

WELLS REAL ESTATE INVESTMENT TRUST INC
Form 8-K/A
September 12, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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) July 1, 2002

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)

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 July 1, 2002 to provide the required financial statements relating to the acquisition by the Registrant of the ISS Atlanta Buildings located in Atlanta, Georgia, as described in such Current Report.

Item 7. Financial Statements and Exhibits.

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

Since the ISS Atlanta Buildings are leased to a single tenant on a long-term basis under a net lease expiring in May 2013 that transfers substantially all of the operating costs to the tenant, the Registrant believes that financial information about the guarantor of the lease, Internet Security Systems, Inc., a Delaware corporation (ISS, Inc.), is more relevant to investors than financial statements of the property acquired. ISS, Inc. is a public company which currently files its financial statements in reports filed with the Securities and Exchange Commission, and following is a summary of certain selected financial data regarding ISS, Inc. taken from its previously filed public reports:

| CONSOLIDATED STATEMENTS OF OPERATIONS: | FOR THE FISCAL YEAR ENDED | | |
|---|---------------------------|-------------------|-------------------|
| | DECEMBER 31, 2001 | DECEMBER 31, 2000 | DECEMBER 31, 1999 |
| | (IN THOUSANDS) | | |
| Revenues | \$223,559 | \$194,975 | \$116,487 |
| Operating Income | \$ (24,158) | \$ 20,569 | \$ 2,700 |
| Net Income | \$ (15,458) | \$ 18,315 | \$ 7,490 |

| CONSOLIDATED BALANCE SHEET DATA: | DECEMBER 31, 2001 | DECEMBER 31, 2000 |
|-------------------------------------|-------------------|-------------------|
| | | (IN THOUSANDS) |
| Total Assets | \$500,984 | \$240,240 |
| Stockholders' Equity | \$426,935 | \$188,389 |

For more detailed financial information regarding ISS, Inc., please refer to the financial statements of ISS, Inc., which are publicly available with the Securities and Exchange Commission at <http://www.sec.gov>.

Wells Real Estate Investment Trust, Inc.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 to Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

WELLS REAL ESTATE
INVESTMENT TRUST, INC.
(Registrant)

By: /s/ LEO F. WELLS, III

Leo F. Wells, III
President

Date: September 10, 2002

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. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 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 June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings (collectively, the Other Recent Acquisitions) and the ISS Atlanta Buildings (ISS Atlanta) by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of 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 (collectively, the 2002 Acquisitions), ISS Atlanta and the Other Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property had no operations during the six months ended June 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, ISS Atlanta and the Other Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings and the Kerr McGee Property had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the 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. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

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, the 2002 Acquisitions, ISS Atlanta and the Other Recent Acquisitions been consummated as of January 1, 2001.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

| | Wells Real Estate Investment Trust, Inc. (g) | Pro Forma Adjustments ISS Atlanta | Pro Forma Subtotal | Pro Forma Adjustments Other Recent Acquisitions | Pro Forma Total |
|---|---|---|-------------------------|--|-------------------------|
| REAL ESTATE ASSETS, at cost: | | | | | |
| Land | \$ 110,330,449 | \$ 2,700,000(a) 109,884(b) | \$ 113,140,333 | \$ 17,588,044(a) 715,791(b) | \$ 131,444,168 |
| Buildings, less accumulated depreciation of \$37,717,737 | 689,490,969 | 38,065,159(a) | 729,105,291 | 157,133,684(a) | 892,633,950 |
| Construction in progress | 16,081,841 | 1,549,163(b) 0 | 16,081,841 | 6,394,975(b) 379,901(a) | 16,461,742 |
| Total real estate assets | 815,903,259 | 42,424,206 | 858,327,465 | 182,212,395 | \$ 1,040,539,860 |
| CASH AND CASH EQUIVALENTS | 341,909,775 | (40,606,422)(a) 4,941,651(c) (172,958) (e) | 306,072,046 | (163,384,038)(a) 195,624,733(d) (6,846,865)(e) | 331,465,876 |
| INVESTMENT IN JOINT VENTURES | 76,217,870 | 0 | 76,217,870 | 0 | 76,217,870 |
| INVESTMENT IN BONDS | 22,000,000 | 32,500,000(f) | 54,500,000 | 0 | 54,500,000 |
| ACCOUNTS RECEIVABLE | 10,709,104 | 0 | 10,709,104 | 0 | 10,709,104 |
| DEFERRED LEASE ACQUISITION | 1,790,608 | 0 | 1,790,608 | 0 | 1,790,608 |
| COSTS, net | | | | | |
| DEFERRED PROJECT COSTS | 14,314,914 | (1,659,047)(b) 172,958(e) | 12,828,825 | (7,110,766)(b) 6,846,865(e) | 12,564,924 |
| DEFERRED OFFERING COSTS | 1,392,934 | 0 | 1,392,934 | 0 | 1,392,934 |
| DUE FROM AFFILIATES | 1,897,309 | 0 | 1,897,309 | 0 | 1,897,309 |
| NOTE RECEIVABLE | 5,149,792 | 0 | 5,149,792 | 0 | 5,149,792 |
| PREPAID EXPENSES AND OTHER | 1,881,308 | 0 | 1,881,308 | 0 | 1,881,308 |
| ASSETS, net | | | | | |
| Total assets | \$ 1,293,166,873 | \$ 37,600,388 | \$ 1,330,767,261 | \$ 207,342,324 | \$ 1,538,109,585 |

