

WELLS REAL ESTATE INVESTMENT TRUST INC

Form 8-K

October 24, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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) October 9, 2003

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, Norcross, Georgia 30092

(Address of principal executive offices) (Zip Code)

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

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

Item 2. Acquisition or Disposition of Assets

Acquisition of 1901 Main Irvine Building

On September 17, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells Real Estate Investment Trust, Inc. (the Registrant), purchased an eight-story office building containing approximately 172,000 aggregate rentable square feet located on an approximately 4.8-acre tract of land at 1901 Main Street in Irvine, California (the 1901 Main Irvine Building) for a purchase price of \$45.5 million, plus closing costs. The 1901 Main Irvine Building was purchased from Main & Mac II, L.P., which is not in any way affiliated with the Registrant, Wells OP or Wells Capital, Inc., the advisor (the Advisor). Wells OP previously purchased five buildings from affiliates of Main & Mac II, L.P. (the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the GMAC Detroit Building and the Applera Pasadena Building).

The 1901 Main Irvine Building, which was built in 2001, is leased to BNC Mortgage, Inc. (BNC) (approximately 43%); Aon Service Corporation (Aon) (approximately 26%); General Electric Capital Corporation (GE Capital) (approximately 13%); Citigroup Global Markets Inc. (Citigroup) (approximately 13%); and Alliance Bank (Alliance) (approximately 5%).

BNC is a privately held corporation engaged in the business of originating, purchasing and selling non-conforming residential mortgage loans. BNC originates loans through a nationwide network of independent mortgage brokers through its full service branch offices and is currently ranked as one of the nation's top 100 mortgage lenders according to National Mortgage News. The current annual base rent payable under the BNC lease, which expires in 2008, is approximately \$2.0 million. In addition, BNC has a right of first refusal to lease additional space in the 1901 Main Irvine Building should space become available, subject to certain expansion rights and rights of first offer of Aon, GE Capital, Citigroup and Alliance.

Aon is a wholly owned subsidiary of Aon Corporation which has its headquarters located in the Aon Center Chicago Building and is a holding company whose subsidiaries provide insurance brokerage, consulting, and insurance underwriting services. Aon Corporation, the guarantor on the Aon lease, has approximately 550 offices in 120 countries worldwide. The current annual base rent payable under the Aon lease, which expires in 2012, is approximately \$1.4 million. Aon has the right to terminate the Aon lease in 2009 by paying a termination fee equal to all unamortized tenant improvement allowances and leasing commissions incurred by the landlord in connection with the Aon lease, which is currently estimated to be approximately \$0.65 million. In addition, Aon has expansion options and a right of first offer to lease additional space in the 1901 Main Irvine Building should space become available.

The current aggregate annual base rent for GE Capital, Citigroup and Alliance, the remaining three tenants in the 1901 Main Irvine Building, is approximately \$1.6 million.

Acquisition of AIU Chicago Building

On September 19, 2003, Wells Fund XIII REIT Joint Venture Partnership (the Wells Fund XIII-REIT Joint Venture), a joint venture partnership between Wells Real Estate Fund XIII, L.P. (Wells Fund XIII) and Wells OP, purchased a four-story office building on a 2.7 acre tract of land located at 5550 Prairie Stone Parkway in Hoffman Estates, Illinois (the AIU Chicago Building) from Two Park Center, L.L.C. (Two Park) for a purchase price of \$26.3 million, plus closing costs. Two Park is not in any way affiliated with the Wells Fund XIII-REIT Joint Venture, Wells OP, the Registrant or the Advisor.

Wells OP contributed approximately \$24.0 million and Wells Fund XIII contributed \$3 million to the Wells Fund XIII REIT Joint Venture for their respective shares of the acquisition costs for the AIU Chicago Building. Subsequent to the acquisition of the AIU Chicago Building, Wells OP held an equity percentage interest in the Wells Fund XIII REIT Joint Venture of approximately 71.89%, and Wells Fund XIII held an equity percentage interest in the Wells Fund XIII REIT Joint Venture of approximately 28.11%.

