relevant company s dividends paid out to stockholders over a twelve-month period divided by the relevant company s stock price.

Unless the context indicates otherwise, enterprise and per share equity values used in the selected companies analysis described below were calculated using the closing price of the common stock of the selected companies listed below as of January 29, 2007 and the enterprise values for the target companies used in the selected transactions analysis described below were calculated as of the announcement date of the relevant transaction based on the purchase prices paid in the selected transactions.

Advisor Valuation Analyses

Precedent Transactions Analysis. Houlihan Lokey calculated enterprise value as a multiple of EBITDA based on the purchase prices paid in selected transactions involving companies providing real estate services.

The selected precedent transactions were:

Target	Acquiror	Transaction Announced
Trammell Crow Company	CB Richard Ellis Group, Inc.	10/30/2006
Dividend Capital Advisors LLC	DCT Industrial Trust, Inc.	09/05/2006
CNL Retirement Properties, Inc.	Health Care Property Investors Inc.	05/02/2006
Colliers International Property Consultants, Inc. / Spaulding & Slye	Jones Lang LaSalle, Inc.	11/28/2005
Dalgleish & Co. Limited	CB Richard Ellis Group, Inc.	10/31/2005
CMN International, Inc.	First Service Corp.	10/14/2004
Property Fund Management PLC	Teesland PLC	09/24/2004
Inland Retail Real Estate Advisory Services Inc.	Inland Retail Real Estate Trust, Inc.	09/10/2004
Sotheby s Holdings, Inc./ Sotheby s International Realty, Inc.	Cendant Corporation	02/17/2004

The selected precedent transactions analysis indicated the following:

Selected Transactions	Enterprise Value as a multiple of EBITDA
High	27.5x
Low	5.9x
Mean	13.5x
Median	8.1x

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Houlihan Lokey applied a range of multiples based on the selected precedent transactions to the Advisor s estimated 2006 EBITDA. In performing its analysis, Houlihan Lokey took into account the Advisor s size, historical financial performance, prospects, revenue mix and customer base relative to the selected precedent transactions. The precedent transactions analysis indicated an implied enterprise value range for the Advisor of $160,000,000 to $180,000,000, as compared to the Internalization Consideration of $175,000,000.

Assets Under Management Analysis. Houlihan Lokey calculated the enterprise value as a percentage of assets under management for selected companies engaged in asset management activities, such as mutual funds and investment funds.

The selected companies were:

Affiliated Managers Group Inc.	Blackrock, Inc.
Eaton Vance Corp.	Franklin Resources, Inc.
GAMCO Investors, Inc.	Janus Capital Group Inc.
Nuveen Investments	Price (T. Rowe) Group
Waddell & Reed Financial Inc.	Cohen & Steers, Inc.

The assets under management analysis indicated the following:

Selected Companies	Enterprise Value as a percentage of assets under management
Low	2.21%
High	6.49%
Mean	3.96%
Median	3.62%

Houlihan Lokey applied a range of percentages to the fair market value of the assets under management of the Advisor, which were based on internal estimates provided by Wells REF management and the Appraisals. In performing its analysis, Houlihan Lokey took into account the Advisor s size, historical financial performance, prospects, revenue mix and customer base relative to the selected asset management companies. The assets under management analysis indicated an implied enterprise value range for the Advisor of $162,000,000 to $216,000,000, as compared to the Internalization Consideration of $175,000,000.

Selected Companies Analysis. Houlihan Lokey calculated enterprise value as a multiple of estimated EBITDA for selected real estate advisory companies and financial advisory companies.

The selected companies were:

Company	Type
CB Richard Ellis Group, Inc.	Real Estate Advisory Company
Grubb & Ellis Company	Real Estate Advisory Company
Jones Lang LaSalle Inc.	Real Estate Advisory Company
Franklin Resources, Inc.	Financial Advisory Company
Nuveen Investments, Inc.	Financial Advisory Company
Marsh & McLennan Companies Inc.	Financial Advisory Company
T. Rowe Prices Group, Inc.	Financial Advisory Company

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The selected market multiple analysis indicated the following:

Enterprise Value as a Multiple of EBITDA

	Real Estate Advisory Companies		Financial Advisory Companies	
Selected Companies	**2006(E)**	**2007(E)**	**2006(E)**	**2007(E)**
Low	13.5x	10.1x	10.9x	9.5x
High	16.2x	17.7x	15.1x	12.7x
Mean	14.8x	13.9x	13.6x	11.7x
Median	14.8x	13.8x	14.2x	12.2x