LIABILITIES AND SHAREHOLDERS EQUITY

| | Wells Real Estate Investment Trust, Inc. (h) | Pro Forma Adjustments ISS Atlanta | Pro Forma Subtotal | Pro Forma Adjustments Other Recent Acquisitions | Pro Forma Total |
|--|---|---|-------------------------|--|-------------------------|
| LIABILITIES: | | | | | |
| Accounts payable and accrued expenses | \$ 11,840,214 | \$ 158,737(a) | \$ 11,998,951 | \$ 14,830(a) | \$ 12,013,781 |
| Notes payable | 15,658,141 | 0 | 15,658,141 | 11,702,761(a) | 27,360,902 |
| Obligations under capital lease | 22,000,000 | 32,500,000(g) | 54,500,000 | 0 | 54,500,000 |
| Dividends payable | 4,538,635 | 0 | 4,538,635 | 0 | 4,538,635 |
| Due to affiliate | 2,106,790 | 0 | 2,106,790 | 0 | 2,106,790 |
| Deferred rental income | 1,013,544 | 0 | 1,013,544 | 0 | 1,013,544 |
| Total liabilities | 57,157,324 | 32,658,737 | 89,816,061 | 11,717,591 | 101,533,652 |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP | | | | | |
| | 200,000 | 0 | 200,000 | 0 | 200,000 |
| SHAREHOLDERS EQUITY: | | | | | |
| Common shares, \$.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002 | 1,455,890 | 4,942(c) | 1,460,832 | 195,624(d) | 1,656,456 |
| Additional paid-in capital | 1,290,858,515 | 4,936,709(c) | 1,295,795,224 | 195,429,109(d) | 1,491,224,333 |
| Cumulative distributions in excess of earnings | (43,991,669) | 0 | (43,991,669) | 0 | (43,991,669) |
| Treasury stock, 1,222,381 at cost, shares | (12,223,808) | 0 | (12,223,808) | 0 | (12,223,808) |
| Other comprehensive loss | (289,379) | 0 | (289,379) | 0 | (289,379) |
| Total shareholders equity | 1,235,809,549 | 4,941,651 | 1,240,751,200 | 195,624,733 | 1,436,375,933 |
| Total liabilities and shareholders equity | \$ 1,293,166,873 | \$ 37,600,388 | \$ 1,330,767,261 | \$ 207,342,324 | \$ 1,538,109,585 |

- (a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.
- (b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.
- (c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through ISS Atlanta acquisition date.
- (d) Reflects capital raised through issuance of additional shares subsequent to ISS Atlanta acquisition date of the latest Other Recent Acquisitions.
- (e) Reflects deferred project costs capitalized as a result of additional capital raised described in notes (c) and (d) above.
- (f) Reflects investment in bonds for which 100% of the principal balance becomes payable on December 1, 2015.
- (g) Reflects mortgage note secured by the Deed of Trust to the ISS Atlanta Buildings for which 100% of the principal balance becomes payable on December 1, 2015.
- (h) 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)

