

WELLS REAL ESTATE INVESTMENT TRUST INC

Form 8-K/A

February 03, 2003

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**AMENDMENT NO. 1**

**TO**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported) December 20, 2002**

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**Wells Real Estate Investment Trust, Inc.**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of incorporation)

**0-25739**

(Commission File Number)

**58-2328421**

(IRS Employer Identification No.)

**6200 The Corners Parkway, Suite 250, Atlanta, Georgia 30092**

(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code (770) 449-7800**

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(Former name or former address, if changed since last report)

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**INFORMATION TO BE INCLUDED IN THE REPORT**

Wells Real Estate Investment Trust, Inc. (the Registrant ) hereby amends its Current Report on Form 8-K dated December 20, 2002 to provide the required financial statements of the Registrant relating to the acquisition by the Registrant of the Nestle Building on December 20, 2002, as described in such Current Report.

**Item 7. Financial Statements and Exhibits.**

(a) Financial Statements. The following financial statements of the Registrant are submitted at the end of this Amendment to Current Report on Form 8-K and are filed herewith and incorporated herein by reference:

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**Report of Independent Auditors**

Shareholders and Board of Directors  
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Nestle Building for the year ended December 31, 2001. This statement is the responsibility of the Nestle Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Nestle Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Nestle Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Atlanta, Georgia  
January 21, 2003

**Nestle Building**

**Statements of Revenues Over Certain Operating Expenses**

For the year ended December 31, 2001 and the nine months ended September 30, 2002

|  | <u>2002</u>        | <u>2001</u>       |
|--|--------------------|-------------------|
|  | <u>(Unaudited)</u> |                   |
| Revenues:                                |                    |                   |
| Base rent                                | \$ 10,995,810      | \$ 14,660,259     |
| Parking                                  | 617,318            | 848,917           |
| Tenant reimbursements                    | 698,210            | 853,872           |
|  | <u>12,311,338</u>  | <u>16,363,048</u> |
| Total revenues                           |                    |                   |
| Operating expenses                       | 3,914,726          | 4,968,193         |
|  | <u>8,396,612</u>   | <u>11,394,855</u> |
| Revenues over certain operating expenses |                    |                   |

*See accompanying notes.*

## Nestle Building

### Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

#### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

##### Description of Real Estate Property Acquired

On December 20, 2002, Wells REIT-Glendale, CA, LLC ( the Company ) acquired the Nestle Building from Douglas Emmett Joint Venture ( Douglas Emmett ). The Company, a Georgia limited liability company, was created on December 20, 2002. Wells Operating Partnership, L.P. ( Wells OP ) is the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The twenty-story building contains 505,115 square feet of net rentable area and is 100% leased to several tenants, including Nestle USA, Inc. ( Nestle ). Nestle occupies a total of 502,994 square feet, or 99.6%, under a lease ( Nestle Lease ) that commenced in August 1990 and expires in August 2010. The remaining square footage is leased to several retail tenants under lease agreements that expire over the next seven years. Douglas Emmett's interests in the Nestle Lease and other retail lease agreements were assigned to the Company upon acquisition of the Nestle Building. Under the Nestle Lease, the tenant is required to pay, as additional rent, its pro rata share of operating expenses over the base year operating allowance established in the first lease year. Operating expenses shall consist of all direct costs of operation and maintenance of the building including, but not limited to, real estate taxes, water and sewer charges, utilities, janitorial services, security and labor. Additionally, the Nestle Lease entitles Nestle to a specified number of parking spaces, and Nestle is required to pay monthly rental payments for the spaces which the Company records as parking revenues. The Company will be responsible for maintaining and repairing the Nestle Building's roof, foundation, common areas, electrical and mechanical systems.

##### Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

#### 2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Nestle Building after its acquisition by the Company.

**Nestle Building**  
**Notes to Statements of Revenues Over Certain Operating Expenses**  
**(Continued)**

**3. FUTURE MINIMUM RENTAL COMMITMENTS**

Future minimum rental commitments for the years ended December 31 are as follows:

|            |                |
|------------|----------------|
| 2002       | \$ 14,939,680  |
| 2003       | 14,950,502     |
| 2004       | 14,963,154     |
| 2005       | 15,508,547     |
| 2006       | 16,591,633     |
| Thereafter | 60,926,465     |
|            | \$ 137,879,981 |

**4. INTERIM UNAUDITED FINANCIAL INFORMATION**

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

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

**SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS**

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q/A for the period ended September 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2002 has been prepared to give effect to the fourth quarter 2002 acquisitions of the NASA Buildings by Wells REIT-Independence Square, LLC, of which Wells REIT is the sole member, the Caterpillar Nashville Building, the Capital One Richmond Buildings by Wells Operating Partnership, L.P. ("Wells OP"), the John Wiley Indianapolis Building by Wells XIII-REIT Joint Venture, a joint venture partnership between Wells Real Estate Fund XIII, L.P. and Wells OP (collectively, the "Other Recent Acquisitions") and the Nestle Building by the Wells REIT-Glendale, CA, LLC, of which Wells OP is the sole member, and the first quarter 2003 acquisition of the East Point Buildings (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on September 30, 2002.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the nine months ended September 30, 2002 has been prepared to give effect to the first, second and third quarter 2002 acquisitions of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the nine months ended September 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001. In addition, the Pro Forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.



## WELLS REAL ESTATE INVESTMENT TRUST, INC.

## PRO FORMA BALANCE SHEET

SEPTEMBER 30, 2002

(Unaudited)

## ASSETS

|  | Pro Forma Adjustments                        |                         |                        | Pro Forma Adjustments   |                        | Pro Forma Total         |
|--|--|-------------------------|------------------------|-------------------------|------------------------|-------------------------|
|  | Wells Real Estate Investment Trust, Inc. (j) | Recent Acquisitions     |                        | Recent Acquisitions     |                        |                         |
|  |  | Other                   | Nestle                 | Pro Forma Subtotal      | East Point             |                         |
| <b>REAL ESTATE ASSETS, at cost:</b>                      |  |                         |                        |                         |                        |                         |
| Land   | \$ 164,190,412                               | \$ 87,755,000 (c)       | \$ 23,200,000 (c)      | \$ 278,033,153          | \$ 2,163,000 (c)       | \$ 280,284,706          |
|  |  | 1,888,098 (d)           | 404,941 (e)            |                         | 88,553 (e)             |                         |
|  |  | 594,702 (e)             |                        |                         |                        |                         |
| Buildings, less accumulated depreciation of \$47,999,655 | 1,171,793,037                                | 351,806,121 (c)         | 134,446,731 (c)        | 1,668,808,027           | 19,916,138 (c)         | 1,689,539,532           |