Houlihan Lokey applied a range of multiples based on the selected companies analysis to the Advisor s estimated 2006 and 2007 EBITDA. In performing its analysis, Houlihan Lokey took into account the Advisor s size, historical financial performance, prospects, revenue mix and customer base relative to the selected companies. Estimated financial data for the selected companies was derived from a review of publicly available research analyst estimates and reports and other information regarding the selected real estate advisory and financial advisory companies. The selected companies analysis indicated an implied enterprise value range for the Advisor of $165,000,000 to $185,000,000, as compared to the Internalization Consideration of $175,000,000.

Consideration Paid as a Percentage of Acquiror s Total Stock Analysis. Houlihan Lokey calculated aggregate stock consideration paid to target companies as a percentage of the acquiror s total number of shares outstanding (immediately prior to the acquisition) in selected transactions involving companies providing real estate and financial advisory services.

The selected precedent transactions were:

Target	**Acquiror**	**Transaction Announced**
Dividend Capital Advisors LLC	DCT Industrial Trust, Inc.	10/06/2006
CNL Retirement Properties, Inc.	Health Care Property Investors Inc.	05/02/2006
Inland Retail Real Estate Advisory Services Inc.	Inland Retail Real Estate Trust, Inc.	09/10/2004
Related Capital Company	CharterMac	11/07/2003
Cedar Bay Realty Advisors, Inc.	Cedar Shopping Centers, Inc.	10/01/2003
Carey Management LLC	W.P. Carey & Co., Inc.	06/28/2000
Inland Real Estate Advisory Services, Inc.	Inland Real Estate Corporation	03/31/2000
Starwood Financial Advisers	Starwood Financial Trust	06/16/1999
Captec Net Lease Realty Advisors, Inc.	Captec Net Lease Realty, Inc.	11/14/1997
Security Capital Group Incorporated	Prologis	09/09/1997
Security Capital Group Incorporated	Archstone Communities Trust	09/09/1997
Financial Asset Management LLC	Asset Investors Corporation	09/09/1997
Countrywide Asset Management Corp.	IndyMac Mortgage Holdings, Inc.	07/01/1997
CNL Realty Advisors	Commercial Net Lease Realty, Inc.	05/15/1997
QSV Properties, Inc.	U.S. Restaurant Properties Master L.P.	05/14/1997
Berkshire Realty Advisors	Berkshire Realty Company, Inc.	02/28/1997
Lexford Properties	Cardinal Realty Services Inc	08/01/1996
R.I.C. Advisors	Realty Income Corp	08/17/1995
R.M. Bradley & Co., Inc.	Bradley Real Estate, Inc.	01/01/1995

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The consideration paid as a percentage of acquiror s total stock analysis indicated the following:

	Aggregate Stock Consideration Paid to Target as a Percentage of
Selected Transactions	**Acquiror s Total Shares Outstanding**
Low	3.2%
High	23.7%
Mean	8.6%
Median	6.2%

The consideration paid as a percentage of acquiror s total stock analysis, based on the selected transactions outlined above, was compared to the percentage of Wells REIT s outstanding stock being paid in its acquisition of Advisor of 4.2%, which is within the range of the percentages in the selected transactions and below the mean and the median.

Wells REIT Valuation

Selected Companies Analysis. Houlihan Lokey calculated enterprise value as multiples of EBITDA and FFO, and as a percentage of NOI, taking into consideration net debt, for selected real estate investment trusts for the latest 12-month period and estimates for 2006 and 2007.

The selected companies were:

Boston Properties, Inc.

Hrpt Properties Trust

Highwoods Properties Inc.

Kilroy Realty Corporation

Mack-Cali Realty Corporation

Vornado Realty Trust

Crescent RE Equities Inc

SL Green Realty Corp.