The AIU Chicago Building, which was completed in 1999, contains approximately 193,700 rentable square feet and is primarily leased under a net lease (i.e., operating costs and maintenance costs are paid by the tenants) to American Intercontinental University, Inc. (AIU) (approximately 66%). Approximately 31% of the AIU Chicago Building is leased to four additional tenants, and approximately 3% of the AIU Chicago Building is currently vacant.

AIU is a wholly owned subsidiary of EduTrek International, Inc., which is a wholly owned subsidiary of Career Education Corporation (Career Education), a company whose shares are publicly traded on NASDAQ. AIU provides post-secondary education at campuses in Los Angeles, Houston, Fort Lauderdale, London and Atlanta. AIU also provides an online Internet degree program. Career Education, the guarantor of the AIU lease, provides private for-profit post-secondary education at over 75 schools, colleges and universities worldwide. Career Education reported a net worth, as of June 30, 2003, of approximately \$473.6 million.

The AIU lease commenced in May 2002 and expires in June 2008, except for approximately 48,933 rentable square feet of the AIU lease (the Expansion Space) which expires in December 2010. The current annual base rent payable under the AIU lease is approximately \$1.7 million. AIU has the right, at its option, to extend the initial term of its lease, excluding the Expansion Space, for one additional five-year period at the then-current market rental rate. The AIU lease prohibits the Wells Fund XIII REIT Joint Venture from leasing any space in the AIU Chicago Building to any business which offers post-high school or corporate training as its primary function.

The current aggregate annual base rent for the remaining four tenants in the AIU Chicago Building is approximately \$0.8 million.

Acquisition of IBM Portland Buildings

On October 9, 2003, Wells OP purchased four multi-story office buildings and one industrial building containing approximately 364,000 aggregate rentable square feet on an approximately 20.9-acre tract of land (the IBM Portland Buildings) and an additional adjacent 31.8-acre tract of land (the IBM Land) in Beaverton, Oregon for an aggregate purchase price of approximately \$38.2 million, plus closing costs. The IBM Portland Buildings and IBM Land were purchased from International Business Machines Corporation (IBM), which is not in any way affiliated with the Registrant, Wells OP or the Advisor.

Three of the five IBM Portland Buildings, located at 15300 SW Koll Parkway, 15350 SW Koll Parkway and 15400 SW Koll Parkway, which were built between 1988 and 1990 and contain an aggregate of approximately 220,000 rentable square feet, are entirely leased under three separate net leases to IBM. The remaining two buildings located at 1345 SW Burlington Drive and 15757 SW Jay Street are currently vacant.

IBM, a company whose shares are publicly traded on the New York Stock Exchange (NYSE), manufactures and sells computer services, hardware and software and is the most diversified provider of computer products and services in the United States. IBM reported a net worth, as of June 30, 2003, of approximately \$26.6 billion. The current aggregate annual base rent payable under the IBM leases, which expire in 2008, 2010 and 2012 respectively, is approximately \$2.9 million.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells Fund XIII REIT Joint Venture, the Registrant and the Advisor, will manage the 1901 Main Irvine Building and the IBM Portland Buildings on behalf of Wells OP and the AIU Chicago Building on behalf of the Wells Fund XIII REIT Joint Venture. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the 1901 Main Irvine Building, the AIU Chicago Building and the IBM Portland Buildings, subject to certain limitations.

Disposition of the Cort Furniture Building

On September 11, 2003, Wells/Orange County Associates (the Cort Joint Venture), a joint venture partnership between Wells OP and Fund X and Fund XI Associates, sold a warehouse and office building containing approximately 52,000 rentable square feet located in Fountain Valley, California (the Cort Furniture Building) for a \$5.77 million sales price.

Wells OP holds an approximately 43.6% equity percentage interest in the Cort Joint Venture. The net sale proceeds allocable to Wells OP as a result of the sale of the Cort Furniture Building were approximately \$2.4 million. Wells OP recognized a loss of approximately \$165,000 from the sale of the Cort Furniture Building.