|  |  | 8,415,460 (e)           | 2,346,678 (e)          |                         | 815,367 (e)            |                         |
| Construction in progress                                 | 28,500,195                                   | 0                       | 0                      | 28,500,195              | 0                      | 28,500,195              |
| <b>Total real estate assets</b>                          | <b>1,364,483,644</b>                         | <b>450,459,381</b>      | <b>160,398,350</b>     | <b>1,975,341,375</b>    | <b>22,983,058</b>      | <b>1,998,324,433</b>    |
| <b>CASH AND CASH EQUIVALENTS</b>                         | <b>143,911,852</b>                           | <b>(275,407,446)(c)</b> | <b>(67,646,731)(c)</b> | <b>88,124,028</b>       | <b>(22,079,138)(c)</b> | <b>144,624,892</b>      |
|  |  | 297,685,340 (a)         |                        |                         | 81,430,054 (h)         |                         |
|  |  | (10,418,987)(b)         |                        |                         | (2,850,052)(i)         |                         |
| INVESTMENT IN JOINT VENTURES                             | 75,388,348                                   | 9,294,465 (f)           | 0                      | 84,682,813              | 0                      | 84,682,813              |
| INVESTMENT IN BONDS                                      | 54,500,000                                   | 0                       | 0                      | 54,500,000              | 0                      | 54,500,000              |
| ACCOUNTS RECEIVABLE                                      | 12,018,601                                   | 0                       | 0                      | 12,018,601              | 0                      | 12,018,601              |
| DEFERRED LEASE ACQUISITION COSTS, NET                    | 1,712,541                                    | 0                       | 0                      | 1,712,541               | 0                      | 1,712,541               |
| DEFERRED PROJECT COSTS                                   | 5,963,370                                    | (1,895,611)(d)          | (2,751,619)(e)         | 2,366,928               | (903,920)(e)           | 4,313,060               |
|  |  | (9,002,649)(e)          |                        |                         | 2,850,052 (i)          |                         |
|  |  | (365,550)(g)            |                        |                         |                        |                         |
|  |  | 10,418,987 (b)          |                        |                         |                        |                         |
| DEFERRED OFFERING COSTS                                  | 3,537,361                                    | 0                       | 0                      | 3,537,361               | 0                      | 3,537,361               |
| DUE FROM AFFILIATES                                      | 2,185,436                                    | 0                       | 0                      | 2,185,436               | 0                      | 2,185,436               |
| NOTE RECEIVABLE  | 4,965,838                                    | 0                       | 0                      | 4,965,838               | 0                      | 4,965,838               |
| PREPAID EXPENSES AND OTHER ASSETS, NET                   | 2,597,110                                    | 37,764 (c)              | 0                      | 2,634,874               | 0                      | 2,634,874               |
| <b>Total assets</b>                                      | <b>\$ 1,671,264,101</b>                      | <b>\$ 470,805,694</b>   | <b>\$ 90,000,000</b>   | <b>\$ 2,232,069,795</b> | <b>\$ 81,430,054</b>   | <b>\$ 2,313,499,849</b> |