| | Wells Real Estate Investment Trust, Inc. (f) | Pro Forma Adjustments | | | Pro Forma Subtotal | Pro Forma Adjustments | Pro Forma Total |
|---|--|-----------------------|---------------------|---------------------|----------------------|---------------------------|----------------------|
| | | 2001 Acquisitions | 2002 Acquisitions | ISS Atlanta | | Other Recent Acquisitions | |
| REVENUES: | | | | | | | |
| Rental income | \$ 44,204,279 | \$ 11,349,076(a) | \$ 14,846,431(a) | \$ 4,398,278(a) | \$ 74,798,064 | 16,538,740(a) | \$ 91,336,804 |
| Equity in income of joint ventures | 3,720,959 | 1,111,850(b) | 0 | 0 | 4,832,809 | 0 | 4,832,809 |
| Interest income | 1,246,064 | 0 | 0 | 0 | 1,246,064 | 0 | 1,246,064 |
| Take out fee | 137,500 | 0 | 0 | 0 | 137,500 | 0 | 137,500 |
| | <u>49,308,802</u> | <u>12,460,926</u> | <u>14,846,431</u> | <u>4,398,278</u> | <u>81,014,437</u> | <u>16,538,740</u> | <u>97,553,177</u> |
| EXPENSES: | | | | | | | |
| Depreciation | 15,344,801 | 5,772,761(c) | 5,356,374(c) | 1,584,573(c) | 28,058,509 | 6,198,640(c) | 34,257,149 |
| Interest | 3,411,210 | 0 | 0 | 0 | 3,411,210 | 0 | 3,411,210 |
| Operating costs, net of reimbursements | 4,128,883 | 2,854,275(d) | 1,505,269(d) | 0 | 8,488,427 | 5,452(d) | 8,493,879 |
| Management and leasing fees | 2,507,188 | 510,708(e) | 668,090(e) | 197,923(e) | 3,883,909 | 744,242(e) | 4,628,151 |
| General and administrative | 973,785 | 0 | 0 | 0 | 973,785 | 0 | 973,785 |
| Amortization of deferred financing costs | 770,192 | 0 | 0 | 0 | 770,192 | 0 | 770,192 |
| Legal and accounting | 448,776 | 0 | 0 | 0 | 448,776 | 0 | 448,776 |
| | <u>27,584,835</u> | <u>9,137,744</u> | <u>7,529,733</u> | <u>1,782,496</u> | <u>46,034,808</u> | <u>6,948,334</u> | <u>52,983,142</u> |
| NET INCOME | <u>\$ 21,723,967</u> | <u>\$ 3,323,182</u> | <u>\$ 7,316,698</u> | <u>\$ 2,615,782</u> | <u>\$ 34,979,629</u> | <u>\$ 9,590,406</u> | <u>\$ 44,570,035</u> |
| EARNINGS PER SHARE, basic and diluted | | | | | | | |
| | <u>\$ 0.43</u> | | | | <u>\$ 0.24</u> | | <u>\$ 0.27</u> |
| WEIGHTED AVERAGE SHARES, basic and diluted | | | | | | | |
| | <u>50,520,853</u> | | | | <u>144,860,936</u> | | <u>164,423,411</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 and the ADIC Building.

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- (c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.
- (d) Consists of nonreimbursable operating expenses.
- (e) Management and leasing fees are calculated at 4.5% of rental income.
- (f) 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 SIX MONTHS ENDED JUNE 30, 2002

(Unaudited)

| | Wells Real Estate Investment Trust, Inc. (e) | Pro Forma Adjustments | | Pro Forma Subtotal | Pro Forma Adjustments | Pro Forma Total |
|---|---|-----------------------|---------------------|-----------------------|---------------------------------|----------------------|
| | | 2002 Acquisitions | ISS Atlanta | | Other Recent Acquisitions | |
| REVENUES: | | | | | | |
| Rental income | \$ 38,571,815 | \$ 7,307,774(a) | \$ 2,199,139(a) | \$ 48,078,728 | \$ 8,911,649(a) | \$ 56,990,377 |
| Equity in income of joint ventures | 2,478,686 | 0 | 0 | \$ 2,478,686 | 0 | 2,478,686 |
| Interest income | 2,648,351 | 0 | 0 | \$ 2,648,351 | 0 | 2,648,351 |
| Take out fee | 134,102 | 0 | 0 | 134,102 | 0 | 134,102 |
| | <u>43,832,954</u> | <u>7,307,774</u> | <u>2,199,139</u> | <u>53,339,867</u> | <u>8,911,649</u> | <u>62,251,516</u> |
| EXPENSES: | | | | | | |
| Depreciation | 12,903,282 | 2,588,546(b) | 792,286(b) | 16,284,114 | 3,270,573(b) | 19,554,687 |
| Interest | 880,002 | 0 | 0 | 880,002 | 0 | 880,002 |
| Operating costs, net of reimbursements | 2,063,997 | 300,018(c) | 0 | 2,364,015 | 79,067(c) | 2,443,082 |
| Management and leasing fees | 1,903,082 | 328,850(d) | 98,961(d) | 2,330,893 | 401,024 (d) | 2,731,917 |
| General and administrative | 1,121,457 | 0 | 0 | 1,121,457 | 0 | 1,121,457 |
| Amortization of deferred financing costs | 424,992 | 0 | 0 | 424,992 | 0 | 424,992 |
| | <u>19,296,812</u> | <u>3,217,414</u> | <u>891,247</u> | <u>23,405,473</u> | <u>3,750,664</u> | <u>27,156,137</u> |
| NET INCOME | <u>\$ 24,536,142</u> | <u>\$ 4,090,360</u> | <u>\$ 1,307,892</u> | <u>\$ 29,934,394</u> | <u>\$ 5,160,985</u> | <u>\$ 35,095,379</u> |
| EARNINGS PER SHARE, basic and diluted | | | | | | |
| | \$ 0.22 | | | \$ 0.21 | | \$ 0.21 |
| WEIGHTED AVERAGE SHARES, basic and diluted | | | | | | |
| | 110,885,641 | | | 144,860,936 | | 164,423,411 |

(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 nonreimbursable operating expenses.

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

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

The accompanying notes are an integral part of this statement.