Item 7. Financial Statements and Exhibits

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

(b) Pro Forma Financial Information. The following pro forma financial statements of the Registrant are submitted at the end of this Current Report on Form 8-K and are filed herewith and incorporated herein by reference:

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Pro Forma Statement of Income for the year ended December 31, 2002 (unaudited)

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Pro Forma Statement of Income for the six months ended June 30, 2003 (unaudited)

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Report of Independent Auditors

Joint Ventures Partners

Wells Fund XIII REIT Joint Venture Partnership:

We have audited the accompanying statement of revenues over certain operating expenses of the AIU Chicago Building for the year ended December 31, 2002. This statement is the responsibility of the AIU Chicago 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 AIU Chicago 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 AIU Chicago Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

Atlanta, Georgia

September 19, 2003

/s/ ERNST & YOUNG LLP

AIU Chicago Building
Statements of Revenues Over Certain Operating Expenses**For the year ended December 31, 2002****and the six months ended June 30, 2003 (unaudited)****(in thousands)**

	2003	2002
	<u> </u>	<u> </u>
	<i>(Unaudited)</i>	
Revenues:		
Base rent	\$ 836	\$ 1,506
Tenant reimbursements	855	1,143
Other revenue	719	27
	<u> </u>	<u> </u>
Total revenues	2,410	2,676
Expenses:		
Real estate taxes	401	780
Other operating expenses	167	284
General and administrative	126	258
Utilities	100	189
Cleaning	105	152
Management fees	74	80
	<u> </u>	<u> </u>
Total expenses	973	1,743
	<u> </u>	<u> </u>
Revenues over certain operating expenses	\$ 1,437	\$ 933
	<u> </u>	<u> </u>

See accompanying notes.

AIU Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002

and the six months ended June 30, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On September 19, 2003, the Wells Fund XIII REIT Joint Venture Partnership (Wells Fund XIII REIT) acquired the AIU Chicago Building, a four-story office building containing approximately 194,000 square feet located in Hoffman Estates, Illinois, from Two Park Center, L.L.C. (Two Park Center), an unrelated third-party. Total consideration for the acquisition was approximately \$26.3 million. Wells Fund XIII REIT is a joint venture partnership between Wells Real Estate Fund XIII, L.P. and Wells Operating Partnership, L.P. (Wells OP). 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.

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, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the AIU Chicago Building after its acquisition by Wells Fund XIII REIT.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of rental income recognized over the amounts due pursuant to lease terms is recorded as straight-line rent receivable. The adjustment to straight-line rent receivable increased revenue by approximately \$36,000 for the year ended December 31, 2002 and approximately \$40,000 for the six months ended June 30, 2003.

Use of Estimates

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The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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AIU Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses (continued)

For the year ended December 31, 2002**and the six months ended June 30, 2003 (unaudited)****4. Description of Leasing Arrangements**

Two Park Center's interests in all lease agreements were assigned to Wells Fund XIII REIT upon its acquisition of the AIU Chicago Building. The office space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. One tenant, Hartford Computer Group, Inc. (Hartford), terminated its lease for approximately 49,000 square feet in March 2003. Hartford paid Two Park Center a termination fee of \$700,000, which is included in Other Revenue for the six months ended June 30, 2003.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	\$ 1,976
2004	2,557
2005	2,632
2006	2,621
2007	2,445
Thereafter	3,106
	<u>15,337</u>
	<u>\$ 15,337</u>

Four tenants, Hartford, American Intercontinental University, Inc. (AIU), Future Electronics Corporation (Future) and Philips Electronics North America Corporation (Philips) contributed approximately 45%, 15%, 14% and 13%, respectively, of rental income for the year ended December 31, 2002. AIU, Philips, Hartford and Future contributed approximately 35%, 25%, 14% and 13%, respectively, of rental income for the six months ended June 30, 2003. Subsequent to December 31, 2002, AIU and Philips will contribute approximately 74% and 13%, respectively, of the future minimum rental income of those leases in place as of that date.

6. Interim Unaudited Financial Information

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The statement of revenues over certain operating expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial 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.