**LIABILITIES AND SHAREHOLDERS EQUITY**

|   | Pro Forma Adjustments                        |                       |                      | Pro Forma Adjustments   |                      | Pro Forma Total         |
|---|--|-----------------------|----------------------|-------------------------|----------------------|-------------------------|
|   | Wells Real Estate Investment Trust, Inc. (j) | Recent Acquisitions   |                      | Recent Acquisitions     |                      |                         |
|   |  | Other                 | Nestle               | Pro Forma Subtotal      | East Point           |                         |
| <b>LIABILITIES:</b>   |  |                       |                      |                         |                      |                         |
| Accounts payable and accrued expenses   | \$ 17,538,820                                | \$ 881,644(c)         | \$ 0                 | \$ 18,420,464           | \$ 0                 | \$ 18,420,464           |
| Accounts payable  | 35,829,293                                   | 172,238,710(c)        | 90,000,000(c)        | 298,068,003             | 0                    | 298,068,003             |
| Leases under capital lease  | 54,500,000                                   | 0                     | 0                    | 54,500,000              | 0                    | 54,500,000              |
| Notes payable   | 10,209,306                                   | 0                     | 0                    | 10,209,306              | 0                    | 10,209,306              |
| Due to affiliates   | 4,379,745                                    | 0                     | 0                    | 4,379,745               | 0                    | 4,379,745               |
| Deferred rental income  | 7,893,930                                    | 0                     | 0                    | 7,893,930               | 0                    | 7,893,930               |
| <b>Liabilities</b>  | <b>130,351,094</b>                           | <b>173,120,354</b>    | <b>90,000,000</b>    | <b>393,471,448</b>      | <b>0</b>             | <b>393,471,448</b>      |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |  |                       |                      |                         |                      |                         |
| PRIORITY INTEREST OF UNIT HOLDER OPERATING PARTNERSHIP  | 200,000                                      | 0                     | 0                    | 200,000                 | 0                    | 200,000                 |
| <b>SHAREHOLDERS EQUITY:</b>   |  |                       |                      |                         |                      |                         |
| Common shares, \$.01 par value; 750,000,000 authorized, 182,608,517 shares issued, 180,891,792 outstanding at September 30, | 1,826,086                                    | 297,685(a)            | 0                    | 2,123,771               | 81,430(h)            | 2,205,206               |
| Additional paid-in capital  | 1,621,376,451                                | 297,387,655(a)        | 0                    | 1,918,764,106           | 81,348,624(h)        | 2,000,112,730           |
| Retained earnings   | (64,907,241)                                 | 0                     | 0                    | (64,907,241)            | 0                    | (64,907,241)            |
| Treasury stock, at cost, 1,716,725 shares   | (17,167,254)                                 | 0                     | 0                    | (17,167,254)            | 0                    | (17,167,254)            |
| Accumulated comprehensive loss  | (415,035)                                    | 0                     | 0                    | (415,035)               | 0                    | (415,035)               |
| <b>Shareholders equity</b>  | <b>1,540,713,007</b>                         | <b>297,685,340</b>    | <b>0</b>             | <b>1,838,398,347</b>    | <b>81,430,054</b>    | <b>1,919,828,401</b>    |
| <b>Liabilities and shareholders equity</b>  | <b>\$ 1,671,264,101</b>                      | <b>\$ 470,805,694</b> | <b>\$ 90,000,000</b> | <b>\$ 2,232,069,795</b> | <b>\$ 81,430,054</b> | <b>\$ 2,313,499,794</b> |