Brookfield Properties Corp

The selected companies analysis indicated the following:

	Enterprise Value of a REIT as a Capitalization Rate		
Selected Companies	**LTM**	**2006(E)**	**2007(E)**
Low	4.4%	4.8%	5.1%
High	8.9%	9.2%	9.7%
Mean	5.9%	6.0%	6.4%
Median	5.6%	5.6%	6.0%

	Enterprise Value of a REIT as a Multiple of EBITDA		
Selected Companies	**LTM**	**2006(E)**	**2007(E)**
Low	12.0x	12.2x	11.6x
High	25.7x	24.8x	23.0x
Mean	20.3x	19.1x	18.3x
Median	19.6x	19.3x	18.5x

	Enterprise Value of a REIT as a Multiple of FFO		
Selected Companies	**LTM**	**2006(E)**	**2007(E)**
Low	8.9x	9.6x	10.2x
High	36.7x	25.6x	31.0x
Mean	20.5x	18.3x	20.0x
Median	18.1x	18.7x	20.6x

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Houlihan Lokey applied capitalization rate and multiple ranges based on the selected companies analysis to corresponding financial data for Wells REIT, including estimates with respect to Wells REIT s future financial performance provided by Wells REF management. Estimated financial data for the selected companies was derived from a review of publicly available research analyst estimates and reports and other information for the selected real estate investment trusts. The selected companies analysis gave an overall indicated reference range value per share for Wells REIT s common stock of $8.16 to $9.39, as compared to the per share value of $8.9531 for Wells REIT s common stock that is being used to determine the number of shares to be issued as the Consideration.

Precedent Transactions Analysis. Houlihan Lokey calculated enterprise value as a multiple of EBITDA and the implied capitalization rate, based on purchase prices paid in selected transactions involving real estate investment trusts.

The selected precedent transactions were:

Target	Acquiror	Transaction Announced
Equity Office Properties Trust	Blackstone Real Estate Advisors	11/19/2006
Reckson Associates Realty Corp.	Rome Acquisition Limited Partnership (Macklowe and Carl Icahn)	11/16/2006
Glenborough Realty Trust, Incorporated	Morgan Stanley Real Estate	08/20/2006
Reckson Associates Realty Corp.	SL Green Realty Corp.	08/03/2006
Trizec Canada, Inc.	Brookfield Properties Corp./Blackstone Group	06/05/2006
Trizec Properties Inc.	Brookfield Properties Corp./Blackstone Group	06/05/2006
CarrAmerica Realty Corporation	Blackstone Real Estate Advisors	03/05/2006
Bedford Property Investors, Inc.	LBA Realty LLC	02/10/2006
Arden Realty, Inc.	GE Real Estate	12/22/2005
Prentiss Properties Trust	Brandywine Realty Trust	10/03/2005
CRT Properties, Inc.	DRA Advisors, LLC	06/17/2005

The selected precedent transactions analysis indicated the following:

Selected Transactions	Enterprise Value as a Multiple of EBITDA	Enterprise Value as a Capitalization Rate
Low	14.5x	5.5%
High	20.2x	7.8%
Mean	16.9x	6.6%
Median	16.7x	6.7%

Houlihan Lokey applied a range of multiples and capitalization rates based on the selected transactions analysis to Wells REIT s LTM, EBITDA and NOI, respectively. The selected precedent transactions analysis gave an overall indicated reference range value per share for Wells REIT s common stock of $8.59 to $9.82, as compared to the per share value of $8.9531 for Wells REIT s common stock that is being used to determine the number of shares to be issued as the Consideration.

Yield Analysis. Houlihan Lokey also calculated the payout ratios and dividend yields for the companies identified in the selected companies analysis, as well as for other real estate partnerships, and applied the payout ratios and dividend yields indicated by that analysis to corresponding data for Wells REIT. The yield analysis indicated an implied reference range value per share of Wells REIT s common stock of $8.38 to $9.03, as compared to the per share value of $8.9531 for Wells REIT s common stock that is being used to determine the number of shares to be issued as the Consideration.

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Other Matters

The type and amount of consideration payable in the Internalization were determined through negotiations between the Special Committee and Wells REF, rather than by any financial advisor, and were approved by the Special Committee. The decision to enter into the Definitive Merger Agreement was solely that of the Special Committee and the Board. As described above, Houlihan Lokey s opinion and analyses were one of many factors considered by the Special Committee in its evaluation of the Internalization and should not be viewed as solely determinative of the views of the Special Committee, or our Board with respect to the Internalization or the Consideration.

We hired Houlihan Lokey to render an opinion to the Special Committee and our Board based on Houlihan Lokey s experience and reputation. Houlihan Lokey is regularly engaged to render financial opinions in connection with mergers and acquisitions, financial restructuring,