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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, 2002 and its quarterly report on Form 10-Q for the six months ended June 30, 2003. 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 June 30, 2003 has been prepared to give effect to the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building, the Applera Pasadena Building, the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building by Wells Operating Partnership, L.P. ("Wells OP") and the Aventis Northern NJ Building by Wells Bridgewater I, LLC, of which Wells OP is the sole member, (the "Other Recent Acquisitions") and the 1901 Main Building and the IBM Portland Buildings by Wells OP and the AIU Chicago Building by Wells Fund XIII-REIT Joint Venture Partnership ("Wells Fund XIII-REIT"), a joint venture partnership between Wells Real Estate Fund XIII, L.P and Wells OP, (collectively, the "Recent Acquisitions") and the disposition of the Cort Furniture Building by Wells/Orange County Associates, a joint venture partnership between Fund X and Fund XI Associates and Wells OP, as if the acquisitions and disposition occurred on June 30, 2003. Wells OP's ownership percentage in Wells Fund XIII-REIT increased from 61.28% to 71.89% as a result of its disproportionate contribution, which was used to partially fund the acquisition of the AIU Chicago Building. Wells OP held an interest of approximately 43.67% in the Cort Furniture Building through its indirect equity interest in Wells/Orange County Associates.

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 those of Wells REIT.

The following unaudited pro forma statement of income for the six months ended June 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building, the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building and the IBM Reston Buildings (collectively, the "2003 Acquisitions"), the Recent Acquisitions and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition 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, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the "2002 Acquisitions"), the 2003 Acquisitions, the Recent Acquisitions and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002. The Kerr McGee Property, the AmeriCredit Phoenix Property, the ISS Atlanta III Building and the Continental Casualty Orange County Building had no operations during the year ended December 31, 2002.

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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 2002 Acquisitions, 2003 Acquisitions, the Recent Acquisitions and the disposition of the Cort Furniture Building been consummated as of January 1, 2002. 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.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

	Pro Forma Adjustments						Pro Forma Total
	Wells Real Estate Investment Trust, Inc. (a)	Other	Recent Acquisitions			Disposition	
			1901 Main Irvine	AIU Chicago	IBM Portland	Cort Furniture	
REAL ESTATE ASSETS, at cost:							
Land	\$ 342,885	\$ 40,920 (b)	\$ 6,000 (b)	\$ 0	\$ 9,437 (b)	\$ 0	\$ 401,403
		1,529 (c)	246 (c)	0	386 (c)	0	
Buildings, less accumulated depreciation of \$107,872	2,575,249	310,891 (b)	39,587 (b)	0	28,998 (b)	0	2,968,645
		11,113 (c)	1,620 (c)	0	1,187 (c)	0	
Construction in progress	532	0	0	0	0	0	532
Total real estate assets	2,918,666	364,453	47,453	0	40,008	0	3,370,580
INVESTMENT IN JOINT VENTURES	82,513	0	0	24,360 (f)	0	(2,599)(i)	104,274
CASH AND CASH EQUIVALENTS	59,105	(251,811)(b)	(45,587)(b)	(23,402)(g)	(38,435)(b)	2,430 (j)	374,032
		699,230 (d)					
		(27,498)(e)					
RENT RECEIVABLE	26,814	0	0	0	0	0	26,814
DEFERRED PROJECT COSTS	1,864	(12,642)(c)	(1,866)(c)	(958)(h)	(1,573)(c)	0	12,323
		27,498 (e)					
DUE FROM AFFILIATES	1,807	0	0	0	0	0	1,807
PREPAID EXPENSES AND OTHER ASSETS, NET	12,656	0	0	0	0	0	12,656
DEFERRED LEASE ACQUISITION COSTS, NET	11,880	0	0	0	0	0	11,880
INTANGIBLE LEASE ASSETS	22,839	0	0	0	0	0	22,839
INVESTMENT IN BONDS	54,500	0	0	0	0	0	54,500
Total assets	\$ 3,192,644	\$ 799,230	\$ 0	\$ 0	\$ 0	\$ (169)	\$ 3,991,705

LIABILITIES AND SHAREHOLDERS EQUITY

(in thousands, except share amounts)