- (a) Reflects capital raised through issuance of additional shares subsequent to September 30, 2002 through the Nestle acquisition date.
- (b) Reflects deferred project costs capitalized as a result of additional capital raised described in note (a) above.
- (c) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.
- (d) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.
- (e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.
- (f) Reflects Wells Real Estate Investment Trust, Inc.'s contribution to the Wells XIII-REIT Joint Venture, which decreased its interest in the joint venture from 68.29% to 61.28%.
- (g) Reflects deferred project costs contributed to the Wells Fund XIII-REIT Joint Venture at approximately 4.094% of purchase price.
- (h) Reflects capital raised through issuance of additional shares subsequent to the Nestle acquisition date through the East Point acquisition date.
- (i) Reflects deferred project costs capitalized as a result of additional capital raised described in note (h) above.
- (j) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

## WELLS REAL ESTATE INVESTMENT TRUST, INC.

## PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001  
(Unaudited)

|   | Pro Forma Adjustments                        |                     |                      |                      |                     | Pro Forma Adjustments |                                | Pro Forma Total      |
|---|--|---------------------|----------------------|----------------------|---------------------|-----------------------|--------------------------------|----------------------|
|   | Wells Real Estate Investment Trust, Inc. (h) | 2001 Acquisitions   | 2002 Acquisitions    | Recent Acquisitions  |                     | Pro Forma Subtotal    | Recent Acquisitions East Point |                      |
|   |  |                     |                      | Other                | Nestle              |                       |                                |                      |
| <b>EVENUES:</b>                                   |  |                     |                      |                      |                     |                       |                                |                      |
| Rental income                                     | \$ 44,204,279                                | \$ 11,349,076(a)    | \$ 54,615,521(a)     | \$ 45,317,526(a)     | \$ 16,657,346(a)    | \$ 172,143,748        | \$ 1,059,426(a)                | \$ 173,203,174       |
| Equity in income of joint ventures                | 3,720,959                                    | 1,111,850(b)        | 0                    | 638,552(b)           | 0                   | 5,471,361             | 0                              | 5,471,361            |
| Interest income                                   | 1,246,064                                    | 0                   | 0                    | 0                    | 0                   | 1,246,064             | 0                              | 1,246,064            |
| Take out fee                                      | 137,500                                      | 0                   | 0                    | 0                    | 0                   | 137,500               | 0                              | 137,500              |
|   | <u>49,308,802</u>                            | <u>12,460,926</u>   | <u>54,615,521</u>    | <u>45,956,078</u>    | <u>16,657,346</u>   | <u>178,998,673</u>    | <u>1,059,426</u>               | <u>180,058,099</u>   |
| <b>EXPENSES:</b>                                  |  |                     |                      |                      |                     |                       |                                |                      |
| Depreciation                                      | 15,344,801                                   | 5,772,761(c)        | 22,487,278(c)        | 14,408,864(c)        | 5,471,736(c)        | 63,485,440            | 829,260(c)                     | 64,314,700           |
| Interest  | 3,411,210                                    | 0                   | 0                    | 9,452,460(f)         | 4,399,200(g)        | 17,262,870            | 0                              | 17,262,870           |
| Operating costs, net of reimbursements            | 4,128,883                                    | 2,854,275(d)        | 3,668,343(d)         | 9,628,878(d)         | 4,114,321(d)        | 24,394,700            | 926,011(d)                     | 25,320,711           |
| Management and leasing fees                       | 2,507,188                                    | 510,708(e)          | 2,250,455(e)         | 482,139(e)           | 711,379(e)          | 6,461,869             | 47,674(e)                      | 6,509,543            |
| General and administrative                        | 973,785                                      | 0                   | 0                    | 0                    | 0                   | 973,785               | 0                              | 973,785              |
| Amortization of deferred financing costs          | 770,192                                      | 0                   | 0                    | 0                    | 0                   | 770,192               | 0                              | 770,192              |
| Legal and accounting                              | 448,776                                      | 0                   | 0                    | 0                    | 0                   | 448,776               | 0                              | 448,776              |
|   | <u>27,584,835</u>                            | <u>9,137,744</u>    | <u>28,406,076</u>    | <u>33,972,341</u>    | <u>14,696,636</u>   | <u>113,797,632</u>    | <u>1,802,945</u>               | <u>115,600,573</u>   |
| <b>NET INCOME</b>                                 | <b>\$ 21,723,967</b>                         | <b>\$ 3,323,182</b> | <b>\$ 26,209,445</b> | <b>\$ 11,983,737</b> | <b>\$ 1,960,710</b> | <b>\$ 65,201,041</b>  | <b>\$ (743,519)</b>            | <b>\$ 64,457,522</b> |
| <b>EARNINGS PER SHARE, basic and diluted</b>      |  |                     |                      |                      |                     |                       |                                |                      |
|   | <u>\$ 0.43</u>                               |                     |                      |                      |                     |                       |                                | <u>\$ 0.23</u>       |
| <b>WEIGHTED AVERAGE SHARES, basic and diluted</b> |  |                     |                      |                      |                     |                       |                                |                      |
|   | <u>50,520,853</u>                            |                     |                      |                      |                     |                       |                                | <u>303,171,543</u>   |

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building, the ADIC Buildings and the John Wiley Indianapolis Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Represents interest expense on lines of credit used to acquire assets, which bear interest at approximately 5.488% for the year ended December 31, 2001.

(g) Represents interest expense on mortgage assumed as part of the Nestle Building acquisition, which bears interest at approximately 4.888% for the year ended December 31, 2001.

(h) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

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## WELLS REAL ESTATE INVESTMENT TRUST, INC.

## PRO FORMA STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(Unaudited)

|   | Wells Real<br>Estate<br>Investment<br>Trust, Inc. (i) | Pro Forma Adjustments |                      |                     | Pro Forma<br>Subtotal | Pro Forma<br>Adjustments | Pro Forma<br>Total   |
|---|---|-----------------------|----------------------|---------------------|-----------------------|--------------------------|----------------------|
|   |   | 2002<br>Acquisitions  | Recent Acquisitions  |                     |                       | Recent<br>Acquisitions   |                      |
|   |   |                       | Other                | Nestle              |                       | East Point               |                      |
| <b>REVENUES:</b>                                  |   |                       |                      |                     |                       |                          |                      |
| Rental income                                     | \$ 66,120,992   | \$ 42,103,180(a)      | \$ 33,939,001(a)     | \$ 12,473,951(a)    | \$ 154,637,124        | \$ 1,112,123(a)          | \$ 155,749,247       |
| Operating cost reimbursements                     | 12,853,717  | 5,976,734(h)          | 3,062,835(h)         | 698,210(h)          | 22,591,496            | 47,499(h)                | 22,638,995           |
| Equity in income of joint ventures                | 3,738,046   | 0                     | 487,970(f)           | 0                   | 4,226,016             | 0                        | 4,226,016            |
| Interest income                                   | 5,075,165   | 0                     | 0                    | 0                   | 5,075,165             | 0                        | 5,075,165            |
| Take out fee                                      | 134,666   | 0                     | 0                    | 0                   | 134,666               | 0                        | 134,666              |
|   | <u>87,922,586</u>                                     | <u>48,079,914</u>     | <u>37,489,806</u>    | <u>13,172,161</u>   | <u>186,664,467</u>    | <u>1,159,622</u>         | <u>187,824,089</u>   |
| <b>EXPENSES:</b>                                  |   |                       |                      |                     |                       |                          |                      |
| Depreciation                                      | 23,185,201  | 15,039,449(b)         | 10,806,647(b)        | 4,103,802(b)        | 53,135,099            | 621,945(b)               | 53,757,044           |
| Operating costs                                   | 17,108,599  | 10,179,532            | 10,532,575(c)        | 3,914,726(c)        | 41,735,432            | 742,490(c)               | 42,477,922           |
| Interest  | 2,006,458   | 0                     | 5,310,551(e)         | 2,369,925(g)        | 9,686,934             | 0                        | 9,686,934            |
| Management and leasing fees                       | 3,348,210   | 1,697,775(d)          | 361,605(d)           | 533,548(d)          | 5,941,138             | 50,046(d)                | 5,991,184            |
| General and administrative                        | 1,866,042   | 0                     | 0                    | 0                   | 1,866,042             | 0                        | 1,866,042            |
| Amortization of deferred financing costs          | 586,715   | 0                     | 0                    | 0                   | 586,715               | 0                        | 586,715              |
|   | <u>48,101,225</u>                                     | <u>26,916,756</u>     | <u>27,011,378</u>    | <u>10,922,001</u>   | <u>112,951,360</u>    | <u>1,414,481</u>         | <u>114,365,841</u>   |
| <b>NET INCOME</b>                                 | <b>\$ 39,821,361</b>                                  | <b>\$ 21,163,158</b>  | <b>\$ 10,478,428</b> | <b>\$ 2,250,160</b> | <b>\$ 73,713,107</b>  | <b>\$ (254,859)</b>      | <b>\$ 73,458,248</b> |
| <b>EARNINGS PER SHARE, basic and diluted</b>      |   |                       |                      |                     |                       |                          |                      |
|   | <u>\$ 0.31</u>  |                       |                      |                     |                       |                          | <u>\$ 0.24</u>       |
| <b>WEIGHTED AVERAGE SHARES, basic and diluted</b> |   |                       |                      |                     |                       |                          |                      |
|   | <u>128,541,432</u>                                    |                       |                      |                     |                       |                          | <u>303,171,546</u>   |

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses.

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- (d) Management and leasing fees are calculated at 4.5% of rental income.
- (e) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 4.111% for the nine months ended September 30, 2002.
- (f) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.
- (g) Represents interest expense on mortgage assumed as part of the Nestle Building acquisition, which bears interest at approximately 3.511% for the nine months ended September 30, 2002.
- (h) Consists of operating cost reimbursements.
- (i) Historical financial information derived from quarterly report on Form 10-Q/A.

The accompanying notes are an integral part of this statement.

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