	Pro Forma Adjustments							Pro Forma Total
	Wells Real Estate Investment Trust, Inc. (a)	Recent Acquisitions					Disposition	
		Other	1901 Main	AIU	IBM	Cort		
			Irvine	Chicago	Portland		Furniture	
LIABILITIES:								
Borrowings	\$ 308,765	\$ 100,000 (b)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 408,765	
Obligations under capital lease	54,500	0	0	0	0	0	54,500	
Intangible lease liability	46,249	0	0	0	0	0	46,249	
Accounts payable and accrued expenses	57,013	0	0	0	0	0	57,013	
Due to affiliate	5,061	0	0	0	0	0	5,061	
Dividends payable	9,532	0	0	0	0	0	9,532	
Deferred rental income	9,379	0	0	0	0	0	9,379	
Total liabilities	490,499	100,000	0	0	0	0	590,499	
COMMITMENTS AND CONTINGENCIES								
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	0	0	200	
SHAREHOLDERS EQUITY:								
Common shares, \$.01 par value; 750,000,000 shares authorized, 322,219,052 shares issued and 317,026,812 outstanding at June 30, 2003	3,222	786 (d)	0	0	0	0	4,008	
Additional paid-in capital	2,863,705	698,444 (d)	0	0	0	(169)(k)	3,561,980	
Cumulative distributions in excess of earnings	(113,052)	0	0	0	0	0	(113,052)	
Treasury stock, at cost, 5,192,240 shares at June 30, 2003	(51,922)	0	0	0	0	0	(51,922)	
Other comprehensive loss	(8)	0	0	0	0	0	(8)	
Total shareholders equity	2,701,945	699,230	0	0	0	(169)	3,401,006	
Total liabilities and shareholders equity	\$ 3,192,644	\$ 799,230	\$ 0	\$ 0	\$ 0	\$ (169)	\$ 3,991,705	

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed, net of any purchase price adjustments.

(c) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(d) Reflects capital raised through issuance of additional shares subsequent to June 30, 2003 through the IBM Portland acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.

(e) Reflects deferred project costs capitalized as a result of additional capital raised described in note (d) above.

(f) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the cost to acquire the AIU Chicago Building.

(g) Reflects Wells Real Estate Investment Trust, Inc.'s contribution to Wells Fund XIII-REIT, which increased its interest in the joint venture from 61.28% to 71.89%.

(h) Reflects deferred project costs applied to Wells Fund XIII-REIT at approximately 4.094% of purchase price.

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- (i) Reflects the portion of Wells Real Estate Investment Trust, Inc.'s investment in Wells/Orange County Associates, which is attributable to the Cort Furniture Building.
- (j) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the Cort Furniture Building net sales proceeds.
- (k) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the loss recognized on the sale of the Cort Furniture Building.

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 YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

Wells Real Estate Investment Trust, Inc. (a)	Pro Forma Adjustments								Pro Forma Total
	2002	2003	Recent Acquisitions				Disposition		
			Acquisitions	Other	1901 Main	AIU	IBM	Cort Furniture	
					Irvine	Chicago	Portland		
REVENUES:									
Rental income	\$ 107,526	\$ 98,599 (b)	\$ 77,148 (b)	\$ 31,628 (b)	\$ 2,555 (b)	\$ 0	\$ 3,154 (b)	\$ 0	\$ 320,610
Tenant reimbursements	18,992	9,584 (c)	52,461 (c)	4,225 (c)	0 (c)	0	2,138 (c)	0	87,400
Equity in income of joint ventures	4,700	648 (d)	0	0	0	(145)(d)	0	(237)(i)	4,966
Lease termination income	1,409	0	0	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	0	0	7,001
	<u>139,628</u>	<u>108,831</u>	<u>129,609</u>	<u>35,853</u>	<u>2,555</u>	<u>(145)</u>	<u>5,292</u>	<u>(237)</u>	<u>421,386</u>
EXPENSES:									
Depreciation	38,780	34,362 (e)	32,088 (e)	11,724 (e)	1,648 (e)	0	1,207 (e)	0	119,809
Interest expense	4,638	9,657 (f)	24,407 (f)	3,990 (f)	0 (f)	0	0	0	42,692
Property operating costs	26,949	25,244 (g)	65,996 (g)	9,589 (g)	1,361 (g)	0	2,371 (g)	0	131,510
Management and leasing fees	5,155	3,196 (h)	5,833 (h)	1,614 (h)	115 (h)	0	231 (h)	0	16,144
General and administrative	3,244	0	0	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	0	0	1,008
	<u>79,774</u>	<u>72,459</u>	<u>128,324</u>	<u>26,917</u>	<u>3,124</u>	<u>0</u>	<u>3,809</u>	<u>0</u>	<u>314,407</u>
NET INCOME	<u>\$ 59,854</u>	<u>\$ 36,372</u>	<u>\$ 1,285</u>	<u>\$ 8,936</u>	<u>\$ (569)</u>	<u>\$ (145)</u>	<u>\$ 1,483</u>	<u>\$ (237)</u>	<u>\$ 106,979</u>
EARNINGS PER SHARE, basic and diluted	<u>\$ 0.41</u>								<u>\$ 0.27</u>
WEIGHTED AVERAGE SHARES, basic and diluted	145,633								394,462

- (a) Historical financial information derived from annual report on Form 10-K.
- (b) Rental income is recognized on a straight-line basis.
- (c) Consists of operating costs reimbursements.
- (d) 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 and the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.
- (e) Depreciation expense is recognized using the straight-line method and a 25-year life.
- (f) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the BMG Greenville Buildings and Nestle Los Angeles Building, which bore interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.
- (g) Consists of operating expenses.
- (h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
- (i) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003

(in thousands, except per share amounts)

(Unaudited)

Pro Forma Adjustments

	Pro Forma Adjustments							Pro Forma Total
	Wells Real Estate Investment Trust, Inc. (a)	Recent Acquisitions					Cort Furniture	
	2003 Acquisitions	Other	1901 Main Irvine	AIU Chicago	IBM Portland			
REVENUES:								
Rental income	\$ 122,312	\$ 27,355 (b)	\$ 17,862 (b)	\$ 2,029 (b)	\$ 0	\$ 1,577 (b)	\$ 0	\$ 171,135
Tenant reimbursements	26,058	17,050 (c)	2,381 (c)	43 (c)	0	1,069 (c)	0	46,601
Equity in income of joint ventures	2,392	0	0	0	615 (h)	0	(114)(i)	2,893
Interest and other income	2,315	0	0	0	0	0	0	2,315
	<u>153,077</u>	<u>44,405</u>	<u>20,243</u>	<u>2,072</u>	<u>615</u>	<u>2,646</u>	<u>(114)</u>	<u>222,944</u>
EXPENSES:								
Depreciation	44,278	10,898 (d)	6,286 (d)	824 (d)	0	604 (d)	0	62,890
Property operating costs	41,039	21,206 (e)	5,640 (e)	1,045 (e)	0	1,185 (e)	0	70,115
Management and leasing fees	5,488	1,998 (f)	911 (f)	93 (f)	0	116 (f)	0	8,606
General and administrative	2,523	0	0	0	0	0	0	2,523
Interest expense	7,400	7,655 (g)	1,645	0	0	0	0	16,700
	<u>100,728</u>	<u>41,757</u>	<u>14,482</u>	<u>1,962</u>	<u>0</u>	<u>1,905</u>	<u>0</u>	<u>160,834</u>
NET INCOME	<u>\$ 52,349</u>	<u>\$ 2,648</u>	<u>\$ 5,761</u>	<u>\$ 110</u>	<u>\$ 615</u>	<u>\$ 741</u>	<u>\$ (114)</u>	<u>\$ 62,110</u>
EARNINGS PER SHARE, basic and diluted	<u>\$ 0.20</u>							<u>\$ 0.16</u>
WEIGHTED AVERAGE SHARES, basic and diluted	<u>258,575</u>							<u>394,462</u>

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- (a) Historical financial information derived from quarterly report on Form 10-Q.
- (b) Rental income is recognized on a straight-line basis.
- (c) Consists of operating costs reimbursements.
- (d) Depreciation expense is recognized using the straight-line method and a 25-year life.
- (e) Consists of operating expenses.
- (f) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
- (g) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.29% for the six months ended June 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.40% for the six months ended June 30, 2003.
- (h) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.
- (i) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

The accompanying notes are an integral part of this statement.